

THE OIL WAR OF 1872

BY IDA M. TARBELL

Author of "The Life of Lincoln"

CHAPTER III OF THE HISTORY OF THE STANDARD OIL COMPANY

FOR several days an uneasy rumor had been running up and down the Oil Regions. Freight rates were going up. Now an advance in a man's freight bill may ruin his business; more, it may mean the ruin of a region. Rumor said that the new rate meant just this; that is, that it more than covered the margin of profit in any branch of the oil business. There was another feature to the report; the railroads were not going to apply the proposed tariffs to everybody. They had agreed to give to a company unheard of until now—the South Improvement Company—a special rate considerably lower than the new open rate. It was only a rumor and many people discredited it. *Why should the railroads ruin the Oil Regions to build up a company of outsiders?*

The Uprising in the Oil Regions

On the morning of February 26, 1872, the oil men read in their morning papers that the rise which had been threatening had come; moreover, that all members of the South Improvement Company were exempt from the advance. At the news all Oildom rushed into the streets. Nobody waited to find out his neighbor's opinion. On every lip there was but one word, and that was "conspiracy." In the vernacular of the region, it was evident that "a torpedo was filling for that scheme."

In twenty-four hours after the announcement of the increase in freight rates a mass meeting of three thousand excited, gesticulating oil men was gathered in the Opera House at Titusville. Producers, brokers, refiners, drillers, pumpers were in the crowd. Their temper was shown by the mottoes on the banners which they carried: "Down with the conspirators"—"No compromise"—"Don't give up the ship!" Three days later, as large a meeting was held at Oil City, its temper more warlike if possible; and so it went. They organized a Petroleum Producers' Union, pledged themselves to reduce their production by starting no new wells for sixty days and by shutting down on Sundays, to sell no oil to any person known to be in the South Improvement Company, but to support the Creek refiners

and those elsewhere who had refused to go into the combination, to boycott the offending railroads, and to build lines which they would own and control themselves. They sent a committee to the Legislature asking that the charter of the South Improvement Company be repealed, and another to Congress demanding an investigation of the whole business on the ground that it was an interference with trade. They ordered that a history of the conspiracy, giving the names of the conspirators and the designs of the company, should be prepared, and 30,000 copies sent to "judges of all courts, Senators of the United States, members of Congress and of State Legislatures, and to all railroad men and prominent business men of the country, *to the end that enemies of the freedom of trade may be known and shunned by all honest men.*"

They prepared a petition ninety-three feet long, praying for a free pipe-line bill, something which they had long wanted, but which, so far, the Pennsylvania Railroad had prevented their getting, and sent it by a committee to the Legislature; and for days they kept a thousand men ready to march on Harrisburg at a moment's notice if the Legislature showed signs of refusing their demands. In short, for weeks the whole body of oil men abandoned regular business and surged from town to town intent on destroying the "Monster," the "Forty Thieves," the "Great Anaconda," as they called the mysterious South Improvement Company. Curiously enough, it was chiefly against the combination which had secured the discrimination from the railroads—not the railroads which had granted it—that their fury was directed. They expected nothing but robbery from the railroads, they said. They were used to that; but they would not endure it from men in their own business.

Fighting in the Dark

When they began the fight, the mass of the oil men knew nothing more of the South Improvement Company than its name and the fact that it had secured from the railroads advantages in rates which were bound to ruin all independent refiners of oil and to put all

producers at its mercy. Their tempers were not improved by the discovery that it was a secret organization, and had been at work under their very eyes for some weeks without their knowing it. At the first public meeting this fact came out, leading refiners of the Region relating their experience with the "Anaconda." According to one of these gentlemen, Mr. J. D. Archbold—the same who afterward became vice-president of the Standard Oil Company, which office he now holds—he and his partners had heard of the scheme some months before. Alarmed by the rumor, a committee of independent refiners had attempted to investigate, but could learn nothing until they had given a promise not to reveal what was told them. When convinced that a company had been formed actually strong enough to force or persuade the railroads to give to it special rates and refuse them to all persons outside, Mr. Archbold said that he and his colleagues had gone to the railway kings to remonstrate, but all to no effect. The South Improvement Company by some means had convinced the railroads that they owned the Oil Regions, producers and refiners both, and that hereafter no oil of any account would be shipped except as they shipped it. Mr. Archbold and his partners had been asked to join the company, but had refused, declaring that the whole business was iniquitous, that they would fight it to the end, and that in their fight they would have the backing of the oil men, as a whole. They excused their silence up to this time by citing the pledge* exacted from them before they were informed of the extent and nature of the South Improvement Company.

The "Derrick's" Blacklist

Naturally the burning question throughout the Oil Region, convinced as it was of the iniquity of the scheme, was: who are the conspirators? Whether the gentlemen concerned regarded themselves in the light of "conspirators" or not, they seem from the first to have realized that it would be discreet not to be identified publicly with the scheme, and to have allowed one name alone to appear in all signed negotiations. This was the name of the president, Peter H. Watson. However anxious the members of the South Improvement Company were that Mr. Watson should combinethe honors of presidentwith the trials of scapegoat, it was impossible to keep their names concealed. The Oil City Derrick, at

that time one of the most vigorous, witty, and daring newspapers in the country, began a blacklist at the head of its editorial columns the day after the raise in freights was announced, and it kept it there until it was believed complete. It stood finally as follows:

THE BLACK LIST.

P. H. WATSON, PRES. S. I. CO.

Charles Lockhart,

W. P. Logan,

R. S. Waring,

A. W. Bostwick,

W. G. Warden,

John Rockefeller,

Anasa Stone.

These seven are given as the Directors of the Southern Improvement Company. They are refiners or merchants of petroleum

Atlantic & Gt. Western Railway.

L. S. & M. S. Railway.

Philadelphia & Erie Railway.

Pennsylvania Central Railway.

New York Central Railway.

Erie Railway.

Behold "The Anaconda" in all his hideous deformity!

