THE HISTORY OF THE STANDARD OIL COMPANY: PART TWO

BY

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CHAPTER III

CUTTING TO KILL

TO know every detail of the oil trade, to be able to reach at any moment to its remotest point, to control even its weakest factor—this was Mr. John D. Rockefeller's ideal of doing business. It seemed to be an intellectual necessity for him to be able to direct the course of any particular gallon of oil from the moment it gushed from the earth until it went into the lamp of a housewife. There must be nothing—*nothing* in his great machine he did not know to be working right. It was to complete this ideal, to satisfy this necessity, that he undertook, some time in the late seventies, to organize the oil markets of the world, as he had already organized oil refining and oil transporting.

Mr. Rockefeller was driven to this new task of organization not only by his own curious intellect; he was driven to it by that thing so abhorrent to his mind—competition. If, as he claimed, the oil business belonged to him, and if, as he had announced, he was prepared to refine all the oil that men would consume, it followed as a corollary that the markets of the world belonged to him. In spite of his bold pretensions and his perfect organization, a few obstinate oil refiners still lived and persisted in doing business. They were a fly in his ointment—a stick in his wonderful wheel. He must get them out. Otherwise the Great Purpose would be unrealized. And so, while engaged in organizing the world's markets, he incidentally carried on a campaign against those who dared intrude there.

The World for a Field

When Mr. Rockefeller began to gather the oil markets into his hands, he had a task whose field was literally the world, for already, in 1871, the year before he first appeared as an important factor in the oil trade, refined oil was going into every civilized country of the globe. Of the five and a half million barrels of crude oil produced that year, the world used five millions, over three and a half of which went to foreign lands. This was the market which had been built up in the first ten years of business by the men who were developing the trade, and this was the market, still further developed, of course, that Mr. Rockefeller inherited when he succeeded in corralling the refining and transporting of oil. It was this market he proceeded to organize. His work in the United States is naturally what interests us chiefly, as it is here the organization is most perfect, and the methods of competition can be traced in reliable documents.

The Standard's Admirable Organization

The process of organization seems to have been natural and highly intelligent. The entire country was buying refined oil for illumination. Many refiners had their own agents out looking for markets, others sold to wholesale dealers, or jobbers, who placed trade with local dealers, usually grocers. Mr. Rockefeller's business was to replace independent agents and jobbers by his own employees. The United States was mapped out and agents appointed over these great divisions. Thus, a certain portion of the Southwest — including Kansas, Missouri, Arkansas, and Texas — the Waters-Pierce Oil Company, of St. Louis, Missouri, had charge of; a portion of the South — including Kentucky, Tennessee, and Mississippi — Chess, Carley & Company, of Louisville, Kentucky. These companies in turn divided their territory into sections, and put the subdivisions in the charge of local agents. These local agents had stations where oil was received and stored, and from which they and their salesmen carried on their campaigns. This system has been developed until, now, the Standard Oil Company of each State has its own marketing department, whose territory is divided and watched over in the above fashion. The entire oil-buying territory of the country is thus covered by local agents reporting to division headquarters. These report in turn to the head of the State marketing department, and his reports go to the general marketing headquarters in New York.

To those who know anything of the way in which Mr. Rockefeller does business, it will go without saying that this marketing department is conducted with the greatest efficiency and economy. Its aim is to make every local station as nearly perfect in its service as it can be. The buyer must receive his oil promptly, in good condition, and of the grade he desires. If a customer complains, the case will receive prompt attention, and the cause be found and corrected. He will not only receive oil; he can have proper lamps and wicks and burners, and directions about using them.

The local stations from which the dealer is served are models of their kind. Oil, even refined, is a difficult thing to handle without much disagreeable odor and stain, but the local stations of the Standard Oil Company, like its refineries, are kept orderly and clean by a rigid system of inspection. Every two or three months an inspector goes through each station and reports to headquarters on a multitude of details — whether barrels are properly bunged, filled, stenciled, painted, glued; whether tank wagons, buckets, faucets, pipes, are leaking; whether the glue trough is clean, the ground around the tanks dry, the locks in good condition; the horses properly cared for; the weeds cut in the yard. The time the agent gets around in the morning and the time he takes for lunch are reported. The prices he pays for feed for his horses, for coal, for repairs, are noted. In fact, the condition of every local station, at any given period, can be accurately known at marketing headquarters, if desired. All of this tends, of course, to the greatest economy and efficiency in the local agents.

Where the Organization Ceases to be Admirable Ethically

But Standard Oil agents are not sent into a territory simply to sell all the oil they can by efficient service and aggressive pushing; they are sent there to sell all the oil that is bought. "The coal-oil business belongs to us," is Mr. Rockefeller's motto, and from the beginning of his campaign in the markets, his agents have accepted and acted on that principle. If a dealer bought but a barrel of oil a year, it must be from Mr. Rockefeller. This ambition made it necessary that the agents have accurate knowledge of all outside transactions in oil, however small, made in their field. How was this possible? The South Improvement scheme provided perfectly for this, for it bound the railroad to send daily to the principal office of the company reports of all oil shipped, the name of shipper, the quantity and kind of oil, the name of consignee, with the destination and the cost of freight.* Having such knowledge as this, an agent could immediately locate each shipment of the independent refiner, and take the proper steps to secure the trade. But the South Improvement scheme never went into operation. It remained only as a beautiful ideal, to be worked out as time and opportunity permitted. It is a fact, however, that information concerning the business of his competitors, almost as full as that which Mr. Rockefeller hoped to get when he signed the South Improvement Company contracts, is his to-day,

*The Eighth Section of Article Second of this contract, defining the duties of the railroads, reads :—"To make manifests or way-bills of all petroleum or its products transported over any portion of the railroads of the party of the second part or its connections, which manifests shall state the name of the consignor, the place of shipment, the kind and actual quantity of the article shipped, the name of the consignee and the place of destination, with the rate and gross amount of freight and charges, and to send daily to the principal office of the party of the first part duplicates of all such manifests or way-bills." — *Report of Proceedings of the Committee on Manufactures, House of Representatives, in relation to Trusts, 1888.*

though it comes to him through more than one channel.

