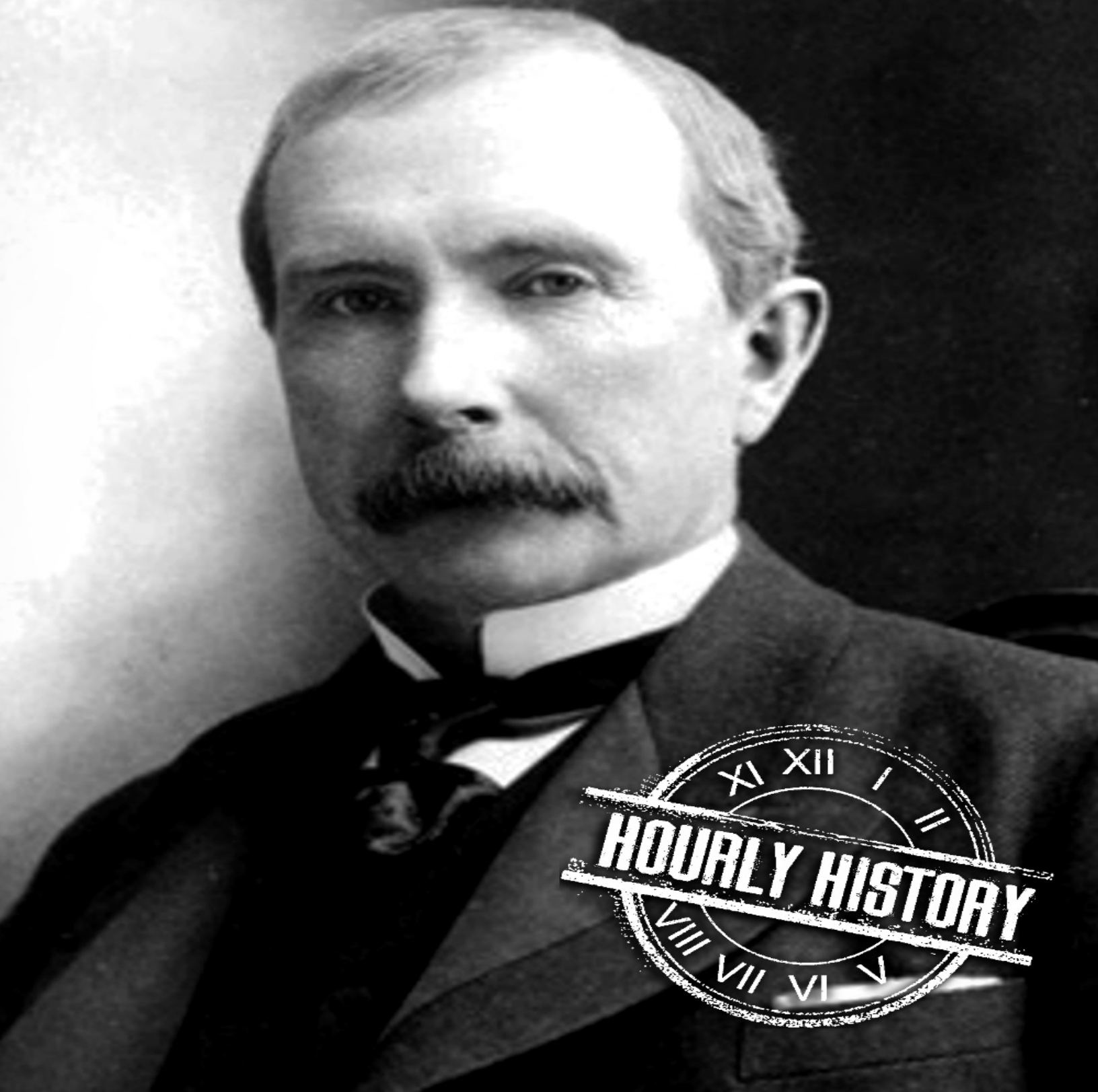


# — JOHN D. — ROCKEFELLER

A LIFE FROM BEGINNING TO END



# JOHN D. ROCKEFELLER

*A Life From Beginning to End*

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# Introduction

Robber baron or captain of industry? Devout Baptist or ruthless capitalist? History doesn't quite know what to do with John Davison Rockefeller, the self-made millionaire who began his business career as an office clerk and rose to become the wealthiest man in the world. The twenty-first century has seen the rise of men who, had they lived in Rockefeller's time, would have been his peer in the innovation and acumen that they brought to the commercial world, igniting the business practices that led to profit and exploding them into the amounts of money and level of control that altered the financial sector.