This list was not exact,* but it was enough to go on, and the oil blockade, to which the Petroleum Producer's Union had pledged itself, was now enforced against the firms listed, and as far as possible against the railroads. All of these refineries had their buyers on the Creek, and although several of the buyers were young men generally liked for their personal and business qualities, no mercy was shown them. They were refused oil by everybody, though they offered from seventy-five cents to a dollar more than the market price. They were ordered at one meeting "to desist from their nefarious business or leave the Oil Region," and when they declined they were invited to resign from the Oil Exchanges of which they were members. So strictly, indeed, was the blockade enforced that in Cleveland the refineries were closed and meetings for the relief of the workmen were held. In spite of the excitement there was little vandalism, the only violence at the opening of the war being at Franklin, where a quantity of the oil belonging to Mr. Watson was run on the ground.

* See McClure's MAGAZINE for December, 1902, for stockholders of the South Improvement Company, and list of railroads signing contracts with the Company.

* Two forms of these pledges were published at the time. See McClure's MAGAZINE for December, 1902.

The Oil Men Ask Leading Questions

The sudden uprising of the Oil Regions against the South Improvement Company did not alarm its members at first. The excitement would die out, they told one another. All that they needed to do was to keep quiet, and stay out of the oil country. But the excitement did not die out. Indeed, with every day it became more intense and more widespread. When Mr. Watson's tanks were tapped he began to protest in letters to a friend, F. W. Mitchell, a prominent banker and oil man of Franklin. The company was misunderstood, he complained. "Have a committee of leading producers appointed," he wrote, and "we will show that the contracts with the railroad are as favorable to the producing as to other interests; that the much-denounced rebate will enhance the price of oil at the wells, and that our entire plan in operation and effect will promote every legitimate American interest in the oil trade." Mr. Mitchell urged Mr. Watson to come openly to the Oil Regions and meet the producers as a body. A mass meeting was never a "deliberative body," Mr. Watson replied, but if a few of the leading oil men would go to Albany or New York, or any place favorable to calm investigation and deliberation, and therefore outside of the atmosphere of excitement which enveloped the Oil Country, he would see them. These letters were read to the producers, and a motion to appoint a committee was made. It was received with protests and jeers. Mr. Watson was afraid to come to the Oil Regions, they said. The letters were not addressed to the association, they were private—an insult to the body. "We are lowering our dignity to treat with this man Watson," declared one man. "He is free to come to these meetings if he wants to." "What is there to negotiate about?" asked another. "To open a negotiation is to concede that we are wrong. Can we go halves with these middlemen in their swindle?" "He has set a trap for us," declared another. "We cannot treat with him without guilt," and the motion was voted down.

The stopping of the oil supply finally forced the South Improvement Company to recognize the Producers' Union officially, by asking that a committee of the body be appointed to confer with them, on a compromise. The producers sent back a pertinent answer. They believed the South Improvement Company meant to monopolize the oil business. If that was so they could not consider a compromise with it. If they were wrong, they would be glad to be enlightened, and they asked for in-

formation. First: the charter under which the South Improvement Company was organized. Second: the articles of association. Third: the officers' names. Fourth: the contracts with the railroads and who signed them. Fifth: the general plan of management.

Until we know these things, the oil men declared, we can no more negotiate with you than we could sit down to negotiate with a burglar as to his privileges in our house.

An Omnibus Charter

The Producers' Union did not get the information they asked from the company at that time, but it was not long before they did, and much more, too. The committee which they had appointed to write a history of the South Improvement Company reported on March 20th, and in April the Congressional Committee appointed at the insistence of the oil men made its investigation. The former report was published broadcast, and is readily accessible to-day. The Congressional investigation was not published officially, and no trace of its work can now be found in Washington, but while it was going on, reports were made in the newspapers of the Oil Regions, and at its close the Producers' Union published in Lancaster, Pennsylvania, a pamphlet called the "Rise and Fall of the South Improvement Company," which contains the full testimony taken by the committee. This pamphlet is rare, the writer never having been able to find a copy save in three or four private collections. The most important part of it is the testimony of Peter H. Watson, the president, and W. G. Warden, the secretary of the South Improvement Company. It was in these documents that the oil men found full justification for the war they were carrying on and for the losses they had caused themselves and others. Nothing, indeed, could have been more damaging to a corporation than the publication of the charter of the South Improvement Company. As its president told the Congressional Investigating Committee, when he was under examination, "this charter was a sort of clothes-horse to hang a scheme upon." As a matter of fact, it was a clothes-horse big enough to hang the earth upon. It granted powers practically unlimited. There really was no exaggeration in the summary of its powers made and scattered broadcast by the irate oil men in their "History of the South Improvement Company":

The Southern Improvement Company can own, contract or operate any work, business or traffic (save only banking); may hold and transfer any kind of property, real or personal; hold and operate on any leased property (oil territory, for instance); make any kind of con-

tract; deal in stocks, securities, and funds; loan its credit; guarantee any one's paper; manipulate any industry; may seize upon the lands of other parties for railroading or *any other purpose*; may absorb the improvements, property or franchises of any other company, *ad infinitum*; may fix the fares, tolls or freights to be charged on lines of transit operated by it, or on any business it gives to *any other company* or line, without limit.

Its capital stock can be expanded or "watered" at liberty; it can change its name and location at pleasure; can go anywhere and do almost anything. It is not a Pennsylvania corporation, only; it can, so far as these enactments are valid, or are confirmed by other Legislatures, operate in any State or Territory; its directors must be only citizens of the United States—not necessarily of Pennsylvania. It is responsible to no one; its stockholders are only liable to the amount of their stock in it; its directors, when wielding all the princely powers of the corporation, are also responsible only to the amount of their stock in it; it may control the business of the continent and hold and transfer millions of property and yet be rotten to the core. It is responsible to no one; makes no reports of its acts or financial condition; its records and deliberations are secret; its capital illimitable; its object unknown. It can be here to-day, to-morrow away. Its domain is the whole country; its business everything. Now it is petroleum it grasps and monopolizes; next year it may be iron, coal, cotton, or breadstuffs. They are landsmen granted perpetual letters of marque to prey upon all commerce everywhere.

