

## EDITORIAL ANNOUNCEMENT OF MISS TARBELL'S HISTORY OF THE STANDARD OIL COMPANY—PART SECOND

### I

**A** YEAR ago this magazine began the publication of a history of the Standard Oil Company, its object being to give its readers a concrete example of how a modern trust, aiming at monopoly, is made and sustained. From the first half of this history, ending in our July number, the reader carried away one preëminent and overwhelming conviction, and that was that whatever the money-making genius of Mr. J. D. Rockefeller—and Miss Tarbell gave that gentleman full credit for far-sightedness, energy, and singleness of purpose—the Standard Oil Trust could never have been created had it not been for the special and illegal rebates on transportation which Mr. Rockefeller was able to wrest from the oil-carrying railroads.

For consider Mr. Rockefeller's situation in 1870, when the Standard Oil Company, a partnership with a capital of \$1,000,000, was formed. His company was one of not fewer than 125 oil refineries in the United States. It was not the largest or best known by any means, though one of the ten largest in the country. Mr. Rockefeller at that time could buy his crude oil no cheaper than his neighbors, save, perhaps, in rare instances. His firm owned no peculiar processes of manufacture and had never invented anything. They were skillful and economical refiners, to be sure, but there were at least a score of others in the country as strong in these respects. Nor had Mr. Rockefeller developed any peculiarly remunerative markets for himself. He used those which had been created by the demands of trade and by the enterprise of other men. Only one other department remains in which he might have secured an advantage over rivals—that of transportation—and it was here, as a matter of fact, that he worked.

When John D. Rockefeller came into the oil business, the trunk railroads of the United States were in a hot contest for freight. To outwit one another they were beginning to give special rates to large shippers, and frequently to favor one locality at the expense of another. The practice was forbidden by the charters of the roads. They were given their franchises on condition that they serve all patrons, large and small, fairly. Nobody pretended to deny this was their duty as common carriers. But in spite of this fact Mr. Vanderbilt, Mr. Gould, Mr. Scott, and others of their kind were taking every opportunity to evade their evident obligation to treat the public without unjust discrimination. Their theory was that one shipper handling large amounts of freight regularly was more convenient than many shippers and less liable to transfer his shipments to rival roads, that is, one shipper could be held more easily than many. Therefore, they were beginning to connive with any man who proved himself unscrupulous enough to make use of their contempt for law, to build him up at the expense of his competitors. The rebates they gave were of course supposed to be secret, there being at no time any claim on part of the gentlemen who gave the rebates that they had the legal right to do it. It paid and they had the power; therefore as long as they could keep their acts out of sight they kept them up.

Mr. Rockefeller was one of the first men in the oil business to make use of the criminal practices of the railroads. He saw immediately the advantage he would have if he could ship his oil at rates his rivals could not get, and he began as early as 1868 to push for special rates, giving freight on consideration that nobody else should be allowed what he got. By 1870 he could ship crude oil from the Oil Regions to Cleveland, Ohio, cheaper than any other

of the twenty-six refiners in the town and he had a contract with the Lake Shore and Michigan Southern which bound that road to give him rates to New York lower than it did to anybody else. Not content, he entered in 1872 into a nefarious combination with the railroads known as the South Improvement Company, which not only gave him rates far lower than others could get, but gave him *drawbacks on the shipments of other people!* that is, while Mr. Rockefeller paid \$1.50 to ship a barrel of refined oil to New York from Cleveland his competitors paid \$2.00, and 50 cents of this money was turned over to Mr. Rockefeller! By means of the contracts obtained with the railroads at this time Mr. Rockefeller actually scared out of business twenty independent plants in Cleveland, Ohio, and in a few weeks increased his plant from a daily crude capacity of 1,500 barrels to one of about 10,000 barrels. Instead of being one of the ten leading refiners in the United States he immediately became by this *coup* sevenfold as great as any rival, and he did it by as outrageous a piece of brigandage as was ever organized by Cartouche himself.

