Name ______________________

Date ______________________

Toward a Monopoly: Horizontal and Vertical Integration

Andrew Carnegie and John D. Rockefeller both achieved great success and influence in their respective industries, but they took different approaches to eliminating their competition. Complete this activity by following these steps:

1. Read the items below that suggest the steps that Carnegie and Rockefeller took to create monopolies. Beside each item write a word or two to summarize how that step contributed to the establishment of a monopoly.
2. Transfer these words or phrases to the corresponding blanks on the accompanying visual.
3. From your completed visual, write your own definitions for three key terms: *vertical integration, horizontal integration,* and *monopoly.*
4. Finally, write a sentence to show how the three terms are related.

Andrew Carnegie's Path to Monopoly

1. In the early 1860s, Carnegie invested in the Freedom Iron Company, which manufactured iron rails, and the Keystone Bridge Company, which built bridges for railroad lines; he also merged two of his other iron works into Union Iron to provide a reliable and inexpensive source of railroad axles, beams, and plates for his bridge company.
2. In 1865, Freedom Iron retooled to use the Bessemer process to produce steel rails in the United States.
3. The depression of the 1870s created two opportunities for Carnegie: he bought out competing but less well-established firms, and he used a new Pennsylvania law permitting limited liability firms to create the Edgar Thomson Steel Company, Limited.
4. Carnegie hired a chemist to analyze the quality of ores in various mines and devise uses for the by-products of the steel industry.
5. Carnegie introduced cost accounting to determine the exact price of each process and evaluate the efficiency of each of his workers.
6. In the 1870s, Carnegie bought the Unity and the Laramy Coke Works, the Scotia Ore Mines, the Ferro-Manganese Mines, and the Pittsburgh Limestone Company. Later, he acquired a controlling interest in the Mesabi iron ore mines in Minnesota.
7. Carnegie's partner, Henry Clay Frick, built the Union Railway to connect Carnegie's scattered steel mills with the area's railroad trunk lines.
8. Carnegie bought the Pittsburgh, Bessemer, and Lake Erie Railroad in order to prod the powerful Pennsylvania Railroad into signing a contract to carry his goods at exceptionally low rates.
9. In the late 1890s, Carnegie hired knowledgeable sales representatives to promote sales in all the major cities in the United States and Canada and to develop sales in foreign countries.
10. Andrew Carnegie purchased a fleet of ore boats to carry ore across the Great Lakes from Minnesota.

Name ______________________________

Date ______________________________

John D. Rockefeller's Path to Monopoly

1. During the Civil War, Rockefeller invested money in an oil refinery in Cleveland, Ohio. By the end of the war, his company was the largest of sixty refineries in the city.
2. Always attentive to details, Rockefeller introduced cost accounting that was accurate to the third decimal.
3. Rockefeller sent his brother to the East and to foreign countries to develop new markets for his products.
4. Rockefeller bought out many of his competitors during the depression that began in 1873. Threatened with bankruptcy, they sold out to him for very low prices.
5. Rockefeller hired research chemists to improve refining methods and develop kerosene by-products.
6. In 1870, Rockefeller converted his partnership to a joint stock company, the Standard Oil Company of Ohio.
7. Rockefeller persuaded the railroads to give him substantial rebates by arguing that his large volume of business on a regular basis helped the railroads pay their fixed costs and kept down rates for smaller users.
8. In 1872, the major oil refineries and railroads carrying oil created a pool known as the South Improvement Company. In return for a guaranteed volume of business, the railroads agreed to raise drastically their published rates and give the refineries in the arrangement, notably Standard Oil, rebates equivalent to the difference between the old and new rates. In addition, they gave the refineries drawbacks, or a portion of the increase their competitors outside the South Improvement Company would be paying. The agreement fell apart quickly when news of its existence leaked out. However, Rockefeller had already purchased the businesses of numerous worried refiners at bargain rates.
9. By 1875, Standard Oil had merged with most of the Cleveland refiners and many others outside the city.
10. The Standard Oil Trust, created in 1879, allowed nine trustees of Standard Oil to own the controlling stock and manage all of the subsidiary and allied companies of Standard Oil in other states.