In many ways, Rockefeller lived what we might regard as a model life. He did not drink alcohol. He attended church regularly. He was married to his wife for over fifty years. His children were not the spoiled, pampered scions of the rich but were expected to work, to live productive lives, and to obey the teachings of the Baptist faith which their parents instilled in them. Rockefeller's philanthropy, which began when he was a boy putting pennies in the church offering plate, continued all his life and totaled more than \$500 million given to education, religious causes, health, the arts, and World War I relief.

How then, to balance the seesaw of a life of such moral rectitude and such corporate aggression? Would our standards be different instead of discussing the life of John D. Rockefeller of Standard Oil, we were examining Bill Gates of Microsoft, Steve Jobs of Apple, or Mark Zuckerberg of Facebook? The names of the tech giants who dominate the headlines and the stock exchange numbers parlayed their passion into profit, but along the way, they've had their share of lawsuits and controversy. Does that make them worthy apprentices to the man who had late nineteenth-century reformers seething over his methods? What about his charity? Gates, like Rockefeller, has dedicated his retirement to spending his billions on worthy causes.

What, perhaps, separates John D. Rockefeller from modern-day business entrepreneurs is the Sherman Antitrust Act, which did not exist when the Standard Oil Company began its climb to wealth and power. Public

opposition to monopolies and the practices that they used to maintain their grip over the competition was fierce, but the government's response moved at a slower pace. The Sherman Antitrust Act, the first legislative measure enacted by Congress to forbid trusts from gaining control of an industry, opened the door to legal action. The press, by its zeal in exposing the corrupt and criminal practices of monopolies, eagerly engaged its corporate enemies in battle in popular media. The Act, which passed unanimously in the House of Representatives and by a vote of 51-1 in the Senate, shows a rare alignment between the public, its legislative bodies, and the press in a crusade to bring down some of the most powerful business entities the country has ever known.

Perhaps it's impossible to align the conflicting aspects of the lives of Rockefeller and those who followed him because their imprint so singularly changed the business world that we lack the proper metrics.

We may never be able to unravel the intricate mystery of the man whose name has become synonymous with wealth and power, but as we learn more about his life, we may glean a deeper understanding of today's captains of industry and how they, their innovation and audacity, re-shape the century in which we live.

## Chapter One

# The Son of Devil Bill and a Baptist Woman

*“My mother and father raised but one question: Is it right, is it duty?”*

—John D. Rockefeller

It would be hard to gauge whether business tycoon John D. Rockefeller had more in common with his flim-flam father or his very moral Baptist mother, but he was definitely the product of both parents. The Rockefellers came of European stock; mother Eliza Davison was Scots-Irish, while father William “Bill” Rockefeller’s ancestors were German and English. His father’s family first showed up in the United States in 1723, and Johann Peter changed his last name from Rockenfeller to Rockefeller. On the matrilineal side of the family, William Rockefeller’s mother, Lucy Avery, traced her ancestry back to Mary Boleyn, the mistress of Henry VIII and sister of Anne Boleyn, the second of Henry’s six wives who lost her head to the executioner’s axe but not before giving birth to the child who would eventually become Elizabeth I.

Perhaps his last name was the only reliable legacy that Rockefeller received from his father, although “Bill” Rockefeller did pay his son five dollars after he read the Bible from beginning to end. But the rock of the family was mother Eliza Davison, who never, despite the vicissitudes of her life and her marriage, abandoned the teachings of her Baptist faith, passing them on to her children as a counterweight to their father’s fickle influence.

