



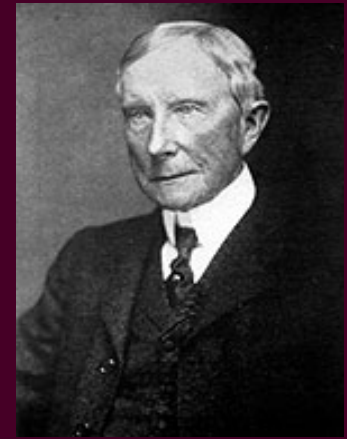
Ida M. Tarbell

ON THE STANDARD OIL COMPANY

__ Ida M. Tarbell, 1902-1904

__ John D. Rockefeller, 1909

__ U.S. Supreme Court, 1911



John D. Rockefeller

Ida M. Tarbell, "The History of the Standard Oil Company," *McClure's Magazine*, 1902-1904

John D. Rockefeller, *Random Reminiscences of Men and Events*, 1909 (pub. 1933)

Mr. Rockefeller . . . secured an alliance with the railroads to drive out rivals. For fifteen years he received rebates of varying amounts on at least the greater part of his shipments, and for at least a portion of that time he collected drawbacks of the oil other people shipped; at the same time he worked with the railroads to prevent other people getting oil to manufacture, or if they got it he worked with the railroads to prevent the shipment of the product. If it reached a dealer, he did his utmost to bully or wheedle him to countermand his order. If he failed in that, he undersold until the dealer, losing on his purchase, was glad enough to buy thereafter of Mr. Rockefeller. . . .



. . . There is no independent refiner or jobber who tries to ship oil freight that does not meet incessant discouragement and discrimination. . . "If I get a barrel of oil out of Buffalo," an independent dealer told the writer not long ago, "I have to *sneak* it out. There are no public docks; the railroads control most of them, and they won't let me out if they can help it. If I want to ship a car-load they won't take it if they can help it. They are all afraid of offending the Standard Oil Company." . . .

Of all the subjects which seem to have attracted the attention of the public to the affairs of the Standard Oil Company, the matter of rebates from railroads has perhaps been uppermost. The Standard Oil Company of Ohio, of which I was president, did receive rebates from the railroads prior to 1880, but received no advantages for which it did not give full compensation. The reason for rebates was that such was the railroads' method of business. A public rate was made and collected by the railroad companies, but, so far as my knowledge extends, was seldom retained in full; a portion of it was repaid to the shippers as a rebate. By this method the real rate of freight which any shipper paid was not known by his competitors nor by other railroad companies, the amount being a matter of bargain with the carrying company. Each shipper made the best bargain that he could, but whether he was doing better than his competitor was only a matter of conjecture. . . .

. . . The Standard gave advantages to the railroads for the purpose of reducing the cost of transportation of freight. It offered freights in large quantity, car-loads and train-loads. It furnished loading facilities and discharging facilities at great cost. It provided regular traffic, so that a railroad could conduct its transportation to the best advantage and use its equipment to the full extent of its hauling capacity without waiting for the refiner's convenience. It exempted railroads from liability for fire and carried its own insurance. It provided at its own expense



[A] community of interests exists between railroads and the Standard Oil Company sufficiently strong for the latter to get any help it wants in making it hard for rivals to do business. The Standard owns stock in most of the great systems. It is represented on the board of directors of nearly all the great systems, and it has an immense freight not only in oil products, but in timber, iron, acids, and all of the necessities of its factories. It is allied with many other industries, iron, steel, and copper, and can swing freight away from a road which does not oblige it. It has great influence in the stock market and can depress or inflate a stock if it sets about it. Little wonder that the railroads, being what they are, are afraid to “disturb their relations with the Standard Oil Company[.]”

IMTARBELL

terminal facilities which permitted economies in handling. For these services it obtained contracts for special allowances on freights. . . .