When the course of this charter through the Pennsylvania Legislature came to be traced, it was found to be devious and uncertain.

The company had been incorporated in 1870, and vested with all the "powers, privileges, duties, and obligations" of two earlier companies—the Continental Improvement Company and the Pennsylvania Company, both of which were children of that interesting body known as the "Tom Scott Legislature." The act incorporating the company was never published, the name of the member introducing it was never known, and no votes on it are recorded. The origin of the South Improvement Company has always remained in darkness. It was one of thirteen "improvement" companies chartered in Pennsylvania at about the same time, and enjoying the same commercial *carte blanche*.

Amazing Contracts with the Railroads

Bad as the charter was in appearance, the oil men found that the contracts which the new company had made with the railroads were

worse. These contracts advanced the rates of freight from the Oil Regions over 100 percent., but it was not the railroad that got the greater part of this advance; it was the South Improvement Company. Not only did it ship its own oil at fully a dollar a barrel cheaper on an average than anybody else could, but it received fully a dollar a barrel "rake-off" on every barrel its competitors shipped. It was computed and admitted by the members of the company who appeared before the investigating committee of Congress that this discrimination would have turned over to them fully \$6,000,000 annually on the carrying trade. It is hardly to be wondered at that when the oil men had before them the full text of these contracts they refused absolutely to accept the repeated assertions of the members of the South Improvement Company that their scheme was intended only for "the good of the oil business." The committee of Congress could not be persuaded to believe it either. "Your success meant the destruction of every refiner who refused for any reason to join your company, or whom you did not care to have in, and it put the producers entirely in your power. It would make a monopoly such as no set of men are fit to handle," the chairman

of the committee declared. Mr. Warden, the secretary of the company, protested again and again that they meant to take in all the refiners, though he had to admit that the contracts with the railroads were not made on this condition. Mr. Watson affirmed and reaffirmed before the committee that it was the intention of the company to take care of the producers. "It was an essential part of this contract that the producers should join it," he declared. But no such condition was embodied in the contract. It was verbal only, and, besides, it had never been submitted to the producers themselves in any form until after the trouble in the Oil Region began. The committee, like the oil men, insisted that under the circumstances no such verbal understanding was to be trusted.

No part of the testimony before the committee made a worse impression than that showing that one of the chief objects of the



S. V. HARKNESS

One of the five stockholders of the Standard Oil Company at its organization in 1870. Mr. Harkness held no stock in the South Improvement Company.

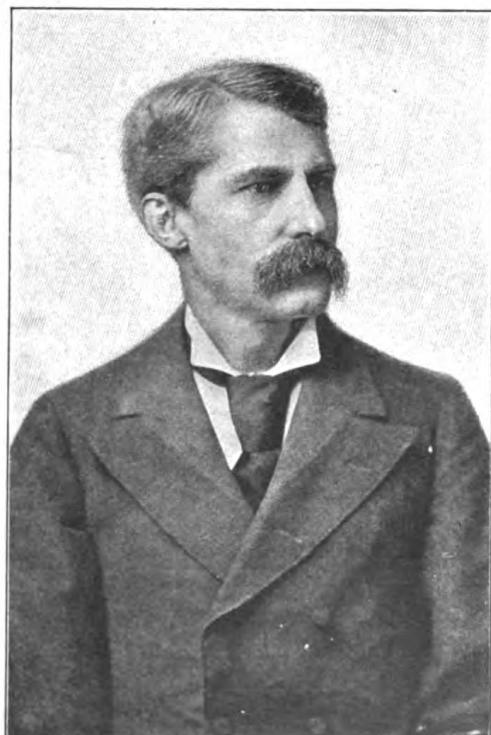
combination was to put up the price of refined oil. "Under your arrangement," said the chairman, "the public would have been put to an additional expense of \$7,500,000 a year." "What public?" said Mr. Warden. "They would have had to pay it in Europe." "But to keep up the price abroad you would have to keep up the price at home," said the chairman. Mr. Warden conceded the point: "You could not get a better price for that exported without having a better price here." Thirty-two cents a gallon was the ideal price they had in view, though refined had not sold for that since 1869, the average price in 1870 being 26 $\frac{2}{3}$ and in 1871 24 $\frac{1}{2}$. The average price of crude in 1870 was \$3.90 a barrel; in 1871, \$4.40. The Congressional Committee claimed that any combination formed for the purpose of putting up the price of an article

brought out by the Congressional Investigating Committee, with the publication of charters and contracts, to convince the country at large that the Oil Regions were right in their opposition. From the first the sympathy of the press and the people were with the oil men. It was evident to everybody that if the railroads had made the contracts as charged (and it daily became more evident they had done so), nothing but an absolute monopoly of the whole oil business by this combination could result. It was robbery, cried the newspapers all over the land. "Under the guise of assisting in the development of oil refining in Pittsburg and Cleveland," said the New York 'Tribune,' "this corporation has simply laid its hand upon the throat of the oil traffic with a demand to 'stand and deliver.'" And if this could be done in the oil business, what was to prevent its being done in any other industry? Why should not a company be formed to control wheat or beef or iron or steel, as well as oil? If the railroads would do this for one company, why not for another? The South Improvement Company, men agreed, was a menace to the free trade of the country. If the oil men yielded now, all industries must suffer from their weakness. The railroads must be taught a lesson as well as would-be monopolists.

Reinforcements from New York.