John D. Rockefeller, the native New Yorker who came to define the legend of the self-made man in America, was born on July 8, 1839, the second of six children, in Richford, New York. Richford was located in a part of the state where the Second Great Awakening, a passionate revival of religious fervor, had taken place in the early decades of the nineteenth

century and the local Baptist churches particularly benefitted from the enthusiasm that had been aroused. The creed of earnest prayer and hard work found fertile soil in John D. Rockefeller, who attended church faithfully all his life.

It was Eliza who instilled in her family a moral creed that they could not have obtained from their father, an engaging man who made his living as a traveling salesman selling healing elixirs, an occupation that took him on the road for much of the time. Bill Rockefeller was none too scrupulous about the healing properties of his product, or about the bonds of marriage. He preferred to enjoy his life, and monogamy—had he been bound by it—would have constrained his pleasures. To the neighbors, he was known as Big Bill and Devil Bill, but the neighbors didn't see much of him and neither did his family because of his travels and lifestyle.

Before marrying Eliza, Bill had been in love with another woman. However, he ended up marrying Eliza since her father had pledged to give her \$500 when she married, and the woman he loved was poor. That made the choice an easy one for Bill. John Davison, a farmer, bitterly opposed the marriage, and time would prove that he was right in his perception. Eliza was obliged to endure her husband's unfaithfulness along with the illegitimate children that he conceived with his mistress.

Years later, after the family had moved to Moravia, New York, Bill Rockefeller was accused of raping a young woman at gunpoint. Ann Vanderbeek worked in the family household when the alleged crime took place. The charge read that Bill "did make and assault on her... then and there make violently and against her will feloniously did ravish and carnally know (her)."

Devil Bill decided that it was time to pull up stakes and find a new home, so after selling their house in Moravia, the Rockefellers moved to Oswego, New York. Shortly after the move, his father-in-law, Eliza's father, sued him for failing to pay the \$1,175 he owed him; Bill had asked his father-in-law for financial assistance to pay his bail following the charge of rape.

Consequently, Bill Rockefeller adopted the name of Doctor William Levingston as he pursued his dubious career selling botanical healing potions. Although Eliza was still living, Bill committed bigamy when he married Margaret Allen in Canada, having more or less abandoned his family while the three eldest children were in their teens.

Decades later, when the name of Rockefeller was famous throughout the

world, a rumor leaked that the wealthy oil tycoon had a scandalous secret in his past. It was a time when any unsavory news about the unpopular head of Standard Oil would have found eager readers, and newspaper mogul Joseph Pulitzer was so determined to uncover the secret that he offered the astronomical reward of \$8,000 to anyone who could provide information on the mystery. But Bill Rockefeller died before his embarrassing past could be exposed and before it could cause any harm to his son. The story would eventually come out later, but by then, it was too late for the family scandal to alter the career of the tycoon. The scandals that put the Rockefeller name in the newspaper headlines had nothing to do with personal imbroglios; John D. Rockefeller lived a moral private life. His business life, however, was another matter.

Eliza Rockefeller shaped her eldest son's penchant for business from an ethical rather than a fiduciary influence as he developed a strong work ethic that reflected the Baptist creed he followed. As he was growing up, Rockefeller had his own household chores to do, but he also managed to find time to earn extra cash by selling things like candy, turkeys, and potatoes, and working for the neighbors doing small tasks. He used the money he made to earn more money as he advanced to the stage where he was able to lend small amounts to the neighbors.

Despite the family's financial straits, his mother encouraged him to put pennies in the offering plate at church, and for the rest of his long life, Rockefeller would devote much of his philanthropy to the church. When he was a youth, a member of the clergy encouraged him to heed the advice of Methodist preacher John Wesley and make as much money as he could and then to give away as much money as he could. From this, Rockefeller came to see his talent for making money as a gift from God; it brought rewards, but also responsibilities.