The South Improvement Company was intended to be a secret arrangement, but it became known, and an uprising in the Oil Regions quashed it. Alarmed, the region formed a league and forced the railroad presidents, who had been conniving with Mr. Rockefeller, Mr. Vanderbilt, Mr. Scott, Mr. Gould, and General McClellan, into signing an agreement that henceforth no preferential rates should be granted in oil transportation. This league was a public combination against unfair play in the great oil industry. The bulk of the oil country was for it. The press supported it. The law approved it. What position did Mr. Rockefeller take in this public movement for a just and decent policy of transportation? On the ground that he controlled the oil shipments of Cleveland, Ohio, he demanded that his rebates be continued. He would ship by water if they were not. He got what he asked—a secret grant, of course—and thus at a critical time in the history of transportation in this country when the determined stand of a few strong men in favor of fair play would have hastened the interstate commerce legislation forbidding discriminations—the only thing lacking to complete the chain of enactments against

the practice, the railroad charters and the theory of the law forbidding rebates—John D. Rockefeller turned the whole force of a great business, located at a pivotal point, turned the whole strength of his undeniably great brain to keeping alive for his own advantage a wicked and unjust policy.

“It was the way the railroads did business;” “Everybody did it,” are common enough defenses of these ugly facts of the foundation and upbuilding of the Standard Oil Company. Apologists forget or are ignorant that the contracts giving the Standard Oil Company these early advantages were wrested from the railroads only by threats of taking from them great bulks of freight. They forgot that they were contracts made under the cover of secrecy and repudiated as soon as they came to light. They forget that instead of “everybody” in the oil business taking rebates in 1872, “everybody” was combined to fight them. It is only necessary to read Miss Tarbell’s narrative to see that the terrible struggle of the independent oil men against Mr. Rockefeller, in the ten years she has covered in the first part of her history, was based entirely on this point. Rebates are wrong, they declared, and they must be stopped. These men formed associations and extracted pledges of fair play from the railroads. They petitioned Congress for relief, secured investigations, instituted suits, exhausted their resources and their patience in a combined fight against this system. Mr. Rockefeller, on the contrary, throughout this whole period secretly and persistently struggled to keep alive a vicious practice which was ruining men on every side, which was publicly condemned, which in its very nature, was impossible “everybody” should enjoy, since its whole essence was to give secretly to one man or set of men a privilege which others could not get.

Mr. Rockefeller’s success in circumventing the efforts of the Oil Regions to obtain fair play on the railroads was phenomenal. In six years after the South Improvement Company, which gave him his first start, was broken up, he had succeeded in obtaining contracts similar in every point to these of that company, even to the clause which *gave him drawbacks on other people’s shipments*. It was as quick and effective a method of putting competitors out of

business as it would have been for the banks in which they had their deposits to have handed over to Mr. Rockefeller a part of their deposits, and ethically it was quite as unrighteous.

The result of these advantages was naturally and inevitably a practically complete monopoly of the oil business — crystallizing into the Standard Oil Trust. The same practice would have given Mr. Rockefeller the control of wheat or corn, beef or iron. A variety of the same practice created Mr. Carnegie.

It is now twenty-one years since Mr. Rockefeller completed his trust. Alarmed by the injustice which he and others were able to do in business by the illegal acts of the railroads, Congress took fright, and in 1887 passed an interstate commerce law forbidding railroad discrimination and appointing a commission to see that fair play prevailed. It is a well-known fact that in spite of the most faithful efforts of the commission railroads still systematically favor one shipper to the harm of others — build up one locality to the ruin of others. Because no such wholesale and unrighteous acts of stealing are possible as that on which the Standard Oil Trust was founded, it cannot be argued that the public is to-day receiving fair play from the railroads. One has only to study the reports of the Interstate Commerce Commission, of the recent Industrial Commission, to study the phenomenal growth of certain businesses, as the so-called beef trust, to know that evasions of the laws against railroad discrimination are incessant. Indeed, it is less than five years since the business of the country was thrown into confusion by Mr. Cassatt's announcement that henceforth the law would be obeyed on the Pennsylvania system and no rebates would be granted to any one. Such a revolutionary policy was this announcement of obedience to law that Mr. Andrew Carnegie actually refused to do business henceforth with the Pennsylvania and began to build his own road. He created a commotion which has resulted in the monstrous steel trust, an organization which may said to be a monument to Mr. Carnegie's unwillingness to do business if he could not enjoy illegal privileges. Indeed, there rests with the public to-day no less than in 1882, when Mr. Rockefeller completed his dazzling conquest, the imperative duty of continuing its struggle for

justice on the railroads. The railroads exist by the consent of the people. The gentlemen who control them are allowed their franchises, allowed the great fortunes they make from them, on the theory that they can give a better administration than can be obtained by State administration. And unquestionably these gentlemen can do so if they will. It seems to have been pretty clearly demonstrated, however, that they will not — unless forced to it. The necessity of forcing fair play on the railroads is the great lesson of this first series of articles on the Standard Oil Trust, for it is evident it would not be in existence to-day if it had not been for the abuses of justice on which it fattened.