The oil men had no thought of yielding. With every day of the war their backbones grew stiffer. The men were calmer, too, for their resistance had found a moral ground which seemed impregnable to them, and arguments against the South Improvement Company now took the place of denunciations. The country so buzzed with discussion on the duties of the railroads, that reporters sent from the Eastern newspapers commented on it. Nothing was commoner, indeed, on the trains which ran the length of the region, and were its real forums, than to hear a man explaining that the railways derived their existence and power from the people, that their charters were contracts with the people, that a fundamental provision of these contracts was that there should be no discriminating in favor of one person or one town, that such a discrimination was a violation of charter, that therefore the South Improvement Company was founded on fraud, and the courts must dissolve it if the railways did not abandon it.

They now met the very plausible reasons given by the members of the company for their combination more intelligently than at first.



HENRY M. FLAGLER IN 1872

One of the founders of the original Standard Oil Company and a stockholder in the South Improvement Company.

of general consumption was an injury to the public, but the members of the company would not admit it as such. Everybody in the business should make more money, they argued; the profits were too small—the consumer ought to be willing to pay more.

Popular Sympathy for the Oil Regions

It did not take the full exposition of the objects of the South Improvement Company,

There were grave abuses in the business, they admitted; there was too great refining capacity; but this they argued was a natural development in a new business whose growth had been extraordinary and whose limits were by no means defined. Time and experience would regulate it. Give the refiners open and regular freights, with no favors to any one, and the stronger and better equipped would live, the others die—but give all a chance. In fact, time and energy would regulate all the evils of which they complained if there was fair play.

The oil men were not only encouraged by public opinion and by getting their minds clear on the merits of their case; they were upheld by repeated proofs of aid from all sides; even the women of the region were asking what they could do, and offering to wear their "black velvet bonnets" all summer if necessary. Solid support came from the independent refiners and shippers in other parts of the country, who were offering to stand in with them in their contest. New York was already one of the chief refining centers of the country, and the South Improvement Company had left it entirely out of its combination. As incensed as the Creek itself, the New York interests formed an association, and about the middle of March sent a committee of three, with H. H. Rogers of Charles Pratt & Company at its head, to Oil City, to consult with the Producers' Union. Their arrival in the Oil Regions was a matter of great satisfaction. What made the oil men most exultant, however, was their growing belief that the railroads—the crux of the whole scheme—were weakening.

The Railroads Back Down.

However fair the great scheme may have appeared to the railroad kings in the privacy of the council chamber, it began to look dark as soon as it was dragged into the open, and signs of a scuttle soon appeared. General G. B. McClellan, president of the Atlantic and Great Western, sent to the very first mass meeting this telegram:

NEW YORK, February 27, 1872.

Neither the Atlantic and Great Western, or any of its officers, are interested in the South Improvement Company. Of course, the policy of the road is to accommodate the petroleum interest.

G. B. McCLELLAN.

A great applause was started, only to be stopped by the hisses of a group whose spokesman read the following:

Contract with South Improvement Company signed by Geo. B. McClellan, president, for the Atlantic and

Great Western Railroad. I only signed it after it was signed by all the other parties.

JAY GOULD.

The railroads tried in various ways to appease the oil men. They did not enforce the new rates. They had signed the contracts, they declared, only after the South Improvement Company had assured them that



GENERAL J. H. DEVEREUX

It was General Devereux who, in 1868, when acting as vice-president of the Lake Shore and Michigan Southern R.R., first granted rebates to Mr. Rockefeller's firm. He was with the same road when it made the contract with the South Improvement Company. Later he became president of the Atlantic and Great Western, and of the Indianapolis and St. Louis. General Devereux took an active part in the discussions which led to the Interstate Commerce Bill.

all the refineries and producers were to be taken in. Indeed, they seem to have realized within a fortnight that the scheme was doomed, and to have been quite ready to meet cordially a committee of oil men which went east to demand that the railroads revoke their contracts with the South Improvement Company. This committee, which was composed of twelve persons, three of them being the New York representatives already mentioned, began its work by an interview with Colonel Scott at the Colonial Hotel in Philadelphia. With evident pride the committee wrote back to the Producers' Union

that: "Mr. Scott, differing in this respect from the railroad representatives whom we afterwards met, notified us that he would call upon us at our hotel." An interesting account of their interview was given to the Hepburn Committee in 1879 by Mr. W. T. Scheide, one of the number:

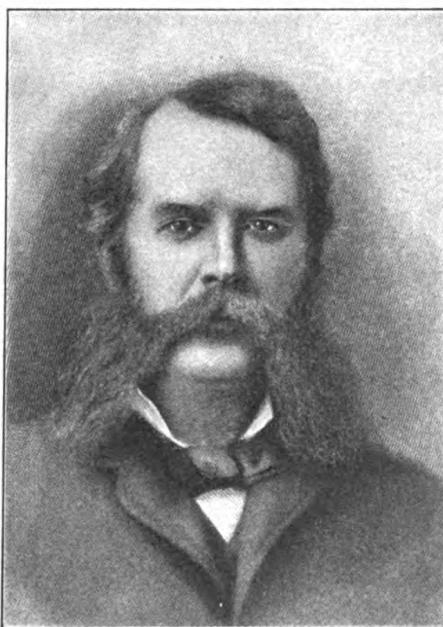
We saw Mr. Scott on the 18th of March, 1872, in Philadelphia, and he said to us that he was very much surprised to hear of this agitation in the Oil Regions; that the object of the railroads in making this contract with the South Improvement Company was to obtain an evener to pool the freight—pool the oil freights among the different roads; that they had been cutting each other on oil freights for a number of years, and had not made any money out of it, although it was a freight they should have made money from; that they had endeavored to make an arrangement among themselves, but had always failed; he said that they supposed that the gentlemen representing the South Improvement Company represented the petroleum trade, but as he was now convinced they did not, he would be very glad to make an arrangement with this committee, who undoubtedly did represent the petroleum trade; the committee told him that they could not make any such contract; that they had no legal authority to do so; he said that could be easily fixed, because the Legislature was then in session, and by going to Harrisburg a charter could be obtained in a very few days; the committee still said that they would not agree to any such arrangement, that they did not think the South Improvement Company's contract was a good one, and they were instructed to have it broken, and so they did not feel that they could accept a similar one, even if they had the power.

