Assignment 1

MIME 320

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# Part 1 Summary

The documentary begins by introducing John D. Rockefeller, one of the most influential figures in the oil industry and previously one of the richest men in the world. Then, the initial lack of usage of oil in North America was described, a time when oil was primarily used for cosmetics and medicine. Then in,185 investors attempt to investigate kerosene in Pennsylvania and rock oil to see if it could capture the market for lamp oil. This leads to world’s first oil drilling attempts in Titusville, Pennsylvania, and consequently this leads to an oil rush in the next few years as it proves that oil is now a viable venture that can be extracted cheaply. The scaling up of events only accelerates the extraction speed and reduces the costs. Oil towns, described by a firsthand witness as dirty and polluted, were created.

From this oil rush, various businesses such as oil and metal barrels were created. Eventually, the oil business around Titusville died down from depletion.

Following this, John D. Rockefeller starts business in Cleveland and starts to invest in an oil refinery. His company, which would become the Standard Oil company, would employ railroads, and obtain special rates from rail companies. From this, he forced other companies to subsize his, as if they didn’t pay him “drawbacks”, they’d go out of business from the rail companies increasing prices. After the discovery of the controversy, oil wars begin, with Franklin Tarbell at the head of the Petroleum Producers Union, which opposed Rockfeller.

The documentary then shows Rockefeller was good at practices technically “legal” at the time such as forcing competitors to compete by lowering prices until the competitors were forced to sell out their companies to him. The documentary also shows that he separated morals in personal life and in business, as he ruined lives in business but lived religiously in private.

Following the oil wars, he achieved 90% of oil refineries in the US, which lead to him being compared to a Napoleon of oil. He was described as an innovated as he was the first to implement vertical integration, which meant that he integrated the 4 pillars of oil production and made them into 1 company (production, refining, transporting, marketing).

He further crushed competition by squashing the final comeback attempt of independent oil companies, by blocking the world’s first long distance pipeline with trains and railroads until he had his own pipelines running. From this, he grew his company to be larger than the US army. While he faced competition due to oil not needed for lamps due to the invention of the lightbulb, the invention of automobiles revitalized the need for oil. He also faced competition when southern fields in Texas were discovered, which he could not control.

The empire of Standard Oil fell when the company faced scrutiny for its past misdoings, first by Teddy D. Roosevelt, then by Ida Tarbell, who wrote articles revealing the misdeeds of Standard oil and, most importantly, the illegal practice of the special rates given by railway companies. This brought legal action, which forced Standard Oil to dissolve itself.

According to the documentary, the main conclusions to be taken were that big oil brought strength to the US oil industry but left a precedent of illegal practices and monopoly. Furthermore, these precedents threaten future businesses with professional Machiavellianism. As Rockefeller only got richer after the fall of Standard Oil, the victory could have been seen as hollow, but not according to the documentary, as legal consequences did befall such a monopoly.

As for my conclusions, I believe that the legal victory over Rockefeller’s monopoly was a positive precedent to set, although the fact that such a company managed to operate for so long is detrimental to the integrity and capability of the government to control such entities. Furthermore, I believe this case can be paralleled to current oil monopolies, which still run rampant in the world, as they are international entities often not bound to one single country. This shows that more work has to be done in the world to limit Machiavellian practices in the oil industry.

# Part 2 summary:

The second part of The Prize documentary delves into the history of the Royal Dutch Shell company, which is one of the biggest oil companies in today’s oil industry. The history of the first half of the aforementioned company, the Royal Dutch company, begins in Indonesia, in Sumatra. Meanwhile, Marcus Samuel made his fortune with the other half of said company, Shell, in Russia. Samuel competed with an oil industry innovated by the Nobel brothers, who revolutionized the Russian oil industry and accounted for half of Russia’s oil market by 1890. These two companies would be rivals for many years to come, while both also competing against the global dominance of John D. Rockefeller.

Eventually, Marcus Samuel was invited by the Rothschilds to set up oil trade with the far east. As such, one of Samuel’s great innovations was the invention and usage of tankers to transport oil to the far east, which succeeded despite attempts by Standard Oil to block passage. This, along with the quick setup of canister production in the east, allowed Samuel to be one of the first oil merchants to tap into the far eastern market, where only Standard Oil was present previously.

On the other hand, while both companies were thriving, the Royal Dutch company encountered many difficulties with their oil rigs in Sumatra, namely a revolt of the local native tribes. This would be the first war fought over oil in the world and ended eventually with the suppression of the native tribes by the local government. Meanwhile, Henri Deterding took control of Shell and fought for control of oil in Indonesia with Standard Oil.

Eventually, both Deterding and Marcus Samuel found themselves integrated in prestigious positions in British society, where Samuel eventually became mayor of London. However, this would disturb Shell’s operations in difficult times. To make things worse, the Russian oil fields owned by Shell would then be taken over by the communist revolution at the time. This would force the merger of Shell to the Royal Dutch company. This would result in an unequal merger due to the unfavorable situation Shell found itself in. Deterding thus took advantage of this and managed to force a 60/40 merger in favor of the Royal Dutch company. Deterding also managed to introduce Shell to America, a market previously dominated by Standard Oil.

From then on, the fall of Standard Oil due to malpractice and legal scrutiny benefitted the merged company greatly, as their greatest competitor found itself split up and dissolved. The massive company that used to be the greatest oil producer in the world then split into multiple companies: Esso, Mobil, Chevron, Amoco, which are still major players in today’s oil industry.

However, with the fall of their greatest rival came the rise of another competitor, Anglo-Persian, also known as British Petroleum, which found oil in the middle east. This company benefitted from the favor of the British government and Winston Churchill, who wanted to limit the influence of a company of foreign origins in the country. This would have massive consequences, as the usage of oil as battleship fuel would become a major factor in the world wars and beyond. This led to conflicts between Marcus Samuel and Churchill. Furthermore, the innovations in the world wars such as aviation and tanks further promoted the usage oil over coal rails. The documentary ends with the death of both men, with Deterding having his reputation partially ruined due to his support of the Nazi regime.

Overall, this section of the documentary showed the innovations needed to accelerate the oil and break the monopoly held by Standard Oil over the world. However, it also pointed out previous crimes of these companies, such as the war with natives over oil in Sumatra, as well the ideological failures of Henri Deterding. The documentary effectively attempts to outline the history of Shell in an unbiased manner.

Personally, I believe that the history of the Royal Dutch company and Shell shows a good portrait of how the oil industry evolved into what it is today, with monopolies, innovation, and competition. While the story of Standard Oil illustrated what a true monopoly could do to an industry, the story of Shell illustrates what happens when companies manage to compete with each other in a common market.