## II

The Second Part of Miss Tarbell's story will begin in the December number of this magazine. It takes up the first resistance to Mr. Rockefeller's authority, following the great defeat of the Oil Regions in 1880 and the formation of the trust in 1882. It was a resistance coming from individuals, for the oil country as a whole was too prostrate to combine. Indeed, the second part of Miss Tarbell's story is a striking illustration of what the determined individual may do in the face of a power which the vulgar call omnipotent. The situation when the second series of articles open is clearly defined. On one hand is Mr. Rockefeller, master of a \$70,000,000 company, controlling the amount of refined oil manufactured, controlling its transportation, influencing and often dictating the price to be paid for the raw material, and fixing the price of the refined article. His contention is that the "coal oil business belongs to him," that he can run it better than anybody else, and that those who dispute his claim must — sorry as he is for it — suffer for their temerity. That he will be able, persistent and ruthless in support of his contention, the first part of this history is evidence enough. Opposed to him are the scattered oil producers who believe that because of Mr. Rockefeller's manipulation they are getting less for their product than it is worth and the few rash individuals who persist in refining oil on the theory that "this is a free country where one has a right to do an independent business if he wants!" These men are bitter and often

unwise because of their bitterness. It is not strange that they feel as they do. Miss Tarbell in her narrative has made no attempt to work on the emotions of her readers. She has asked no sympathy for the independent oil man. Her story has been what it pretended to be, a straight historical narrative backed by documents. But one who reflects must realize something of the suffering and bitterness which Mr. Rockefeller's ten years' campaign left behind. It meant that men who had put the freshness of their youth into building up a business in which they had every reason to expect to win wealth—that many who had begun to amass wealth—saw it swept away from them through no fault of their own; a vital element in their business problem—transportation—was under the absolute mastery of Mr. Rockefeller, and he was deliberately using it to sacrifice them. These men saw their fortunes swept away, homes sold, wives put into the kitchen, children who should have been educated sent into shops to work. The bitterness of such operations is the bitterness of hate—it never ends. Some of these men regained positions in other employments, some compromised and went into the Standard, but there were a few irreconcilables, as there always are after any contest, who could never give up their opposition to a power which they believed outrageous and illegal. It is these men who have disputed the right to do business with Mr. Rockefeller persistently for twenty years.

This twenty years' war has been as full of dramatic episodes as the ten years already rehearsed. In this second period, as in the first, the fight centers about transportation, but not transportation by rail. The continuance of an active oil war through the long second period—1882–1903—has been largely due to the fact that just before the independent oil men got the federal legislation forbidding discrimination on interstate roads, the methods of transporting oil to the seaboard changed utterly. Pipe lines took the place of the railroad, and Mr. Rockefeller was independent of the power which had made his trust possible. The relief the independent oil men had worked for so desperately came too late to be of much service to their business. A new transportation war was at hand—a war to secure pipe

lines to the sea. The seaboard pipe line was their own idea. It was their energy, brains, and money which had proved it practicable. For years the Pennsylvania Railroad, backed by the Standard Oil Company, had done everything it could do, legal and illegal, to prevent a seaboard pipe, but the independents fought it through only to see the Standard—sagacious, keen, indomitable as always—rush before them with pipes of its own the instant the undertaking was an assured success. Mr. Rockefeller's chief concern in the oil business for the next twenty years was to keep his would-be competitors from reaching the sea with their own pipes. The fight against the efforts of these plucky but impractical individuals who insisted on trying to lay pipes in spite of him reads like a chapter from the annals of a guerilla war; rights of way intercepted by purchases of strips of land, pipes torn up, railway and stream crossings fought over with rocks and rifles and even cannon! Business at the mouth of the revolver is what the independent pipe line men have had to do. But they have done it. In 1893 a line was completed from Pennsylvania to Baltimore and made to pay. It became Standard property two years later. In 1891 a group of unconquerable malcontents attempted another—the United States Pipe Line. It has taken this company just ten years to get a line to Philadelphia and in a shape to be unmolested. They have had to change their route three times, but they have triumphed and are doing business independently of the Standard. It is evident from Miss Tarbell's story that to Mr. Rockefeller his opposition is all legitimate enough. "They are our competitors," the Standard urges; "of course we must not let them through if we can help. That is business."