Leaving Colonel Scott, the committee went on to New York, where they stayed for about a week, closely watched by the newspapers, all of which treated the "Oil War" as a national affair. Various conferences were held, leading up to a final all-important one on March 25th, at the Erie offices. Horace Clark, president of the Lake Shore and Michigan Southern Railroad, was chairman of this meeting, and, according to H. H. Rogers's testimony before the Hepburn Committee, in 1879, there were present, besides the oil men, Colonel Scott, General McClellan, Director

Diven, William H. Vanderbilt, Mr. Stebbins, and George Hall.

Mr. Rockefeller to the Rescue

The meeting had not been long in session before Mr. Watson, president of the South Improvement Company, and Mr. John D. Rockefeller, presented themselves for admission. Up to this time Mr. Rockefeller had kept well out of sight in the affair. He had given no interviews, offered no explanations. He had allowed the president of the company to wrestle with the excitement in his own way, but things were now in such critical shape that he came forward in a last attempt to save the organization by which he had been able to concentrate in his own hands the refining interests of Cleveland. With Mr. Watson, he knocked for admission to the council going on in the Erie offices. The oil men flatly refused to let them in. A dramatic scene followed, Mr. Clark, the chairman, protesting in agitated tones against shutting out his "life-long friend, Watson." The oil men were obdurate. They would have nothing to do with anybody concerned with the South Improvement Company. So determined were they that although Mr. Watson came in, he was obliged at once to withdraw. A Times reporter who witnessed the little scene between the two supporters of



W. G. WARDEN

The leading refiner in Philadelphia in 1872. Mr. Warden was one of the chief supports of the South Improvement Company, acting as its secretary, and defending it before the Congressional Investigating Committee. After the destruction of that company he continued to act in harmony with the various efforts at combining the refiners which were made under Mr. Rockefeller's direction. His firm was finally merged into the Standard Oil Trust.

the tottering company after its president was turned out of the meeting remarks sympathetically that Mr. Rockefeller soon went away, "looking pretty blue."

The acquiescence of the "railroad kings" in the refusal of the oil men to recognize representatives of the South Improvement Company was followed by an unwilling promise to break the contracts with the company. A strong effort was made to persuade the independents to make the same contracts on condition that they shipped as much oil, but they would not hear of it. They demanded

open rates, with no rebates to any one. The Vanderbilts particularly stuck for this arrangement, but were finally obliged to consent to revoke the contracts and to make a new one embodying the views of the Oil Regions. The contract finally signed at this meeting by H. F. Clark for the Lake Shore Road, O. H. P. Archer for the Erie, W. H. Vanderbilt for the Central, George B. McClellan for the Atlantic and Great Western, and Thomas A. Scott for the Pennsylvania, agreed that all shipping of oil should be made on "a basis of perfect equality to all shippers, producers, and refiners, and that no rebates, drawbacks, or other arrangements of any character shall be made or allowed that will give any party the slightest difference in rates or discriminations of any character whatever."

The same rate was put on refined oil from Cleveland, Pittsburg, and the Creek, to eastern shipping points; that is, Mr. Rockefeller could send his oil from Cleveland to New York at \$1.50 per barrel; so could his associates in Pittsburg, and this was what it cost the refiner on the Creek; but the latter had this advantage: he was at the wells. Mr. Rockefeller and his Pittsburg allies were miles away, and it cost them, by the new contract, fifty cents to get a barrel of crude to their works. The Oil Regions meant that geographical position should count. Unless there was some way to get around this contract, it looked at that moment very much as if Mr. Rockefeller had bought a white elephant when he swept up the refineries of Cleveland.

Grant on Monopolies

This contract was the first effective thrust into the great bubble. Others followed in quick succession. On the 28th, the railroads officially annulled their contracts with the company. About the same time the Pennsylvania legislature repealed the charter. On March 30th, the committee of oil men sent to Washington to be present during the Congressional investigation, now about to begin, spent an hour with President Grant. They wired home that on their departure he said: "Gentlemen, I have noticed the progress of monopolies, and have long been convinced that the National Government would have to interfere and protect the people against them." The President and the members of Congress of both parties continued to show the greatest interest in the investigation, and there was little or no dissent from the final judgment of the committee, given early in May, that the South Improvement Company was the "most gigantic and daring con-

spiracy" a free country had ever seen. This decision finished the work. The "monster" was slain, the Oil Regions proclaimed exultantly.

The Standard again Buys Oil

And now came the question; what should they do about the blockade established against the members of the South Improvement Company? The railroads they had forgiven; should they forgive the members of the South Improvement Company? This question came up immediately on the repeal of the charter. The first severe test to which their temper was put was early in April, when a firm of Oil City brokers sold some 20,000 barrels of oil to the Standard Oil Company. The moment the sale was noised a perfect uproar burst forth. Indignant telegrams came from every direction condemning the brokers. "Betrayal," "infamy," "mercenary achievement,"



PETER H. WATSON

After the Civil War Mr. Watson, who had been Mr. Stanton's assistant Secretary of War, instead of returning to his profession, which was that of a lawyer, went into the railroad business. He became what was known as the cattle agent, and is credited with devising the evener plan by which the cattle business was apportioned between various roads and competition avoided. This idea was one of the essential parts of the South Improvement scheme. Mr. Watson gave up the oil business after the oil war. Later he was made president of the Erie Railroad.

"the most unkindest cut of all," was the gist of them. From New York, Porter and Archbold telegraphed annulling all their contracts with the guilty brokers. The Oil Exchange passed votes of censure, and the Producers'



JOHN D. ARCHBOLD IN 1872

Now vice-president of the Standard Oil Company. Mr. Archbold, whose home, in 1872, was in Titusville, Pennsylvania, although one of the youngest refiners of the Creek, was one of the most active and efficient in breaking up the South Improvement Company.