In 1853, the family moved to Strongsville, Ohio, near Cleveland . Rockefeller went to Central High School, which was the first free public high school located west of the Allegheny Mountains. Neighbors spoke well of the boy, approving of his moral character, his religious nature, and his integrity. He was reserved even as a youth and also methodical in his practices, traits which would help him hone the keen acumen of his adulthood. Another student at the school, Laura Spelman, was the daughter of a successful dry goods merchant, and she also had a strong conviction to moral causes such as the abolitionist movement. Laura, who had gone to school to become a



teacher, would bring her sense of purpose and strong sense of identity to her marriage when she married Rockefeller, two years her senior, in 1864.

After high school, John studied bookkeeping, taking a ten-week business course at Folsom's Commercial College. His talents as a debater were much admired, as was his ability to express his thoughts precisely as he intended them to be understood. The future businessman was tempted to study music as a future career, something for which he had a great passion. Ultimately business was his choice.

Rockefeller went to work at the age of 16, finding employment as an office clerk and assistant bookkeeper at Hewitt and Tuttle, a small produce commission firm that bought, sold, and shipped commodities including grain and coal. His first day of work was so significant that he later commemorated September 26, 1855, as a day of celebration. One of the reasons for his jubilation was because he had spent the previous six weeks in search of employment without success. But Isaac Hewitt gave the young man an interview and told him, "We'll give you a chance." Clearly, Hewitt spotted attributes that other Cleveland employers had missed.

It was a job uniquely suited for his meticulous attention to detail, and it served as an excellent beginning into the world of business which he would one day command. His pay was 50 cents a day. After three months, he had earned \$50, which in modern finances would be \$1,000. Even at age 16, he had bold ambitions: he wanted to make \$100,000 which in today's money would be equal to three million, an impressive sum now but an immense one at that time. Rockefeller also set the goal that he wanted to live to be one hundred years old. He would far surpass his first goal and only miss achieving the second one by two years, passing away just two months before his 98<sup>th</sup> birthday.

## Chapter Two

# Rockefeller Finds Black Gold

*“Gain all you can, save all you can, and give all you can.”*

—John Wesley

Bookkeeping could only content Rockefeller for a certain amount of time, and in 1859, when he was 20 years old, he and business partner Maurice B. Clark went into the produce commission business on their own, raising \$4,000 in capital. Success followed, and the business profited. By the end of their first year in business, they had grossed \$450,000 selling meat, hay, grain and other commodities.

But the economy of the United States was due to undergo a dramatic change as the drums of war, which had begun to beat faster in the 1850s as slavery became a divisive political issue, reached a crescendo by 1861 when Confederate forces fired upon Fort Sumter, and the North and South went to fight against each other.

Rockefeller was opposed to slavery. He was an abolitionist who supported the new Republican Party and its candidate, Abraham Lincoln. His younger brother Frank opted to serve in the army, but Rockefeller paid to have a substitute serve in his stead, which was common for Northerners with sufficient funds. War would change the way the country did business, and for Rockefeller, it made more sense to fight his war upon the fields of commerce as a new product was claiming the country's attention.

After 1865, America was very different from the young nation that had gone to war four years earlier. The vast expanses of land continued to be settled as the war went on, and with that expansion came a growing population. Technology was changing the way crops were harvested, the way food was prepared, and the manner in which people traveled. With those changes came bold new ideas regarding race, gender, the rights of

Americans, and the responsibility of the government. After the Union forces defeated the Confederates and Robert E. Lee surrendered at Appomattox, the reunited nation accelerated in its pursuit of life, liberty, happiness, and wealth.

Oil had been used as a patent medicine in the past, but as the industrial revolution boomed, enterprising businessmen realized that it had more lucrative uses in a world that needed fuel, lighting, and lubrication to power the changing face of the manufacturing economy. The chain of events that led to Rockefeller's millions began with the railroads and a man named Colonel Edwin Drake, who was sent to Titusville, Pennsylvania to find oil.

Drake worked for a speculator named James Townsend, who had read a report from a Yale chemistry professor claiming that rock oil, once it was refined, could be used to provide illumination and lubrication. The people of Titusville thought Drake was crazy to have such an interest in oil; the locals knew there was oil below the ground because it was seeping up, but they didn't know why or how to extract it.