Standard Agents Keep Their Eyes Open

Naturally and properly the local agents are watchful of the condition of competition in their districts, and naturally and properly they report what they learn. "We ask our salesmen and our agents to keep their eyes open and keep us informed of the situation in their respective fields," a Standard agent told the Industrial Commission in 1898. "We ask our agents, as they visit the trade, to make reports to us of whom the different parties are buying; principally to know whether our agents are attending to their business or not. If they are letting too much business get away from them, it looks as if they were not attending to their business. They get it from what they see as they go around selling goods." But there is no such generality about this part of the agent's or salesman's business as this statement would lead one to believe. As a matter of fact it is a thoroughly scientific operation. The gentleman who made the above statement, for instance, sends his local agents a blank like the following to be made out each month:

questions the dealers closely. He watches the railway freight stations. He interviews everybody in any way connected with the handling of oil in his territory, all of which may be proper enough. When Mr. Howard Page, of the Standard Oil Company, was in charge of the Standard shipping department in Kentucky, his agents visited the depots once a day to see what oil arrived there from independent shippers. A record of these shipments was made and reported monthly to Mr. Page. He was able to tell the Interstate Commerce Commission, in 1887, almost exactly what his rivals had been shipping by rail and by river. Mr. Page claimed that his agents had no special privileges, that anybody's agents would have been allowed to examine the incoming cars, note the consignor, contents, and consignee. It did not appear in the examination, however, that anybody but Mr. Page had sent agents to do such a thing. The Waters-Pierce Oil Company, of St. Louis, once paid one of its Texas agents this unique compliment: "We are glad to know you are on such good terms with the railroad people that Mr. Clem (an agent handling independent oil) gains nothing by marking his shipments by numbers instead of names."

EXHIBIT "B—R." *

MONTHLY REPORT.

USE COPYING PENCIL. *Town* .... *Date* .... *1897.*

40630

DEALER	ADDRESS	Estimated Sales per month of		Brand or Kind of Goods	Price	If by Tank Wagon mark "T"	BUY FROM	
		R. Oil	Gaso.				Name	Point of Shipment

.... *Salesman or Agent.*

The local agent gets the information to fill out such a report in various ways. He

The superior receiving the filled blanks, carefully follows them by letters of instructions and inquiries, himself keeping track of each dealer, however insignificant, in

* Record of Standard Oil Trust Cases in the Supreme Court of Ohio, 1899. Page 681.

the local agent's territory, and when one out of line has been brought in, never failing to compliment his subordinate. But however diligent the agent may be in keeping his eyes open, however he may be stirred to activity by the prodding and compliments of his superiors, it is, of course, out of the question that he get anything like the full information the South Improvement scheme insured. What he is able to do is supplemented by a system which compares very favorably with that famous scheme and which was undoubtedly suggested by it.

Freight Offices That Leak Indulgently

For many years independent refiners have declared that the details of their business were leaking regularly from clerks in freight offices, but while the proofs they have offered of their charges show that such leaks had occurred at intervals all over the country, they do not show anything like a regular system of collecting information through this channel. From the evidence one would be justified in believing that the cases were rare, occurring only when a not over-nice Standard manager got into hot competition with a rival and prevailed upon a freight agent to give him information to help in his fight. Recently, however, the writer came into possession of a large mass of documents of unquestionable authenticity, showing that the Standard Oil Company receives regularly, at least from the railroads and steamship lines represented in these papers, information of *all* oil shipped. A study of these papers shows beyond question that somebody having access to the books of the freight offices records regularly each oil shipment passing the office; the names of consignor and consignee, the addresses of each, and the quantity and kind of oil are given in each case. This record is made out usually on a sheet of blank paper, though occasionally the recorder has been indiscreet enough to use the railroad company's stationery. The reports are evidently intended not to be signed, though there are cases in the documents where the name of the sender has been signed and erased; in one case a printed head bearing the name of the freight agent has been used. The name has been cut out, but so carelessly that it has been easy to identify him. These reports have evidently been sent to the office of the Standard Oil Company, where they have received a careful examination; and the information they contained has been classified. Wherever the shipment entered is from one of the distributing stations of the Standard Oil Company, a line is drawn through it, or it is checked off in some way. In every other case, in the mass of reports, there is written, opposite the name of the consignee, the name of a person *known* to be a Standard agent or salesman in the territory where the shipment had gone.

Use Made of Information

Now what is this for? Copies of letters and telegrams accompanying the reports show that as soon as a particular report had reached Standard headquarters and it was known that a car-load, or even a barrel, of independent oil was on its way to a dealer — the Standard agent whose name was written after the shipment on the record had been notified. "If you can stop car going to X 2 authorize rebate to Z (name of dealer) of ¾ cent per gallon," one of the telegrams reads.

There is plenty of evidence to show how an agent receiving such information "stops" the oil. He *persuades* the dealer to countermand the order. Mr. George Rice, when before the House Committee on Manufactures in 1888, presented ten telegrams as samples of his experience in having orders countermanded in Texas. Four of these were sent on the same day from different dealers in the same town, San Angelo. Mr. Rice investigated the cause and, by letters from the various firms, learned that the Standard agent had been around "threatening the trade that if they bought of me they would not sell them any more," as he put it.