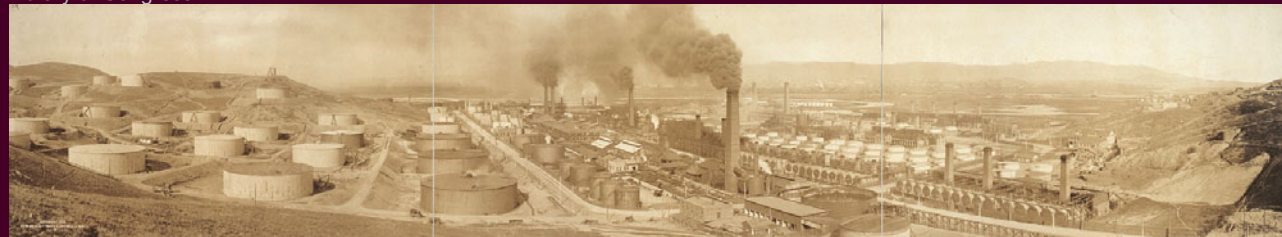
To understand the situation which affected the giving and taking of rebates it must be remembered that the railroads were all eager to enlarge their freight traffic. They were competing with the facilities and rates offered by the boats on lake and canal and by the pipe-lines. All these means of transporting oil cut into the business of the railroads, and they were desperately anxious to successfully meet this competition. As I have stated we provided means for loading and unloading cars expeditiously, agreed to furnish a regular fixed number of carloads to transport each day, and arranged with them for all the other things that I have mentioned, the final result being to reduce the cost of transportation for both the railroads and ourselves. All this was following in the natural laws of trade.

JDROCKEFELLER

The day of individual competition in large affairs is past and gone — you might just as well argue that we should go back to hand labour and throw away our efficient machines — and the sober good sense of the people will accept this fact when they have studied and tried it out. Just see how the list of stockholders in the great corporations is increasing by leaps and bounds. This means that all these people are becoming partners in great businesses.



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Standard Oil Company, Richmond, California, 1913

. . . Until the people of the United States have solved the question of free and equal transportation it is idle to suppose that they will not have a trust question. So long as it is possible for a company to own the exclusive carrier on which a great natural product depends for transportation, and to



use this carrier to limit a competitor's supply or to cut off that supply entirely if the rival is offensive, and always to make him pay a higher rate than it costs the owner, it is ignorance and folly to talk about constitutional

The story of the early history of the oil trade is too well known to bear repeating in detail. The cleansing of crude petroleum was a simple and easy process, and at first the profits were very large. Naturally, all sorts of people went into it: the butcher, the baker, and the candlestick-maker began to refine oil, and it was only a short time before more of the finished product was put on the market than could possibly be consumed. The price went down and down until the trade was threatened with ruin. It seemed absolutely necessary to extend the market for oil by exporting to foreign countries, which required a long and most difficult development; and also to greatly improve the processes of refining so that oil could be made and sold cheaply, yet with a profit, and to use as by-products all of the materials which in the less-efficient plants were lost or thrown away.

amendments limiting trusts. . . So long as the Standard Oil Company can control transportation as it does to-day, it will remain master of the oil industry, and the people of the United States will pay for their indifference and folly. . . .

. . . We are a commercial people. We cannot boast of our arts, our crafts, our cultivation; our boast is in the wealth we produce. As a consequence business success is sanctified, and, practically, any methods which achieve it are justified by a larger and larger class. . . .



As for the ethical side, there is no cure but in an increasing scorn of unfair play — an increasing sense that a thing won by breaking the rules of the game is not worth the winning. When the business man who fights to secure special privileges, to crowd his competitor off the track by other than fair competitive methods, receives the same summary disdainful ostracism by his fellows that the doctor or lawyer who is “unprofessional,” the athlete who abuses the rules, receives, we shall have gone a long way toward making commerce a fit pursuit for our young men.

These were the problems which confronted us almost at the outset, and this great depression led to consultations with our neighbors and friends in the business in the effort to bring some order out of what was rapidly becoming a state of chaos. To accomplish all these tasks of enlarging the market and improving the methods of manufacture in a large way was beyond the power or ability of any concern as then constituted. It could only be done, we reasoned, by increasing our capital and availing ourselves of the best talent and experience.



It was with this idea that we proceeded to buy the largest and best refining concerns and centralize the administration of them with a view to securing greater economy and efficiency. The business grew faster than we had anticipated.