Drake's efforts to obtain oil by digging trenches failed, and that's when the idea of drilling came into play. But when Drake's contract with Townsend expired, there was no capital for his oil-finding ventures anymore. Luckily, he managed to find a driller who forged his own tools. He and Drake built a derrick out of pine wood late in May 1859, and the workers drilled all through the summer, taking only Sundays off from their labors. After flooding the hole with water, Drake drove an iron pipe down to bedrock level. He placed the drill inside the pipe so that the water wouldn't enter.

On August 28, 1859, after drilling almost 70 feet, their efforts were rewarded and by fall, Pennsylvania was in the throes of an oil rush. Drake failed to patent his drilling method, but other entrepreneurs were savvy, as real estate prices rose and the oil refining business lured investors. Not only was there an industry, but there were laborers to work it, created from the ranks of men who weren't fighting. The foreign immigrants who had come to America for a better life, the deserters who had found war was not to their liking, freed slaves, and those who had chosen not to go to war needed to find work. Thus, oil derricks began to alter the landscape of northwestern Pennsylvania farmland. Oil production soared, but the market was extremely unpredictable. The price rose to a high of \$20 a barrel in 1861, which would be the equivalent of \$600 per barrel in today's values, to 10 cents within a few months, or \$3 today. The volatility of the market meant that investment

was erratic and not everyone wanted to take the risk.

Nonetheless, it was a new industry, and keen minds recognized that there was profit below the ground. Seeing a future in oil, Rockefeller and Clark switched industry. It was easy to see what oil was doing for Pennsylvania, and Cleveland was close enough to the oil fields to make the building of an Ohio refinery a logical business opportunity for the enterprising duo.

The federal government, which subsidized oil prices, had driven the price from 35 cents a barrel in 1862 to \$13.75, which inspired speculators to seek their fortune. It also led to an oil overload in this new sector which seemed to have little efficiency in its production. As adventurous but novice men would gather the oil from the holes they blew in the ground, they created an overflow which polluted nearby creeks and rivers, leading to an early environmental hazard and waste.

Rockefeller abhorred waste. Andrews, Clark & Company, his firm which built an oil refinery in 1863 in Cleveland's growing industrial district, had more efficient plans to make a profit by capitalizing on the fact that, as whale oil had become too costly, a cheaper fuel was sought. The firm, which consisted of Maurice Clark, John D. Rockefeller, the chemist Samuel Andrews, and Clark's two brothers, was entering a field which was in its early days. No one could have forecast a future in which millions of dollars would fill the coffers of businesses and individuals who knew how to profit from its uses.

Rockefeller was not impressed by the profligate waste that saw refineries losing 40 percent of the oil they extracted by dumping it in the waterways and using the remaining 60% to produce kerosene. At the time, kerosene, a derivative petroleum that was used in lamps, was on its way to becoming a staple of the economy. Thrifty Rockefeller had a better plan that turned waste into profit; he used the gasoline to fuel his refinery and sold the rest as a lubricant, paraffin wax, petroleum jelly, tar for paving, and naphtha for gas plants. By hiring plumbers, Rockefeller was also able to cut the cost of laying the pipe by half. He bought the wood for the barrels and had them built himself, lowering the cost from \$2.50 to 96 cents. This talent for extracting the utmost from his product would create a thriving means of making a profit.

Describing "the day that determined my career," Rockefeller bought out the Clark Brothers in February 1865 at auction, spending \$72,500 and creating Rockefeller & Andrews. The war was nearly over, and a far-sighted business man like Rockefeller could see that the United States was poised to

expand west with the railroads. Expansion meant many new markets for his product, and the future was ripe with potential for what oil could do.

In order to do this, he needed to borrow money so that he could reinvest the profits he had earned. He kept track of this remarkable new industry so that he could predict its course and stay nimble as markets changed. His younger brother, William, built a second refinery in Cleveland in 1866 and brought his older brother on as a partner. The following year, they had added Henry M. Flagler as a partner and created the firm of Rockefeller, Andrews & Flagler. It would later be better known as the Standard Oil Company. By this time, Cleveland, Pittsburgh, New York, and the region of northwestern Pennsylvania were amongst the country's most prominent refining centers.