Union turned them out. A few days later it was learned that a dealer on the Creek was preparing to ship 5,000 barrels to the same firm. A mob gathered about the cars and refused to let them leave. It was only by stationing a strong guard that the destruction of the oil was prevented.

But something had to be done. The cooler heads argued that the blockade, which had lasted now forty days, and from which the Region had, of course, suffered enormous loss, should be entirely lifted. The objects for which it had been established had been accomplished—that is, the South Improvement Company had been destroyed;—now let free trade be established. If anybody wanted to sell to “conspirators,” it was his look-out. A long and excited meeting of men from the entire oil country was held at Oil City to discuss the question. At this meeting telegrams to the president of the Petroleum Producers’ Union, Captain William Hasson, from officials of the railroads were read, declaring that the contracts with the South Improvement Com-

pany were canceled. Also the following from the Standard Oil Company was read:

CLEVELAND, OHIO, April 8, 1872.

To Captain William Hasson: In answer to your telegram, this company holds no contract with the railroad companies or any of them, or with the South Improvement Company. The contracts between the South Improvement Company and the railroads have been canceled, and I am informed you have been so advised by telegram. I state unqualifiedly that reports circulated in the Oil Region and elsewhere, that this company, or any member of it, threatened to depress oil, are false.

JOHN D. ROCKEFELLER, President.

It was finally decided that “inasmuch as the South Improvement Company contracts were annulled, and the Pennsylvania Legislature had taken pains to safeguard the interests of the trade, and Congress was moving on the same line, after the 15th trade should be free to all.” This resolution put an official end to the “oil war.”

But no number of resolutions could wipe out the memory of the forty days of terrible excitement and loss which the region had suffered. No triumph could stifle the suspicion and the bitterness which had been sown broadcast through the region. Every particle of independent manhood in these men whose very life was independent action had been

outraged. Their sense of fair play, the saving force of the region in the days before law and order had been established, had been violated. These were things which could not be forgotten. There henceforth could be no trust in those who had devised a scheme which, the producers believed, was intended to rob them of their business.

The South Improvement Company alias The Standard Oil Company

It was inevitable that under the pressure of their indignation and resentment some person or persons should be fixed upon as responsible, and should be hated accordingly. Before the lifting of the embargo this responsibility had been fixed. It was the Standard Oil Company of Cleveland, so the Oil Regions decided, which was at the bottom of the business, and the “Mephistopheles of the Cleveland Company,” as they put it, was John D. Rockefeller. Even the Cleveland Herald acknowledged this popular judg-

ment. "Whether justly or unjustly," the editor wrote, "Cleveland has the odium of having originated the scheme." This opinion gained ground as the days passed. The activity of the president of the Standard in New York, in trying to save the contracts with the railroads, and his constant appearance with Mr. Watson, and the fact brought out by the Congressional investigation that a larger block of the South Improvement Company's stock was owned in the Standard than in any other firm, strengthened the belief. But what did more than anything else to fix the conviction was what they had learned of the career of the Standard Oil Company in Cleveland. Before the oil war the company had been known simply as one of several successful firms in that city. It drove close bargains, but it paid promptly, and was considered a desirable customer. Now the Oil Regions learned for the first time of the sudden and phenomenal expansion of the company. Where there had been at the beginning of 1872 twenty-six refining firms in Cleveland, there were but six left. In three months before and during the oil war the Standard had absorbed twenty plants. It was generally charged by the Cleveland refiners that Mr. Rockefeller had used the South Improvement scheme to persuade or compel his rivals to sell to him. "Why," cried the oil men, "the Standard Oil Company has done already in Cleveland what the South Improvement Company set out to do for the whole country, and it has done it by the same means."

By the time the blockade was raised, another unhappy conviction was fixed on the Oil Regions—the Standard Oil Company meant to carry out the plans of the exploded South Improvement Company. The promoters of the scheme were partly responsible for the report. Under the smart of their defeat they talked rather more freely than their policy of silence justified, and their remarks were quoted widely. Mr. Rockefeller was reported in the "Derrick" to have said to a prominent oil man of Oil City that the South Improvement Company could work under the charter of the Standard Oil Company, and to have predicted that in less than two months the gentleman would be glad to join him. The newspapers made much of the following simi-