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Standard Oil Company refinery, Sugar Creek, Missouri, 1909

The claim that only by some such aggregation as Mr. Rockefeller formed could enough capital have been obtained to develop the business falls utterly in face of fact. Look at the enormous amounts of capital, a large amount of it speculative, to be sure, which the oil men claim went into their business in the first ten years. It was estimated that Philadelphia alone put over \$168,000,000 into the development of the Oil Regions, and New York \$134,000,000, in their first decade of the business. . . The oil business would no more have suffered for lack of capital without the Standard combination than the iron or wheat or railroad or cotton business. The claim is idle, given the wealth and energy of the

This enterprise, conducted by men of application and ability working hard together, soon built up unusual facilities in manufacture, in transportation, in finance, and in extending markets. We had our troubles and set-backs; we suffered from some severe fires; and the supply of crude oil was most uncertain. Our plans were constantly changed by changed conditions. We developed great facilities in an oil centre, erected storage tanks, and connected pipe-lines; then the oil failed and our work was thrown away. At best it was a speculative trade, and I wonder that we managed to pull through so often; but we were gradually learning how to conduct a most difficult business. . . .

I ascribe the success of the Standard Oil company to its consistent policy of making the volume of its business large through the merit and cheapness of its products. It has spared no expense in utilizing the best and most efficient method of manufacture. It has sought for the best superintendents and workmen and paid the

country in the forty-five years since the discovery of oil. . . .

Very often people who admit the facts, who are willing to see that Mr. Rockefeller has employed force and fraud to secure his ends, justify him by declaring, "It's business." That is, "it's business" has come to be a legitimate excuse for hard dealing, sly tricks, special privileges. It is a common enough thing to hear men arguing that the ordinary laws of morality do not apply in business. IMTARBELL

best wages. . . It has not only sought markets for its principal products, but for all possible by-products, sparing no expense in introducing them to the public in every nook and corner of the world. It has not hesitated to invest millions of dollars in methods for cheapening the gathering and distribution of oils by pipe-lines, special cars, tank-steamers, and tank-wagons. It has erected tank-stations at railroad centres in every part of the country to cheapen the storage and delivery of oil. It has had faith in American oil and has brought together vast sums of money for the purpose of making it what it is, and for holding its market against the competition of Russia and all the countries which are producers of oil and competitors against American products.

JDROCKEFELLER

Canonise "business success," and men who make a success like that of the Standard Oil Trust become national heroes! . . . There is no gaming table in the world where loaded dice are tolerated, no athletic field where men must not start fair. Yet Mr. Rockefeller has systematically played with loaded dice, and it is doubtful if there has ever been a time since 1872 when he has run a race with a competitor and started fair. Business played in this way loses all its sportsmanlike qualities. It is fit only for tricksters.

To read some of the accounts of the affairs of the company, one would think that it had such a hold on the oil trade that the directors did little but come together and declare dividends. It is a pleasure for me to take this opportunity to pay tribute to the work these men are doing If, in place of these directors, the business were taken over and run by anyone but experts, I would sell my interest for any price I could get. To succeed in a business requires the best and most earnest men to manage it, and the best men rise to the top.

It is too late to argue about advantages of industrial combinations. They are a necessity. And if

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Standard Oil tanks, Bakersfield, California, 1910

We, the people of the United States, and nobody else, must cure whatever is wrong in the industrial situation, typified by this narrative of the



growth of the Standard Oil Company. That our first task is to secure free and equal transportation privileges by rail, pipe and waterway is evident. It is not an easy matter. . . .