The partners in the fledgling industry owned, by 1868, the largest oil refinery in the world as Rockefeller continued to borrow and reinvest, keeping expenses down, and profiting by using the by-products that would have otherwise been discarded as waste. On January 10, 1870, Standard Oil of Ohio was formed under the leadership of John and William Rockefeller; Oliver Jennings, who was married to William Rockefeller's sister-in-law; Henry Flagler; and silent partner Stephen Harkness. John Rockefeller received 2,667 of the initial 10,000 shares; Harkness was next with 1,334 shares; William Rockefeller, Flagler, and Andrews had 1,333 shares; and Jennings received 1,000. The firm of Rockefeller, Andrews, and Flagler received 1,000 shares. In no time at all, the new company became Ohio's most profitable refiner and one of the largest of the nation's shippers of kerosene and oil.

The methods would later be decried as foul, but they were effective not only in vanquishing the competition in Cleveland but later throughout the northeastern United States. Conquering competition would become a covert trademark of the Standard Oil Company, one which would deliver enormous wealth but also bring the company before the Supreme Court.

## Chapter Three

# Standard Oil

*“It was estimated after Mr. Rockefeller retired from business that he had accumulated close to \$1,500,000,000 out of the earnings of the Standard Oil trust and out of his other investments. This was probably the greatest amount of wealth that any private citizen had ever been able to accumulate by his own efforts.”*

—The New York Times

Anyone who assumed that Rockefeller’s religious principles would make him anything less than ruthless in the world of commerce was sadly mistaken. By buying up his rivals in the refinery industry and creating companies that would oversee the distribution and marketing of his products, Standard Oil was able to dominate the oil arena. In 1882, he combined the assorted companies into the Standard Oil Trust, which controlled 90 percent of the refineries and pipelines in the United States. The company continued to utilize Rockefeller’s thrifty practices of building its own barrels and turning waste into a marketable product; they expanded upon the latter by bringing scientists on board who had the knowledge to figure out new uses for the by-products.

Not only oil was on the cutting-edge of scientific advancement. Technology was changing all facets of American enterprise, as small, local businesses were transformed into corporations. As business stretched its boundaries, the railroads became increasingly more important in the distribution of goods far from their production sites. In 1868, the Lake Shore Railroad offered Rockefeller’s company a rate of 42 cents a barrel to ship its oil, which was a discount of 71 percent from its listed rates. In exchange, the firm had to agree to ship a minimum of 60 carloads per day and to take care

of its loading and unloading.

As the railroads recognized the changes that were coming, its leaders sought to control freight rates by forming the South Improvement Company, which offered special arrangements to customers like Standard Oil, which shipped in quantity. The railroads offered rebates of up to 50% for the products that traveled along their tracks, and rebates for the shipment of products in competition. The plan seemed to have merits both for Standard Oil and for consumers, who would purchase their kerosene and other by-products from oil at lower prices thanks to Rockefeller's involvement in the plan. Prior to 1870, only the wealthy could afford the costly whale oil that was used for illumination, but kerosene, as it became affordable and available to the working and middle class, was the more popular source.

The kerosene was delivered by tank cars directly to the local markets; after that, tank wagons delivered the product to the retail customers, bypassing the network of providers in the middle. The deal saw the price of kerosene drop by more than half, from 58 cents in 1865 to 26 cents in 1870.

For smaller companies who had no hope of being able to ship in the quantities that Rockefeller managed, the deal spelled doom.

When word got out that freight rates were about to undergo a significant increase, independent oil well owners were furious; boycotts and vandalism followed. Eventually, the other oil well representatives learned that Standard Oil was a part of the plan and destined to profit from it. Then the government got involved as Pennsylvania's state legislature revoked the charter of the South Improvement Company, and no oil was shipped. The railroads were forced to abandon the plan, and the original rates were restored.