Some Standard "Persuasion"

This experience of Mr. Rice in 1884, 1885, and 1886 has been repeated since in other parts of the country. In a trust investigation by the Ohio Senate in January and February, 1898, Mr. John Teagle, of Cleveland, being upon his oath, said that his firm had had great difficulty in getting goods accepted because the Standard agents would persuade the dealers to cancel the orders. "They would have their local man, or some other man, call upon the trade and use their influence and talk lower prices, or make a lower retail price, or something to convince them that they'd better not take our oil, and, I suppose, to buy theirs." Mr. Teagle presented the following letter, signed by a Standard representative, explaining such a countermand:

DES MOINES, Iowa, Jan. 14, 1891.

JOHN FOWLER, Hampton, Iowa.

DEAR SIR: Our Marshalltown manager, Mr. Ruth, has explained the circumstances regarding the purchase and subsequent countermand of a car of oil from our competitors. He desires to have us express to you our promise that we will stand all expense provided there should be any trouble growing out of the countermand of this car. We cheerfully promise to do this; we have the best legal advice which can be obtained in Iowa, bearing on the points in this case. An order can be countermanded either before or after the goods have been shipped and in fact can be countermanded even if the goods have already arrived and are at the depot. A firm is absolutely obliged to accept a countermand. The fact that the order has been signed does not make any difference. We want you to absolutely refuse, under any circumstances, to accept the car of oil. We are standing back of you in this matter, and will protect you in every way, and would kindly ask you to keep this letter strictly confidential. . . .

Yours truly,

E. P. PRATT.

Peter Schull, of the Independent Oil Company, of Mansfield, Ohio, testified before the same committee to experiences similar to those of Mr. Teagle.

"If I put a man on the road to sell goods for me," said Mr. Schull, "and he takes orders to the amount of two or three hundred barrels a week, before I am able to ship these goods, possibly the Standard Oil Company has gone there and compelled those people to countermand those orders under a threat that, if they don't countermand them, they will put the price of oil down to such a price that they can not afford to handle the goods."

In support of his assertion Mr. Schull offered letters from firms he has been dealing with. The following citations show the character of them:

TIFFIN, O., Feb. 1, '98.

INDEPENDENT OIL COMPANY, Mansfield, O.

DEAR SIRS: The Standard Oil Company, after your man was here, had the cheek to come in and ask how many barrels of oil we bought and so forth, then asked us to countermand the order, saying it would be for our best; we understand they have put their oil in our next door and offer it at six cents per gallon, at retail. Shall we turn tail or show them fight. If so will you help us out any? . . . Yours truly,

TALBOTT & SON.

TIFFIN, O., Jan. 24, '98.

INDEPENDENT OIL COMPANY.

DEAR SIRS: . . . I am sorry to say that a Standard Oil man from your city followed that oil car and oil to my place and told me that he would not let me make a dollar on that oil and was dogging me around for two days to buy that oil, and made all kinds of threats and talked to my people at the house while I was out and persuaded me to sell, and I was in a stew what I should do, but I yielded and I have been very sorry for it since; thought I would hate to see the bottom knocked out of the prices, but that is why I done it, is the only reason. The oil was all right. I now see the mistake, and that is of getting a car-load, two car-loads coming in here inside of a week is more than the other company will stand. . . .

Yours truly,

H. A. EIRICK.

More Pressing Argument for the Recalcitrant

In case the agent cannot persuade the dealer to countermand his order, more strenuous measures are applied. The letters quoted above hint at what they will be. Many letters have been presented by witnesses under oath in various investigations, showing that agents in all parts of the country found it necessary to act at times as these letters threaten. One of the more aggressive campaigns waged at the beginning of this war of exterminating independent dealers was by the Standard marketing agent at Louisville, Kentucky— Chess, Carley & Company. This concern claimed a large section of the South as its territory. Mr. George Rice, of Marietta, Ohio, had been in this field for eight or ten years, having many regular customers. It became Chess, Carley & Company's business to secure these customers and prevent his getting others. Mr. Rice was handicapped to begin with by railroad discrimination. He was never able to secure the rates of his big rival on any of the Southern roads. In 1888, the Interstate Commerce Commission examined his complaints against eight different Southern and Western roads and found that no one of them had treated him with "relative justice." Railroad discriminations were not sufficient to drive him out of the Southwest, however, and a war of rates was begun. According to the letters Mr. Rice himself has presented, he certainly in some cases began the cutting, as he could well afford to do. For instance, Chess, Carley & Company were selling water-white oil in September, 1880, in

Clarksville, Tennessee, at 21 cents a gallon delivered in car-loads — export oil was selling in barrels in New York at that date at 10⅝ cents a gallon. Rice's agent offered it at 18 cents. The dealer to whom he made the offer, Armstrong by name, wished to accept, but as he had been buying of Chess, Carley & Company, went first to see them about the matter. He came back "scared almost out of his boots." wrote the agent to Rice.

"Carley told him he would break him up if he bought oil of any one else; that the Standard Company had authorized him to spend ten thousand dollars to break up any concern that bought oil from any one else; that he (Carley) would put all his drummers in the field to hunt up Armstrong's customers and sell his customers groceries at five per cent. below Armstrong's prices, and turn all Armstrong's trade over to Moore, Bremaker & Co. and settle with Moore, B. & Co., for their losses in helping to break Armstrong up, every thirty days.