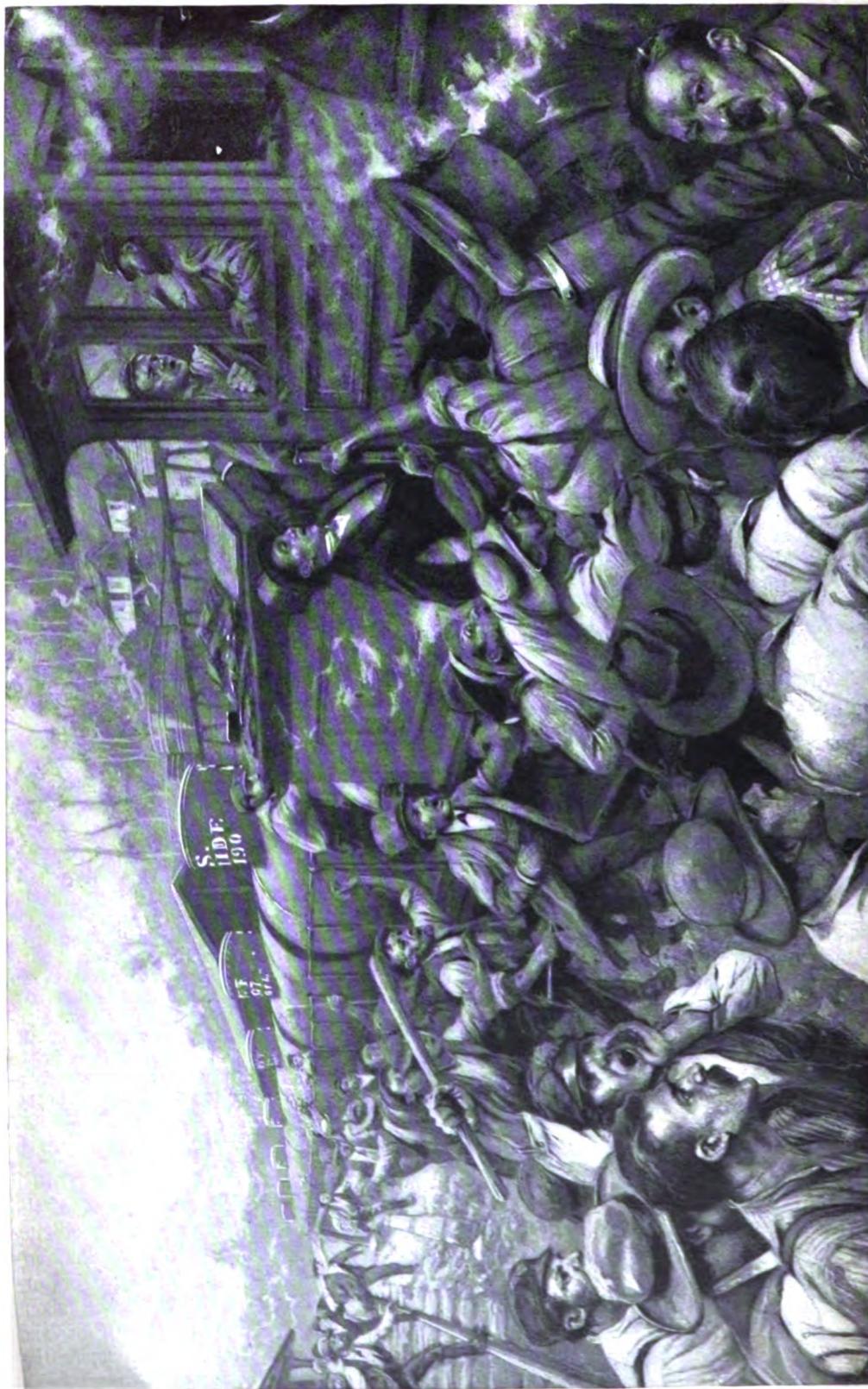
HENRY H. ROGERS IN 1872

Now president of the National Transit Company and a director of the Standard Oil Company. The opposition to the South Improvement Company among the New York refiners was led by Mr. Rogers.

lar story reported by a New York correspondent:

A prominent Cleveland member of what was the South Improvement Company had said within two days: The business now will be done by the Standard Oil Company. We have a rate of freight by water from Cleveland to New York at 70 cents. No man in the trade shall make a dollar this year. We purpose so manipulating the market as to run the price of crude on the Creek as low as two and a half. We mean to show the world that the South Improvement Company was organized for business and means business in spite of opposition. The same thing has been said in substance by the leading Philadelphia member.

"The trade here regards the Standard Oil Company as simply taking the place of the South Improvement Company and as being ready at any moment to make the same attempt to control the trade as its progenitors did," said the New York Bulletin about the middle of April. And the Cleveland Herald discussed the situation under the heading, "South Improvement Company alias Standard Oil Company." The effect of these reports in the Oil Regions was most disas-



AN OIL RIOT

On April 9, 1872, it was learned that a train of tank cars on the siding at Rynd Farm, Oil Creek, was loading with oil for the Standard Oil Company of Cleveland. An excited crowd gathered, and prevented the train pulling out. The tanks and lines were guarded for some time.

trous. Their open war became a kind of guerrilla opposition. Those who sold oil to the Standard were ostracized, and its president was openly scorned.

Mr. Rockefeller Begins All Over Again

If Mr. Rockefeller had been an ordinary man the outburst of popular contempt and suspicion which suddenly poured on his head would have thwarted and crushed him. But he was no ordinary man. He had the powerful imagination to see what might be done with the oil business if it could be centered in his hands—the intelligence to analyze the problem into its elements and to find the key to control. He had the essential element to all great achievement, a steadfastness to a purpose once conceived which nothing can crush. The Oil Regions might rage, call him a conspirator and those who sold him oil traitors; the railroads might withdraw their contracts and the legislature annul his charter; undisturbed and unresting he kept at his great purpose. Even if his nature had not been such as to forbid him to abandon an enterprise in which he saw promise of vast profits, even if he had not had a mind which, stopped by a wall, burrows under or creeps around, he would nevertheless have been forced to desperate efforts to save his business. He had increased his refining capacity in Cleveland to 10,000 barrels on the strength of the South Improvement Company contracts. These contracts were annulled, and in their place was one signed by officials of all the oil-shipping roads refusing rebates to everybody. His geographical position was such that it cost him under these new contracts 50 cents more to get oil from the wells to New York than it did his rivals on the Creek. What could he do?

Mr. Rockefeller Gets a Rebate

He got a rebate. In spite of the binding nature of the contracts signed in New York on March 25th by representatives of all the railroads, before the middle of April the Standard Oil Company was shipping oil eastward from Cleveland for \$1.25—this by the sworn testimony of Mr. H. M. Flagler before a commission of the Ohio State Legislature, in March, 1879. How much less a rate than \$1.25 Mr. Rockefeller had before the end of April the writer does not know. Of course the rate was secret, and he probably understood now, as he had not two months before, how essential it was that he keep it secret. His task was more difficult now, for he had an enemy

active, clamorous, contemptuous, whose suspicions had reached that acute point where they could believe nothing but evil of him—the producers and independents of the Oil Regions. It was utterly impossible that he should ever silence this enemy, for their points of view were diametrically opposed.

They believed in independent effort—every man for himself and fair play for all. They wanted competition, loved open fight. They considered that all business should be done openly—that the railways were bound as public carriers to give equal rates—that any combination which favored one firm or one locality at the expense of another was unjust and illegal.

