Standard oil company kept others from entering the market

ASSIGN BUSTER

The existence of monopolies has in the contemporary times remained an issue of discussion owing to the fact that the advantages and disadvantages border on semantics. As a result, most economies find themselves at cross roads when implementing laws to control the emergence and existence of monopolies. Be it the outright ability of monopolies to woo consumers or their illegal antics at remaining the only supplier of a specific commodity, they have left their mark in the lives of citizens world over. Introduction Standard oil emerged as an oil company at the turn of the 19th century.

Its ambitious and diligent proprietor aimed at colonizing the oil market of the US. As a result, he instituted measures to buy out most of the operating oil refineries and crush those who were opposed to his expansion plans. His bid to control the oil industry in the US contribute hardball tactics against competitors and by 1880, Standard oil owned 90% of the oil-refining business in the US. The results of his efforts came under contravention of the Ohio Charter, owing to the fact that his business interests crossed state borders.

Standard Oil subsequently shifted base to New York and reengineered its business interests to form a trust. Under the guise of the Standard oil Trust, Rockefeller’s portfolio included four thousand miles of pipelines and a hundred thousand employees. The end-consumer and general public gained most from the activities of Standard Oil Trust owing to the affordability and availability of its products. In spite of being banned from engaging in any form of lobbying, employees of Standard Limited enjoyed above-average wages.

By targeting the poor, Standard Oil was able to take advantage of a huge capital base to fend-off competition. 1889 saw augmentation of anti-monopoly sentiments throughout the State. The company had also spread to most of the US. In spite of the strong position held by the company in the hearts of the consumers, lobbyists were in the offing with their target being the “ mother trust”, Standard Oil. Its geographical expansion contributed to the large catalogue of suits facing the company.

The legal and economic premise of the suits was that the existence of monopolies was injurious to the freedom of trade while accruing huge benefits to the monopoly. However, regardless of the outcome of the suits, Standard Oil reinvented its interests and emerged as a new entity in new geographical locations in most occasions. The company became completely immune to the influence of any State, prompting federal intervention. The federal institutions came to the rescue of the lobbyists after an expose by an ardent columnist who outlined the antics of the company relating to ruthlessness against competitors.

The US attorney general finally sued Standard Oil and its affiliates in 1906 under the Sherman Antitrust Act of 1890, which illegalizes contracts aimed at restraining trade in any setting. Evidence adduced by the federal government attested to the claims that Standard Oil Trust had acquired illegal railroad discounts and restrained competitors from accessing oil pipelines in addition to bribing elected officials. Similarly, it was demonstrated that the company contributed to the increase in kerosene prices by nearly 40%.

In their defense, the company representatives employed a combination of ‘ could have been worse’ and ‘ cannot remember’ responses to the cross-examination. Their actions were justified by the absence of price wars and exemption from propositions of the Sherman Act of 1890. At the end of the trial, Standard Oil was unanimously classified as a monopoly and propositions outlined on how it was to be broken down were made. However, the resulting companies still exerted significant influence on the oil prices across the States. The migration to electric lighting facilities paved way for new product categories in the form of gasoline.

Regardless of the outcome of the legal battles etched in the lifetime of the organization, the contribution by the organization remains undeniable. Conclusion Standard Oil thrived in its ability to edge-out competition through somewhat unacceptable and unfair trade practices aimed at maintaining its dominance in the oil market in the US. However, the adversity its success at the expense of the competitors surpassed any advantages accruing to its consumers. State and federal institutions are mandated to protect both producers and consumers from unfair practices such as those thriving in the presence of a monopoly.