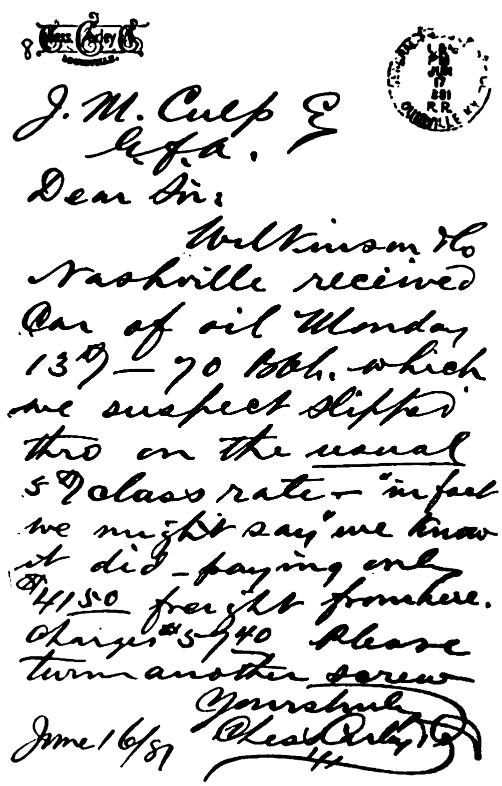
"That if Armstrong sent any other oil to Clarksville Tenn., he (Carley) would put the price of oil so low in Clarksville as to make the party lose heavily, and that they (the Standard) would break up any one that would sell him (Armstrong) oil, and that he (Carley) had told Stege and Reiling the same thing. Did you ever? What do you think of that?"

Turning the Screw

Very soon after this, Chess, Carley & Company took in hand a Nashville firm, Wilkinson & Company, which was buying of Rice. "It is with great reluctance," they wrote, "that we undertake serious competition with any one, *and certainly this competition will not be confined to coal-oil or any one article, and will not be limited to any one year*. We always stand ready to make reasonable arrangements with any one who chooses to appear in our line of business, and it will be unlike anything we have done heretofore if we permit any one to force us into an arrangement which is not reasonable. Any loss, however great, is better to us than a record of this kind."

And four days later they wrote: "If you continue to bring on the oil, it will simply force us to cut down our price and no other course is left us but the one we have intimated."

Wilkinson & Company seem to have stuck to Rice's oil, for, sixteen months later, we find Chess, Carley & Company calling on the agent of a railroad, which already was giving the Standard discriminating rates, to help in the fight.


J. M. Culp Esq
G. F. A.
Dear Sir:
Wilkinson & Co
Nashville received
Car of oil Monday
13th — 70 Bbls. which
we suspect slipped
thro on the usual
5th class rate — "in fact
we might say" we know
it did — paying only
$41.50 freight from here.
Charges $59.40 Please
turn another screw
Yours truly
June 16/87 Chess Carley & Co

The screw was turned, Mr. Rice affirms, his rate being raised 50 per cent. in five days.

A Significant Catalogue

Rice carried on his fight for a market in the most aggressive way, and everywhere he met disastrous competition. In 1892 he published a large pamphlet of documents illustrating Standard methods, in which he included citations from some seventy letters from dealers in Texas, received by him between 1881 and 1889, showing the kind of competition his oil met there from the Waters-Pierce Oil Company, the Standard's Texas agents. A dozen sentences, from as many different towns, will show the character of them all:

"I have had wonderful competition on this car. As soon as my car arrived the Waters-Pierce Oil Co., who has an agent here, slapped the price down to $1.80 per case 110."

". . . Oil was selling at this point for $2.50 per case, and as soon as your car arrived it was put down to $1.50, which it is selling at to-day."

"The Waters-Pierce Oil Co. reduced their prices on Brilliant oil from $2.60 to $1.50 per case and is waging a fierce war."

"Waters-Pierce Oil Co. has our State by the throat and we would like to be extricated."

"I would like to handle your oil if I could be protected against the Waters-Pierce Oil Co. I am afraid if I would buy a car of oil from you this company would put the oil way below what I pay and make me lose big money. I can handle your oil in large quantities if you would protect me against them."

"The Waters-Pierce Oil Co. has cut the stuffing out of coal-oil and have been ever since I got in my last car. They put the price to the merchants at $1.80 per case."

"We have your quotations on oil. While they are much lower than what we pay, yet unless a carload could be engaged it would pay no firm to try and handle, as Waters-Pierce Oil Co. would cut below cost on same."

"The day your oil arrived here, their agents went to all my customers and offered their Eupion oil at 10 cents per gallon in barrels and $1.50 per case, and lower grades in proportion, and told them if they did not refuse to take the oil he would not sell them any more at any price, and that he was going to run me out of the business, and then they would be at his mercy."

"Now we think Waters-Pierce Oil Co. have been getting too high a price for their oil. They are able and do furnish almost this entire State with oil. They cut prices to such an extent when any other oil is offered in this State that they force the parties handling the oil to abandon the trade."

"Trace and hurry up car of oil shipped of you. We learn it is possible that your oil is side-tracked on the line, that Waters-Pierce might get in their work."

"If we were to buy a car or more, the Waters-Pierce Oil Co. would manage to sell a little cheaper than we could, and continue doing so until they busted me up."

"In regard to oil we are about out now, and Waters-Pierce have put their oil up again and quote us at the old price."

"Jobbers say when they take hold of another oil, they are at once boycotted by Waters-Pierce Oil Co., who not only refuse to sell them, but put oil below what they pay for it, and thus knock them out of the oil trade, unless they sell at a loss."

"If I find that I can handle your oil in Texas without being run out and losing money by this infernal corporation, the Waters-Pierce Oil Co., I want to arrange with you to handle it extensively. I received verbal notice this morning from their agent that they would make it hot for me when my oil got here."

Mr. Rice claims, in his preface to the collection of letters here quoted from, that he has hundreds of similar ones from different States in the Union, and the writer asked to examine them. The package of documents submitted in reply to this request was made up literally of hundreds of letters. They came from twelve different States, and show everywhere the same competitive method—cutting to kill. One thing very noticeable in these letters is the indignation of the dealers at the Standard methods of securing trade. They resent threats. They complain that the Standard agents "nose" about their premises, that they ask impudent questions, and that they generally make the trade disgusting and humiliating. In Mississippi, in the eighties, the indignation of the small dealers against Chess, Carley & Company was so strong that they formed associations binding themselves not to deal with them.