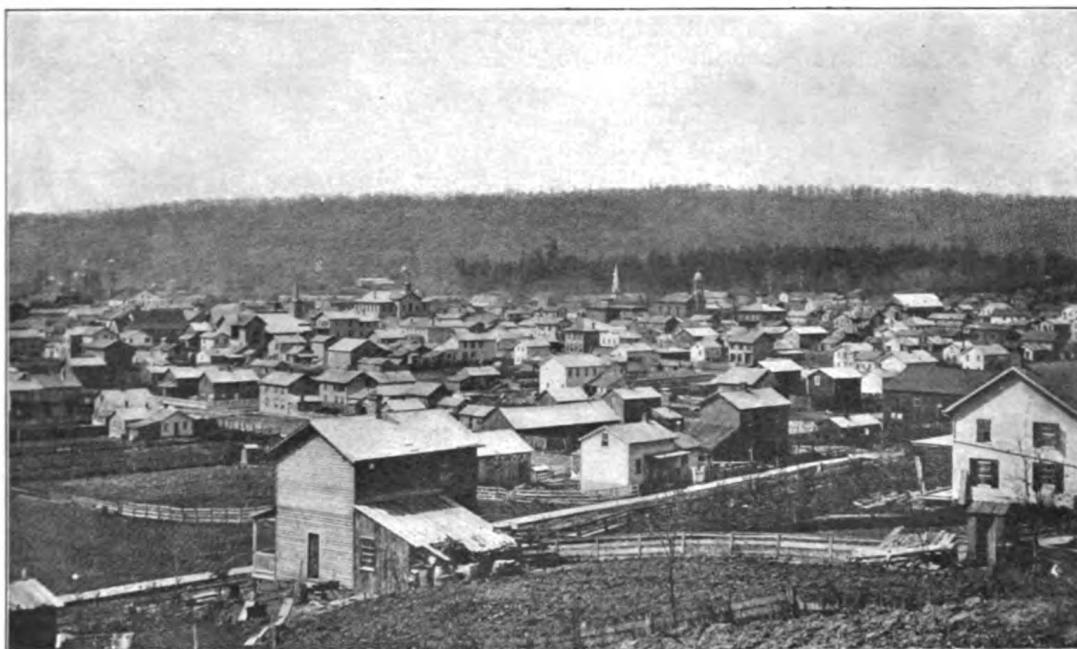
Mr. Rockefeller's Opinions and Character

Mr. Rockefeller's point of view was different. He believed that the "good of all" was in a combination which would control the business as the South Improvement Company proposed to control it. Such a combination would end at once all the abuses the business suffered. As rebates and special rates were essential to this control, he favored them. Of course Mr. Rockefeller knew that the railroad was a public carrier, and that its charter forbade discrimination. But he knew that the railroads did not pretend to obey the laws governing them, that they regularly granted special rates and rebates to those who had large amounts of freight. That is, you could bargain with the railroads as you could with a man carrying on a strictly private business depending in no way on a public franchise. Moreover, Mr. Rockefeller knew that if he did not get rebates somebody else would; that they were for the wariest, the shrewdest, the most persistent. If somebody was to get rebates, why not he? This point of view was no uncommon one. Many men held it and felt a sort of scorn, as practical men always do for theorists, when it was contended that the shipper was as wrong in taking rates as the railroads in granting them.

Thus, on one hand there was an exaggerated sense of personal independence, on the other a firm belief in combination; on one hand a determination to root out the vicious system of rebates practised by the railway on the other a determination to keep it alive and profit by it. Those theories which the body of oil men held as vital and fundamental Mr. Rockefeller and his associates either did not comprehend or were deaf to. This lack of comprehension by many men of what seems

to other men to be the most obvious principles of justice is not rare. Many men who are widely known as good, share it. Mr. Rockefeller was "good." There was no more faithful Baptist in Cleveland than he. Every enterprise of that church he had supported liberally from his youth. He gave to its poor. He visited its sick. He wept with its suffering. Moreover, he gave unostentatiously to many outside charities of whose worthiness he was satisfied. He was simple and frugal in his habits. He never went to the theater, never drank wine. He was a devoted husband,

Regions, believing firmly as ever that relief for the disorders in the oil business lay in combining and controlling the entire refining interest, this man of vast patience and foresight took up his work. The day after the newspapers of the Oil Regions printed the report of the Congressional Committee on Commerce denouncing the South Improvement Company as "one of the most gigantic and dangerous conspiracies ever attempted," and declaring that if it had not been checked in time it "would have resulted in the absorption and arbitrary control of trade in all the



TITUSVILLE IN 1864

At the time of the discovery of oil in 1859 Titusville was a thrifty country settlement of perhaps 300 inhabitants. It depended chiefly on lumbering for its life. When news of the Drake well reached the outside world, Titusville became the headquarters for an extraordinary inrush of people from all parts of the United States. The rapid growth forced on the town was much more solid than in the case of most towns of the Oil Region. By 1864, as the above picture shows, Titusville was a very good specimen of an American town developed under normal circumstances.

and he gave much time to the training of his children, seeking to develop in them his own habits of economy and of charity. Yet he was willing to strain every nerve to obtain for himself special and illegal privileges from the railroads which were bound to ruin every man in the oil business not sharing them with him. Religious emotion and sentiments of charity, propriety and self-denial seem to have taken the place in him of notions of justice and regard for the rights of others.

Unhampered, then, by any ethical consideration, undismayed by the clamor of the Oil

great interests of the country," *Mr. Rockefeller and several other members of the South Improvement Company appeared in the Oil Regions. They had come, they explained, to present a new plan of coöperation, and to show the oil men that it was to their interest to go into it. Whether they would be able to obtain by persuasion what they had failed to obtain by assault was now an interesting uncertainty.

*The report of the Committee of Congress which investigated the South Improvement Company was not made until May 7, over a month after the organization was destroyed by the canceling of the contracts with the railroads.

(To be continued)