

PURE MONOPOLY

In the early 1900s, the Great Northern Railway was granted land by the federal government in order to build a railroad through the northern part of the United States. The government made the Great Northern the only railroad that could operate in the area. This area had poor roads, but the settlers needed a way to bring their farm products to market. The government also hoped that the railroad would open up the area to greater settlement.

The railroad was built and the north prospered. However, after a few years the situation began to change. Although there were many people in the territory, some were far from the railroad. Also, the railroad had begun to raise prices all along the line, and there was no competing line the farmers could use.

When the settlers complained to their representatives in Congress, the government put pressure on the Great Northern to give better service. The railroad resisted making changes because of the threat to its profits, but it did add some new branch lines. However, the settlers were not satisfied because prices were still high and service did not reach enough areas. Therefore, the settlers asked the government to let other railroads operate in the area. The Great Northern fought this action for years, but eventually, competing lines were able to come into the territory. Great Northern had to share its profits.

1. List the three characteristics of a pure monopoly. _____

Did the Great Northern operate as a monopoly? _____

2. Based on the reason for its existence, what type of monopoly was the Great Northern? _____

3. What caused the change in the competitive situation? _____

4. What benefits, if any, did the Great Northern bring to the territory? _____