The Experience of Messrs. Teagle and Schull

Mr. Rice is not the only independent oil dealer who has produced similar testimony. Mr. Teagle and Mr. Schull, in Ohio, have furnished considerable. "The reason we quit taking your oil is this," wrote a Kansas dealer to Scofield, Shurmer & Teagle, in 1896; "the Standard Oil Company notified us that if we continued handling your oil they would cut the oil to ten cents retail, and that, we could not afford to do, and for that reason we are forced to take their oil or do business for nothing or at a loss." "The Standard agent has repeatedly told me that if I continued buying oil and gasoline from your wagon," wrote an Ohio dealer to the same firm in 1897, "that they would have it retailed here for less than I could buy. I paid no attention to him, but yesterday their agent was here and asked me decidedly if I would continue buying oil and gasoline from your wagon. I told him I would do so; then he went and made arrangements with the dealers that handle their oil and gasoline to retail it for seven cents."

Mr. Schull summed up his testimony before the same committee to which Mr. Teagle gave the above, by declaring: "You take $10,000 and go into the business and I will guarantee you won't be in business ninety days. Their motto is that anybody going into the oil business in opposition to them, they will make life a burden to him. That is about as near as you can get to it."

Considerable testimony of the same sort of practices was offered in the recent "hearing before the Industrial Commission," most of it general in character. The most significant special case was offered by Mr. Westgate, the treasurer of the American Oil Works, an independent refinery of Titusville, Pennsylvania.

A Standard Joke

The American Oil Works, it seems, were in 1894 shipping an oil called "Sunlight" in barrels to South Bend, Washington. This was in the territory of the Standard agents at Portland, Oregon, one of whom wrote to a South Bend dealer when he heard of the intrusion: "We will state for your information that never a drop of oil has reached South Bend of better quality than what we have always shipped into that territory. They can name it 'sunlight,' 'moonlight,' or 'starlight,' it makes no difference. You can rest assured if another car-load of 'sunlight' arrives at your place, it will be sold very cheap. We do not propose to allow another car-load to come into that territory unless it comes and is put on the market at one-half its actual cost. You can convey this idea to the young man who imported the car-load of 'sunlight' oil."

When Mr. John D. Archbold, of the Standard Oil Company, had his attention called to this letter by Professor Jenks, of the Industrial Commission, Mr. Archbold characterized the letter as "a foolish statement by a foolish and unwise man" and promised to investigate it. Later he presented the commission with an explanation from the superior of the agent, who declared that the writer of the letter did not have any authority to say that oil would be sold on the basis mentioned. "The letter," he continued, "was intended to be written in a jocular manner to deny a claim that he was selling oil inferior in quality to that sold by others." It is hard for the mere outsider to catch the jocularity of the letter, and it must have been much more difficult for the dealer who received it to appreciate it.

An Ingenious Trick

Independent oil dealers of the present day complain bitterly of a rather novel way employed by the Standard for bringing into line dealers whose prejudices against buying from them are too strong to be overcome by the above methods. This is through what are called "bogus" oil companies. The obdurate dealer is approached by the agent of a new independent concern, call it the A B C Oil Company, for illustration. The agent seeks trade on the ground that he represents an independent concern and that he can sell at lower prices than the firm from which the dealer is buying. Gradually he works his way into the independent's trade. As a matter of fact, the new company is merely a Standard jobbing house which makes no oil, and which conceals its real identity under a misleading name. The mass of reports from railroad freight offices quoted from in this article corroborate this claim of the independents. The A B C Oil Company is mentioned again and again as shipping oil, and in the audited reports it is always checked off in the same fashion as the known Standard companies, and none of its shipments is referred to Standard agents.

Independents all over the country tell of loss of markets through underselling by these "bogus" companies. The lower price which a supposedly independent concern gives to a dealer who will not, under any condition, buy of the Standard, need not demoralize the Standard trade in the vicinity if the concession is made with caution. After the trade is secure, that is, after the genuine independent is ousted, the masquerading concern always finds itself obliged to advance prices. When the true identity of such a company becomes known its usefulness naturally is impaired, and it withdraws from the field, and a new one takes its place.

There is never a dealer in oil too small to have applied the above methods of competition. In recent years they have frequently been applied even to oil peddlers. In a good many towns of the country, oil is sold from door to door by men whose whole stock in trade is their peddling wagons. Many of these oil peddlers build up a good trade. As a rule, they sell Standard oil. Let one take independent oil, however, and the case is at once reported. His customers are located and at once approached by a Standard tank wagon man, who frequently, it is said, not only sells at a lower price than they have been paying, but even goes so far as to clean and fill the lamps! In these raids on peddlers of independent oil, refined oil has been sold in different cities at the doors of consumers at less than crude oil was bringing at the wells, and several cents per gallon less than it was selling to wholesale dealers in refined. It is claimed by independents that at the present time the "bogus" companies generally manage this matter of driving out peddlers, thus saving the Standard the unpopularity of the act and the dissatisfaction of the raise in price which, of course, follows as soon as the trade is secured.

"Over-Zealous" Employees

The general explanation of these competitive methods which the Standard officials have offered, is that they originate with "over-zealous" employees and are disapproved of promptly if brought to the attention of the heads of the house. The cases seem rather too universal for such an explanation to be entirely satisfactory. Certainly the system of collecting information concerning competitive business is not practised by the exceptional "over-zealous" employee, but is a recognized department of the Standard Oil Company's business. In the mass of documents from which the reports of oil shipments referred to above were drawn, are certain papers showing that the system is nearly enough universal to call for elaborate and expensive bookkeeping at the headquarters of each Standard marketing division. For instance, below is a fragment illustrating the page of a book kept at such a headquarters.

What does this show? Simply that every day the reports received from railroad freight agents are entered in records kept for the purpose, that there is on file at the Standard Oil headquarters a detailed list of the daily shipments which each independent refiner sends out, even to the initials and number on the car in which the shipment goes.