Rockefeller didn't allow the episode to slow down his progress, continuing to do as he had been doing by improving efficiency in his operations and buying up the less efficient refineries of his competitors. By undercutting the competition, negotiating for discounts on shipments, and raising funds to buy out his rivals, Rockefeller became a master of the behind-the-scenes deals that were typical of the era. In 1872, within less than four months, Standard Oil managed to absorb 22 of the 26 competitors in Cleveland, an event which became known as the Cleveland Massacre.

Rockefeller was effective at making his competitors see the grim handwriting on the economic wall; often, all that he had to do to make his point was to show them his financial ledgers so that they realized the futility of holding out. If they complied, he presented them with a respectable offer.

If they refused, he warned them that he would reduce them to bankruptcy and purchase their assets at auction. In the end, even the oil refinery owners who had successfully balked at his secret deal with the railroads were forced to succumb and, realizing that competing against Standard Oil was futile, they entered into covert negotiations to be acquired by the company.

Charles Pratt and Henry Rogers, who had been the leaders of the opposition to the freight deal, joined forces with Rockefeller. Pratt did not agree that all competition had to be abolished because he knew that if Standard Oil absorbed all its existing competitors, others would arise. Pratt's son, Charles Millard Pratt, became the secretary of the Standard Oil Trust and would evolve into one of the central leaders in the Standard Oil business empire.

What competitors saw as merciless exploitation, Rockefeller saw as expedience. The nineteenth century had produced a new philosophy of evolution, but the writings of Charles Darwin also had a role to play in the business community. There was a Darwinian slant to Rockefeller's philosophy on buying up his rivals. They were weaker than Standard Oil; by buying them up, he was ridding the industry of its weaklings and creating a stronger, more competitive, more efficient oil industry. He was not destroying the industry; he was preserving it.

The boy whose business education consisted of a ten-week course on bookkeeping had become the man who had a keen, financially carnivorous sense of profit for a company that was growing both because of the product it sold but also because it provided its own pipelines, tank cars, and home delivery systems. By maintaining low prices for the oil it sold, Standard Oil's products fit into the budget of the everyday American. What had once been waste was transformed into more than 300 oil-based by-products, including tar, paint, and chewing gum.

By the end of the decade, Rockefeller had surpassed his youthful goal of earning \$100,000. He had earned one million dollars in the 1870s economy, and Standard Oil was refining more than 90 percent of the oil in the country.

Controlling the flow of the oil from its production to its delivery to the consumer achieved more than pleasing Rockefeller's innate sense of order and regard for centralization. Through horizontal control of the refinery process, Rockefeller ensured that Standard Oil would profit from its sales. He invented the concept of vertical integration through his control of the plant and the capital and the logistical distribution of Standard Oil's product.



## Chapter Four

# The Only Game in Town

*“All the fortune that I have made has not served to compensate me for the anxiety of that period.”*

—John D. Rockefeller

But Standard Oil's cutthroat business practices, successful though they were, created enemies. In 1877, trouble arose over the pipelines used to transport his oil. In Rockefeller's view, the pipelines were merely an alternate form of transportation; in keeping with his practice of owning the process of distribution, Rockefeller began to build his own. The president of the Pennsylvania Railroad saw this as a form of trespassing into fields beyond oil refining and subsequently responded by creating a subsidiary company to build oil refineries and pipelines.

Standard Oil retaliated by withholding oil shipments and joining forces with other railroads to start a price war. The Pennsylvania Railroad suffered from the resulting reduction in freight payment and the labor unrest that accompanied the unsettled employment. Industrial giants glared at one another across the battle lines of profit. Eventually, however, Standard Oil emerged in triumph when the railroad sold its oil interests to Rockefeller's company.

It didn't end there. The state of Pennsylvania got involved in the fray and indicted Rockefeller in 1879 for holding a monopoly on the oil business. Other states followed suit during the period when Rockefeller was engrossed in the process of consolidating and integrating his business. Unaccustomed to being the object of public condemnation, Rockefeller found it difficult to sleep at night as he reacted to the stress of the hostile environment. As the turmoil continued to swirl around him, the controversy over his business practices did not leave Rockefeller unscathed, and as a result of the anxiety,

he began to lose his hair, which would cause him to opt for wearing toupees later in life.

