

prohibit child labor and limit the working hours of adolescents, thereby reducing the incomes of working-class families, more married women felt the need to take jobs outside the home.

17-1 Testimony before the U.S. Industrial Commission (December 30, 1899)

John D. Rockefeller

In 1859, Edwin L. Drake was able to extract oil from the ground beneath Titusville, a small town in western Pennsylvania, setting off the first oil rush in U.S. history. It is impossible to overestimate the importance of this event, given that the American economy would one day become dependent on the availability of cheap and abundant fossil fuels, especially oil. Prior to 1859, oil—a viscous, oozy substance—had little practical value.

John Davison Rockefeller, who had been born in Richford, New York, in 1839, had sold grain, meat, and hay during the Civil War. In 1863, Rockefeller, who was farsighted, ruthless, and shrewd, decided to go into the oil refining business. His interests, which were based in Cleveland, Ohio, grew into the highly successful Standard Oil Company of Ohio. Despite the fierce, cutthroat competition early on, Rockefeller's methods and practices, including the use of trusts, proved extremely effective, and, during his lifetime, his genius at business and economic organization enabled him to create a powerful corporation that dominated the emerging oil industry. Rockefeller was both revered and reviled by his contemporaries. And to this day Americans remain deeply ambivalent about Big Oil in terms of its disproportionate impact on the nation's economy and politics. What follows is Rockefeller's testimony before the U.S. Industrial Commission, appointed by President William McKinley, in which he argues for monopoly and against government regulation.

Source: "Testimony of John D. Rockefeller Before the U.S. Industrial Commission," Dec. 30, 1899, 675–677.

Q. To what advantages, or favors, or methods of management do you ascribe chiefly the success of the Standard Oil Company?

A. I ascribe the success of the Standard to its consistent policy to make the volume of its business large through the merits and cheapness of its products. It has spared no expense in finding, securing, and utilizing the best and cheapest methods of manufacture. It has sought for the best superintendents and workmen and paid the best wages. It has not hesitated to sacrifice old machinery and old plants for new and better ones. It has placed its manufactories at the points where they could supply markets at the least expense. 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. It has not hesitated to invest millions of dollars in methods of cheapening the gathering and distribution of oils by pipe lines, special cars, tank steamers, and tank wagons. It has erected tank stations at every important railroad station to cheapen the storage and delivery of its products. It has spared no expense in forcing its products into the markets of the world among people civilized and uncivilized. It has had faith in American oil, and has brought together millions of money for the purpose of

making it what it is, and holding its markets against the competition of Russia and all the many countries which are producers of oil and competitors against American oil.

Q. What are, in your judgment, the chief advantages from industrial combinations—(a) financially to stockholders; (b) to the public?

A. All the advantages which can be derived from a cooperation of persons and aggregation of capital. Much that one man can not do alone two can do together, and once admit the fact that cooperation, or, what is the same thing, combination, is necessary on a small scale, the limit depends solely upon the necessities of business. Two persons in partnership may be a sufficiently large combination for a small business, but if the business grows or can be made to grow, more persons and more capital must be taken in. The business may grow so large that a partnership ceases to be a proper instrumentality for its purposes, and then a corporation becomes a necessity. In most countries, as in England, this form of industrial combination is sufficient for a business coextensive with the parent country, but it is not so in this country. Our Federal form of government, making every corporation created by a State foreign to every other State, renders it necessary for persons doing business through corporate agency to

organize corporations in some or many of the different States in which their business is located. Instead of doing business through the agency of one corporation they must do business through the agencies of several corporations. If the business is extended to foreign countries, and Americans are not to-day satisfied with home markets alone, it will be found helpful and possibly necessary to organize corporations in such countries, for Europeans are prejudiced against foreign corporations as are the people of many of our States. These different corporations thus become cooperating agencies in the same business and are held together by common ownership of their stocks.

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

- (1) Command of necessary capital.
- (2) Extension of limits of business.
- (3) Increase of number of persons interested in the business.
- (4) Economy in the business.
- (5) Improvements and economies which are derived from knowledge of many interested persons of wide experience.
- (6) Power to give the public improved products at less prices and still make a profit for stockholders.
- (7) Permanent work and good wages for laborers.

I speak from my experience in the business with which I have been intimately connected for about 40 years. Our first combination was a partnership and afterwards a corporation in Ohio. That was sufficient for a local refining business. But dependent solely upon local business we should have failed years ago. We were forced to extend our markets and to seek for export trade. This latter made the seaboard cities a necessary place of business, and we soon discovered that manufacturing for export could be more economically carried on at the seaboard, hence refineries at Brooklyn, at Bayonne, at

Philadelphia, and necessary corporations in New York, New Jersey, and Pennsylvania.

We soon discovered as the business grew that the primary method of transporting oil in barrels could not last. The package often cost more than the contents, and the forests of the country were not sufficient to supply the necessary material for an extended length of time. Hence we devoted attention to other methods of transportation, adopted the pipe-line system, and found capital for pipe-line construction equal to the necessities of the business.

To operate pipe lines required franchises from the States in which they were located, and consequently corporations in those States, just as railroads running through different States, are forced to operate under separate State charters. To perfect the pipe-line system of transportation required in the neighborhood of fifty millions of capital. This could not be obtained or maintained without industrial combination. The entire oil business is dependent upon this pipe-line system. Without it every well would shut down and every foreign market would be closed to us.

The pipe-line system required other improvements, such as tank cars upon railways, and finally the tank steamer. Capital had to be furnished for them and corporations created to own and operate them.

Every step taken was necessary in the business if it was to be properly developed, and only through such successive steps and by such an industrial combination is America today enabled to utilize the bounty which its land pours forth, and to furnish the world with the best and cheapest light ever known, receiving in return therefor from foreign lands nearly \$50,000,000 per year, most of which is distributed in payment of American labor.

I have given a picture rather than a detail of the growth of one industrial combination. It is a pioneer, and its work has been of incalculable value. There are other American products besides oil for which the markets of the world can be opened, and legislators will be blind to our best industrial interests if they unduly hinder by legislation the combination of persons and capital requisite for the attainment of so desirable an end.

Questions

1. For Rockefeller, monopoly was the result of necessity. Explain.
2. According to Rockefeller, what were the challenges to business posed by America's "Federal form of government?"

17-2 *Progress and Poverty* (1879)

Henry George

Born to a poor family in Philadelphia, Henry George (1839–1897) moved to California in 1857. He found work as a journalist in the young and rapidly growing city of San Francisco. George observed that although California and the rest of the nation were entering an age of unprecedented wealth, poverty persisted, and social inequality was widening