Keeping Tab

From this remarkable record the same set of documents shows that at least two sets of reports are made up. One is a report of the annual volume of business being done by each particular independent refiner or wholesale jobber, the other of the business of each individual local dealer, so far as the detectives of the Standard have been able to locate it. For instance, among the documents, is the following report on a well known oil jobbing house in one of the big cities of the country.*

A comparison of this report with the firm's own accounts shows that the Standard came within a small per cent. of an accurate estimate of the X Y Z's business.

Records for Both Ends of the Line

Another curious use made of these reports from the freight offices is forming a card catalogue of local dealers. (*See form on page 445.*) Oil is usually sold at retail

* See page 444.

Competing Oil Receipts, Georgeville Territory

Bemis Reports	Date Ship'd	Date Rec'd	SHIPPER	FROM	CONSIGNEE	DESTINATION	Refined Barrels	Naphtha Barrels	Lub'ting Barrels	CAR Initial	CAR No.	REMARKS
5/20	May 5/14	1	Penn. Mfg. Co.	Oil City	L. M. O. Co	Georgeville		93		L. M	7741	
5/22	5/15	16	Warren L. & G. Co	Struthers	A. Spence Co	"		76		P.L.M.	432	
5/7	5/2	7	Crystal Oil Co	Oil City	Kennebunk Oil Co	"	64		12	G.K.	1684	
5/12	5/6	9	Chew Levick & Co	Struthers	X.Y.Z. Oil Co	"	112			L M	43	
"	"	1	Empire Oil Wks	Reno	Gordon Mct Co	"	63			P L M	64328	
5/27	5/23	25	Warren L. & G. Co	Struthers	"	"		87		G K	63748	
6/7	6/1	4	Tiona Refg Co	Clarendon	"	"	75			G.K	66042	
6/14	5/30	30	Titusville Oil Wks	Titusville	Lang Martin Co	"		92		B&O	37421	
"	5/22	22	Pittsburg Refg Co	Coraopolis	Henry Whitehead	"		92		"	94	
6/11	27	5/1	Emery Mfg Co	Bradford	X. Y. Z. Oil Co	"		122		GK	496	
6/18	5/26	26	Climax L&G Co	Titusville	"	"		126		P.L.M	643	

The figures, dates, consignees, and destination on the above are fictitious. The names of shippers were copied from the original in possession of the writer.

Statement showing Receipts and Deliveries for December

		Old Places	New Places	Car Load	Less Car Load	Barrels 1901 Coal Oil	1902 Coal Oil	1901 Gasoline	1902 Gasoline
Total Receipts of Competitor						3540	5070	1102	2214
Less shipments not in our District						420	1849	198	562
Net Shipments in our District						3120	3221	904	1652
Territory covered by Competitor	Oil	2140		2140	927	3067			
		2412	63	2475	742		3217		
	Gaso				361			361	
				1051	411				1462
Balance						53	4	543	190
Not accounted for								211	87
						53	4	332	103

For Year		Old Places	New Places	Car Load	Less Car Load	1901 Coal Oil	1902 Coal Oil	1901 Gasoline	1902 Gasoline
Receipts						23787	26742	8764	13141
Less Shipments not in our territory						1410	1921	1262	2167
						22377	24821	7502	10974
Territory covered by competitor	Oil	8146	1179	9325	6127	15452			
		9691	487	10178	1129		11307		
					678			678	
	Gaso.	729	11	623	849				2212
						6925	13514	6827	8762
Not accounted for							3122	196	2171
						6925	10392	6628	6591

The above is similar to the form compiled by the Standard Oil Company.

by grocers. It is with them that the local agents deal. Now, the daily reports from the freight offices show the oil they receive. The competition reports from local agents also give more or less information concerning their business. A card is made out for each of them, tabulating the date on which he received oil, the name and location of the dealer he got it from, the quality, and the price he sells at. In a space left for remarks on the card there is written in red ink any general information about the dealer the agent may have picked up. Often there is an explanation of why the man does not buy Standard oil — not infrequently this explanation reads: "Is opposed to monopolies."

The inference from this system of "keeping the eyes open" is that the Standard Oil Company knows practically where every barrel shipped by every independent dealer goes; and where every barrel bought by every corner-grocer from Maine to California comes from. The documents from which the writer draws the inference do not, to be sure, cover the entire country, Name E. C. Link Town Georgeville

P. O. ____ Sh. Pt. ____ Salesman Merrill Nearest Tank Wagon Station ____ Rate ____

Date Shipped	Year	Shipped by	From	No. Bbls.	Kind of Oil	Price	Remarks
5/14	1901	B & Co	Pasadena	2	Refd		Formerly dealt altogether with X.Y.Z. Co. & it is hard to wean him away Is somewhat prejudiced & opposed to monopolies & won't buy of S.O. Co Merrill
5/19		"	"	3	"		
5/26		"	"	3	"		
6/3		"	"	3	"		
6/10		X.Y.Z. Co	"	3	L.M.N		
6/20		"	"	3	"		
6/26		B. & Co	"	2	Refd		
7/4		X.Y.Z Co	"	4	L.M.N		
7/16		B & Co	"	3	Refd		

The names, figures, and locations on the above form are fictitious; the remarks are copied from cards in possession of the writer.

but they do cover in detail many different States, and enough is known of the Standard's competitive methods, in States outside this territory, to justify one in believing that the system of gathering information is in use everywhere. That it is a perfect system is improbable. Bribery is not as dangerous business in this country as it deserves to be—of course, nothing but a bribe would induce a clerk to give up such information as these daily reports contain—but, happily, such is the force of tradition that even those who have practised it for a long time shrink from discovery. It is one of those political and business practices which are only respectable when concealed. Naturally, then, the above system of gathering information must be handled with care, and can never have the same perfection as that Mr. Rockefeller expected when he signed the South Improvement Company charter.