But while the second part of this history demonstrates again the vital necessity of free transportation if we are to have fair commerce, it demonstrates other things, and among them nothing of greater importance than that the right to undersell for the purpose of driving a competitor out of a market, is a deadly weapon in the hands of an individual who feels himself "called" to monopolize an industry as Mr. Rockefeller declares himself to be. There is no question but Mr. Rockefeller's task of sustaining the practical monopoly

of the oil industry which the lawlessness of the railroads had enabled him to build up by 1882, has been greatly lightened by the liberty given him to go into a community where some small rival had worked up a market and put him out of business. The method seems to have been open. It began by a courteous warning to the handler of independent oil that the Standard Oil Company regretted the fact but it could not allow this oil to be sold any longer in his shop. If the dealer made foolish remarks about a free country the Standard still regretted the necessity and dropped prices, to zero if necessary, until the obstreperous dealer was convinced. Miss Tarbell's story shows by a multitude of sworn statements that this practice has gone on all over the country. Certainly Attorney-General Knox is right when he says that something must be done about "predatory competition" as well as about rebates on the railroads.

There are other curious practices which Mr. Rockefeller has introduced into his business to supplement his splendid organization, the energy and intelligence of his body of workers, the varied power of his own astonishing ability. But few of them are adapted to enhance his reputation as a useful public citizen. That reputation rests on the popular and widespread notion that Mr. Rockefeller has "made oil cheap." It is a notion most useful to Mr. Rockefeller, considering the nature of certain of his business practices, and he has naturally cherished and cultivated it. It is a notion, however, which cannot bear investigation, as Miss Tarbell will show in a careful paper on the Price of Oil. The Standard Oil Company was organized to keep up the price of oil. The great lessening of the margin between the price of crude and refined oils came before 1882, when the trust was formed, in the days when competition was bitter and hundreds of able, ingenious, ambitious men were developing the new industry. Since 1882 the margin between crude and refined has remained almost stationary, and this in spite of the fact of the great fall in cost of transportation caused by the general introduction of pipe lines, the improvements in machinery, and the wonderful development of by-products. The fact is, cheap oil now is due to the oil producer—that hardy reckless pioneer who pushes his way into

the wilderness and stacks often his last dollar on the hope of striking oil. Fluctuations in price depend on what he finds. The public reaps little or nothing from the boasted economies of combination, the wonderful development of by-products. And why should it? It has allowed the practices which has made the trust possible. It has justified its apathy to their morality by telling itself that it was getting its oil cheaper. Mr. Rockefeller would be false to his own career if he disturbed the ease of the public by giving the credit of cheap oil to those to whom it belongs, and thus forcing us to demand our share of the profits of combination.

As may be seen from this brief outline of the forthcoming chapters of Miss Tarbell's history, its chief value is, as in the case of the First Part, to demonstrate the necessity of fair play in business, if we are to develop our commerce on lines of decency and dignity. There is no right thinking person who is not willing and glad to have the best man win if he plays fair. There is no right thinking person who does not feel that the most important thing in the world is that men play fair whatever the game. If they will not do it from innate decency and self-respect and a sense of the rights of their fellows, then they must be compelled by laws, by social ostracism, by all of the outside influences which society has devised to constrain them. It is evident from Miss Tarbell's story that Mr. Rockefeller has used methods from the beginning of his trust-building which, if applied on the foot-ball field, would cause him to be kicked off in disgust. Why young men should be allowed to admire in business what they are taught to despise in athletics is not clear. It is of vast importance to the future manhood of this country that scorn of unfairness should be universal. Above all, let it be applied strenuously to unfairness in business. We are a commercial people. Our boys must go into commerce. Our professions are so mingled with commerce that it is often hard to distinguish if they be professions. If we are to wink at unscrupulousness in commerce, then we are doomed to become a race of tricksters and manhood is dead within us.

*(The new series of articles begins in the December number.)*