Name ______________________

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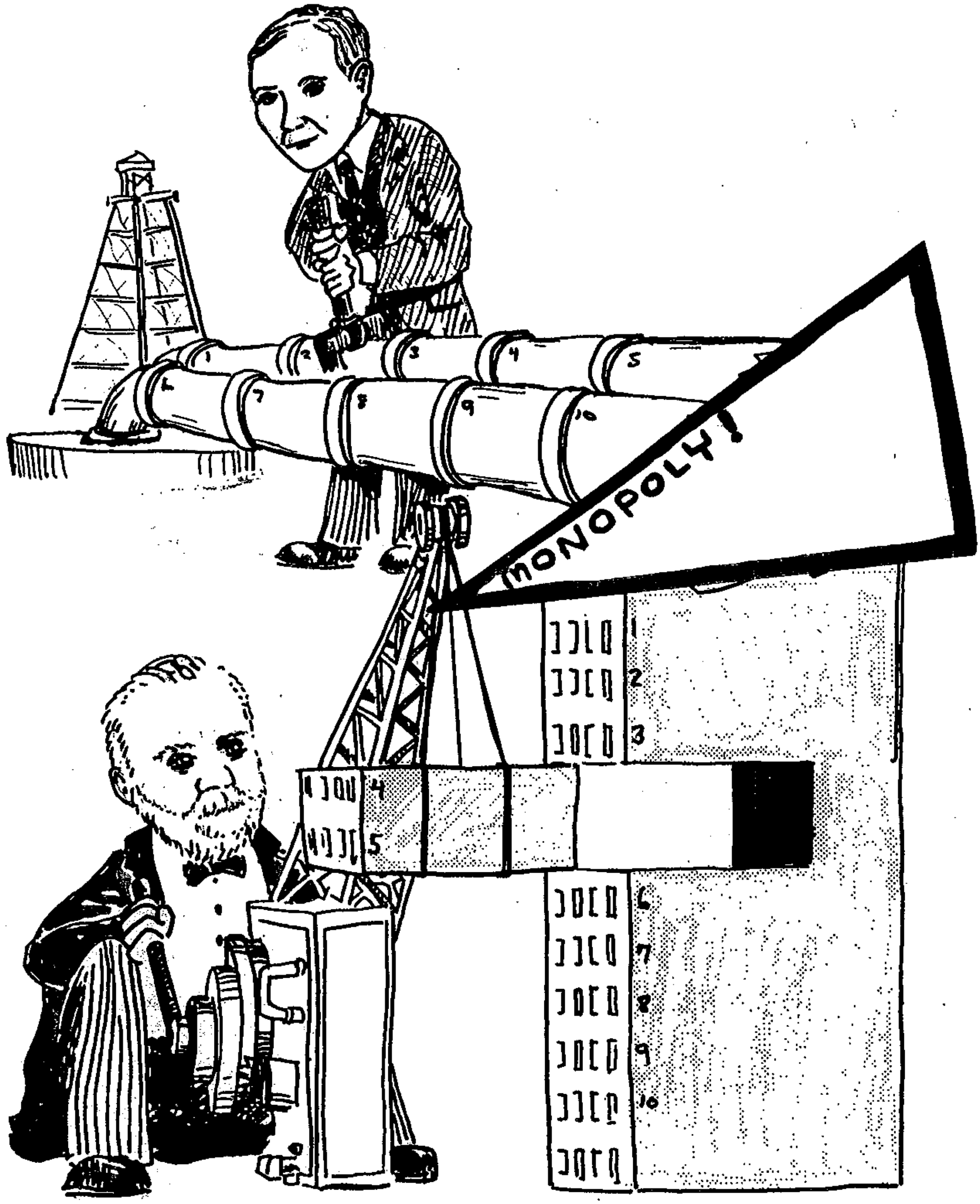

Figure 1.12