The Moral Effects of the Admirable System

The moral effect of this system on employees is even a more serious feature of the case than the injustice it works to competition. For a "consideration" railroad freight clerks give confidential information concerning freight going through their hands. It would certainly be quite as legitimate for post-office clerks to allow Mr. Rockefeller to read the private letters of his competitors, as it is that the clerks of a railroad give him data concerning their shipments. Everybody through whose hands such information passes is contaminated by the knowledge. To be a factor, though even so small a one, in such a transaction, blunts one's sense of right and fairness.

The effect on the local Standard agent cannot but be demoralizing. Prodded constantly by letters and telegrams from superiors to secure the countermand of independent oil, confronted by statements of the amount of sales which have gotten away from him, information he knows only too well to have been secured by underhand means, he is obliged to explain why he cannot get this or that trade away from a rival salesman, he sinks into habits of bullying and wheedling utterly inconsistent with self-respect. "Is there nothing you independents can do to prevent our people finding out who you sell to?" a hunted Standard agent asked an independent dealer not long ago. "My life is made miserable by the pressure brought on to chase up your sales. I don't like such business. It isn't right, but what can I do?"

Going a Little Far

The system results every now and then, naturally enough, in flagrant cases of bribing employees of the independents themselves. Where the freight office does not yield the information, the rival's own office may, and certainly if it is legitimate to get it from one place it is from the other. It is not an unusual thing for independent refiners to discharge a man whom they have reason to believe gives confidential information to the Standard. An outrageous case of this, which occurred some ten years ago, is contained in an affidavit which has been recently put at the writer's disposition. It seems that in 1892 the Lewis Emery Oil Company, an independent concern in Philadelphia, employed a man by the name of Buckley. This man was discharged, and in September of that year he went into the employ of the leading Standard refinery of Philadelphia, a concern known as the Atlantic Refining Company. According to the affidavit made by this man Buckley, the managers of the Standard concern, some time in February, 1893, engaged him in conversation about affairs of his late employer. They said that if they could only find out the names of the persons to whom their rival sold, and for what prices, they could soon run him out of business! And they asked Buckley if he could not get the information for them. After some discussion, one of the Standard managers said, "What's the matter with the nigger?" alluding to a colored boy in the employment of the Lewis Emery concern. Buckley told them that he would try him. "You can tell the nigger," said one of the men, "that he needn't be afraid, because if he loses his position, there's a position here for him."

Buckley saw the negro and made a proposition to him. The boy agreed to furnish the information for a price. "Starting from February, 1893," says Mr. Buckley, "and lasting up to about August of the same year, this boy furnished me periodically with the daily shipments of the Lewis Emery concern, which I took and handed personally sometimes to one and sometimes to the other manager. They took copies of them, and usually returned the originals." The negro also brought what is known as the price-book to Buckley, and a complete copy of this was made by the Standard managers. "In short," says Mr. Buckley in his affidavit, "I obtained from the negro all the inside facts concerning the Lewis Emery Oil Company's business, and I furnished them all to the Standard managers." In return for this information the negro lad was paid various sums, amounting in all to about ninety dollars. Buckley says that they were charged upon the Standard books to "Special Expenses." The transaction was ended by the discharge of the colored boy by the Lewis Emery concern.

The denouement of this case is tragic enough. The concern was finally driven out of business by these and similar tactics, so Mr. Emery and his partner both affirm. The negro was never taken into the Atlantic Refinery, and Buckley soon after lost his position. A man who shows himself traitorous, lying, thieving, even for the "good of the oil business," is never kept long in the employment of the Standard Oil Company. It is notorious in the Oil Regions that the people who "sell" to the Standard are never given responsible positions. They may be shifted around to do "dirty work," as the Oil Regions phrase goes, but they are pariahs in the concern. Mr. Rockefeller knows as well as any man ever did the vital necessity of honesty in an organization, and the Buckleys and negroes who bring him secret intelligence never get anything but money and contempt for their pains.

And the Public Pays

For the general public, absorbed chiefly in the question, "how does all this affect what we are paying for oil?" the chief point of interest in the marketing contests is that, after they are over, the price of oil always goes back with a jerk to the point where it was when the cutting began, and not infrequently it goes higher—the public pays. Indeed this fact has finally become so generally recognized by dealers, and even by the purchasing public in certain sections of the West, that the efforts of the Standard agents to drive an independent from a market by underselling, are much oftener repulsed than formerly. The independent seller can show the dealer multitudes of cases where prices were invariably advanced when a rival was driven from a field by selling at or below cost. with the consequent discontent of customers. Several of the letters already quoted in this article show the immediate recoil of the market to higher prices with the removal of competition. A table was prepared in 1892 to show the effect of competition on the price of oil in various States of the Union. The results were startling. In California, oil which sold at non-competitive points at 26½ cents a gallon, at competitive points brought 17½ cents. In Denver, Colorado, there was an "oil war" on in the spring of 1892, and the same oil which was selling at Montrose and Garrison at 25 cents a gallon, in Denver sold at 7 cents. This competition finally killed opposition and Denver thereafter paid 25 cents. The profits on this price were certainly great enough to call for competition. The same oil which was sold in Colorado in the spring of 1892 at 25 cents, sold in New York for exportation at 6.10 cents. Of course the freight rates to Colorado were high, the open rate was said to be 9 cents a gallon, but that it cost the Standard Oil Company 9 cents a gallon to get its oil there, one would have to have documentary proof to believe, and, even if it did, there was still some 10 cents profit on a gallon —$5 on a barrel.

In Kansas, at this time, the difference between the price at competitive and non-competitive points was 7 cents; in Indiana 6 cents; in South Carolina 4½ cents.