At all events, until the transportation matter is settled, and settled right, the monopolistic trust will be with us, a leech on our pockets, a barrier to our free efforts. IMTARBELL

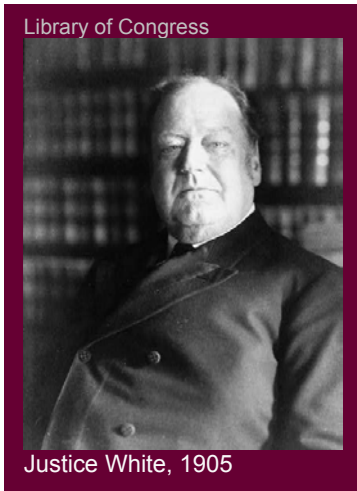
Americans are to have the privilege of extending their business in all the states of the Union, and into foreign countries as well, they are a necessity on a large scale, and require the agency of more than one corporation. The dangers are that the power conferred by combination may be abused . . . These abuses are possible to a greater or less extent in all combinations, large or small, but this fact is no more of an argument against combinations than the fact that steam may explode is an argument against steam.



JDROCKEFELLER

STANDARD OIL COMPANY OF NEW JERSEY et al.* v. UNITED STATES

221 U.S. 1 (1911) ♦ Excerpts



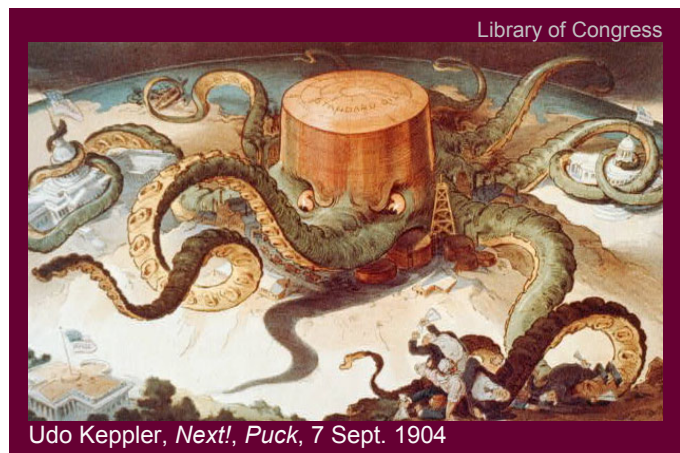
Mr. Chief Justice White delivered the opinion of the court [*which upheld the lower court's order that Standard Oil Company violated the Sherman Antitrust Act of 1890 with its business practices, and further ordered that the company be dissolved*]: . . .

Thus, on the one hand . . . it is insisted that the facts establish that the assailed combination took its birth in a purpose to unlawfully acquire wealth by oppressing the public and destroying the just rights of others, and that its entire career exemplifies an inexorable carrying out of such wrongful intents . . . [and that] the Standard Oil Company of New Jersey . . . is an open and enduring menace to all freedom of trade, and is a byword and reproach to modern economic methods.

On the other hand . . . it is insisted that they demonstrate that the origin and development of the vast business which the defendants control was but the result of lawful competitive methods, guided by economic genius of the highest order, sustained by courage, by a keen insight into commercial situations, resulting in the acquisition of great wealth, but at the same time serving to stimulate and increase production, to widely extend the distribution of the products of petroleum at a cost largely below that which would have otherwise prevailed, thus proving to be at one and the same time a benefaction to the general public as well as of enormous advantage to individuals. . . .

We think no disinterested mind can survey the period in question without being irresistibly driven to the conclusion that the very genius for commercial development and organization which it would seem was manifested from the beginning soon begot an intent and purpose to exclude others which was frequently manifested by acts and dealings wholly inconsistent with the theory that they were made with the single conception of advancing the development of business power by usual methods, but which, on the contrary, necessarily involved the intent to drive others from the field and to exclude them from their right to trade, and thus accomplish the mastery which was the end in view. . . .

The exercise of the power which resulted from that organization fortifies the foregoing conclusions, since the development which came, the acquisition here and there which ensued . . . all lead the mind up to a conviction of a purpose and intent which we think is so certain as practically to cause the subject not to be within the domain of reasonable contention.



*"Corporations known as Standard Oil Company of New Jersey, Standard Oil Company of California, Standard Oil Company of Indiana, Standard Oil Company of Iowa, Standard Oil Company of Kansas, Standard Oil Company of Kentucky, Standard Oil Company of Nebraska, Standard Oil Company of New York, Standard Oil Company of Ohio, and sixty-two other corporations and partnerships, as also seven individuals, were named as defendants." [From the decision]