The Public Begins to See

In 1897, Scofield, Shurmer & Teagle, of Cleveland, prepared a circular showing the difference between prices at competitive and non-competitive points in Ohio, and sent it out to the trade. According to this circular the public paid from 25 to 33⅓ per cent. more where there was no competition. The fact that oil is cheaper where there is competition, and also that the public has to pay the cost of the expensive "oil wars" which have been carried on so constantly for the last twenty-five years all over the country, is becoming to be recognized, especially in the Middle West of this country, by both dealers and communities. There is no question that the attempts of Standard agents to persuade or bully dealers into countermanding orders or giving up an independent with whose oil they are satisfied meet with much less general success than they once did. It even happens now and then that communities who have had experience with "oil wars" will stand by an independent dealer for months at a time, resisting even the temptation to have their lamps cleaned and filled at next to nothing.

A Man with His Neighbors Behind Him

Chardon, Ohio, a little town near Cleveland, has been standing by one of its people, the driver of a tank wagon, for nearly two years in his resistance to the Standard. Three different Standard tank wagons have been beaten out of Chardon, though they offered oil at two cents less than Hossler, the independent. The support of Hossler seems to have become a point of honor with the little town, and the victorious driver utters a great truth when he says: "A man who has his neighbors behind him cannot be beaten by a millionaire."

The Little Narrow Path the Independent is Allowed to Tread

Unquestionably, the independent oil refiner who never attempts to cut Standard prices, and who never attempts to secure more than a small per cent. of trade in one locality, has at the present day a fair chance of life. The Standard has been unable to kill the independent refiner. It cannot keep him out of the markets. It seems to have accepted the fact that Mr. Rockefeller's original claim that the coal-oil business belongs to him is untenable. It dislikes the publicity of cut-throat marketing. It therefore does not molest the independent so long as he follows its prices and does not absorb too large a portion of any one marketing department. That is, if the independent works with the Standard in sustaining prices, he is let alone. Thus, to-day, with perhaps twenty per cent. of oil refining done by outsiders, the hostility of the Standard is so certain and so fatal in case prices are lowered, that the public in the United States is getting very little benefit from the gradual increase of independent oil interests.

The Situation

Briefly put, then, the conclusion, from a careful examination of the testimony on Standard competitive methods, is this:

The marketing department of the Standard Oil Company is organized to cover the entire country, and aims to sell all the oil sold in each of its divisions. To forestall or meet competition it has organized an elaborate secret service for locating the quantity, quality, and selling price of independent shipments. Having located an order for independent oil with a dealer, it persuades him, if possible, to countermand the order. If this is impossible, it threatens "predatory competition," that is, to sell at cost or less, until the rival is worn out. If the dealer still is obstinate, it institutes an "oil war." In late years the cutting and the "oil wars" are often entrusted to so-called "bogus" companies, who retire when the real independent is put out of the way. In later years the Standard has been more cautious about beginning underselling than formerly, though, if a rival offered oil at a less price than it had been getting—and generally even small refineries can afford to sell below the non-competitive prices of the Standard—it does not hesitate to consider the lower price a declaration of war and to drop its prices and keep them down until the rival is out of the way. The price then goes back to the former figure or higher. Mr. John D. Archbold's testimony before the Industrial Commission in 1898 practically confirms the above conclusion. Mr. Archbold said that the Standard was in the habit of fighting vigorously to hold and advance its trade—even to the extent of holding prices down to cost until the rival gives way, though he declared it to be his opinion that the history of the company's transactions would show that the competitor forces the fight. Mr. Archbold told the commission that he personally believed it was not advisable to sell below cost for the sake of freezing out a smaller rival, save in "greatly aggravated cases," though he admitted the Standard sometimes did it. The trouble is that, accepting Mr. Rockefeller's foundation principle that the oil business belongs to him, any competition is "an aggravated case."

A Little Consolation

All that is reassuring in the situation has come from the obstinate stand of individuals—the refiners who insisted on doing an independent business, on the theory that "this is a free country"; the grocers who resented the prying and bullying of Standard agents, and asserted their right to buy of whom they would; the rare, very rare, community that grasped the fact that oil sold below cost temporarily, meant later paying for the fight. These features of the business belong to the last decade and a half. At the period we have reached in this history—that is, the completion of the monopoly of the pipe-lines in 1884 and the end of competition in transporting oil*—there seemed to the independents no escape from Mr. Rockefeller.

The Price of Power

The sureness and promptness with which he located their shipments seemed uncanny to them. The ruthlessness and persistency with which he cut and continued to cut their markets drove them to despair. The character of the competition Mr. Rockefeller carried on in the markets, particularly of the South and Middle West of this country at this time, aggravated daily the feeble refining element and bred contempt far and wide among people who saw the cutting, and perhaps profited temporarily by it, but who had neither the power nor the courage to interfere. The knowledge of it fed greatly the bitterness in the Oil Regions. Part of the stock in conversation of every dissatisfied oil producer or ruined refiner became tales of disastrous conflicts in markets. They told of crippled men selling independent oil from a hand-cart, whose trade had been wiped out by a Standard cart which followed him day by day, practically giving away oil. They told of grocers driven out of business by an attempt to stand by a refiner. They told endless tales, probably all exaggerated, perhaps some of them false, yet all of them believed, because of such facts as have been rehearsed above. There came to be a popular conviction that the "Standard would do anything." It was a condition which promised endless annoyance to Mr. Rockefeller and his colleagues. It meant popular mistrust, petty hostilities, misinterpretations, contempt, abuse. There were plenty of people willing to deny Mr. Rockefeller even ability. That the Standard was in a venture was enough in those people's minds to damn it. Anything the Standard wanted was wrong, anything they contested was right. A verdict for them demonstrated the corruption of the judge and jury; against them their righteousness. Mr. Rockefeller, indeed, was each year having more reason to realize that trust-building had its trials as well as its profits.

* See McClure's Magazine for January, 1904.

(To be continued)