Just as the oil industry had transformed the business economy of the country, a reform movement was altering the public perception of the practices that had helped to build companies like Standard Oil. Journalists, nicknamed muckrakers by future president Teddy Roosevelt, who was himself a reformer, were vigilant in covering the stories about the business practices of some of America's richest men. The August 1870 issue of the magazine *The Atlantic Monthly* published a story using the term robber baron to describe businessmen like Rockefeller. The *New York World* described the Standard Oil Company as "the most cruel, impudent, pitiless, and grasping monopoly that ever fastened upon a country." Denying misconduct, Rockefeller claimed that because the oil business was so enormous, it was inevitable that there would be practices which deserved reproof; however, he asserted that those practices were corrected as soon as they were discovered.

Rockefeller, in his view, was merely exploiting an existing system. Many of the country's state legislatures had laws which made it difficult for companies to incorporate in one state while operating in others. So Rockefeller responded by creating many different corporations which operated in single states alone. It was slippery, but it was legal. In 1882, he had had his lawyers create the Standard Oil Trust to centralize the company's holdings through a corporation comprised of corporations. The Trust had nine trustees, of which Rockefeller was of course one, to run its forty-one companies. Standard Oil owned 20,000 domestic oil wells, employed more than 100,000 workers, controlled 4,000 miles of pipeline, and possessed 5,000 tank cars. The company was a titan in a vast kingdom of powerful businesses, and it seemed as though nothing could bring it down, even though Standard Oil had earned its share of enemies and rivals. So powerful was the giant that it appeared to be immune to the usual ebb and flow of the economic business cycle, unfailingly reaping in profits every year.

So much wealth and power in the hands of so few men aroused the attention of the crusading journalists, especially as other robber barons saw the advantages of the practice and adopted it.

But in the early years of the 1880s, Rockefeller began to alter the charges of storing oil to reflect the conditions of the market, asserting indirect control rather than influencing the price of the crude oil directly. Standard Oil then issued certificates against the oil that was stored within its pipelines. When

the certificates were traded by speculators, the first oil futures market evolved, setting market prices. Late in 1882, the National Petroleum Exchange opened in New York with the function of facilitating the trade in oil futures.

To further exploit a more advantageous business environment, Standard Oil of Ohio moved to New York City in 1885; the trustees, recognizing the merits of New Jersey's lenient laws regarding ownership of corporate stock, chartered the Standard Oil Company of New Jersey.

Standard Oil could hardly be blamed for believing that it had a good chance of controlling the world market on oil, as 85 percent of the world's production came from Pennsylvania. But the craving for oil had crossed the Atlantic and Pacific Ocean, and drilling was underway in Asia and Russia. France's Rothschilds had provided financing for refineries in Russia. Awareness of public scrutiny made Rockefeller realize that he had to surrender his ambition to control oil refining throughout the world.

Technology continued to transform the industrial landscape, and it required a deft hand to remain on top of the profits. The invention of the light bulb cut into the kerosene market. But there was a new innovation on the market, one which would also alter the shape of the world, and as the automobile market grew, Standard Oil was able to turn the by-product of natural gas into profit.

The business tycoons saw profit in one another's ventures, and they had no scruples when it came to advancing their causes at the expense of their worthy adversaries. Rockefeller ended up in competition with Andrew Carnegie, the Pittsburgh steel king, when he moved into the transportation of iron ore. As the oil fields of Pennsylvania went dry, Rockefeller sought new fields in West Virginia, Ohio, and Indiana. The Rockefeller influence was a global one.

It might have seemed as though Rockefeller had no personal life and was consumed by his business ventures. But that was not the case, and as the nineteenth century was winding down, Rockefeller was winding down his involvement in his business as well. The strife of controversy over his business dealings, which had affected his health, began to ease as he started to shift management of the Standard Oil Company to others in his leadership circle.

He was opting for changes in other areas as well. In 1884, he moved to 54<sup>th</sup> Street in New York City, the neighborhood where other wealthy men of

his ilk lived. However, he continued to operate as he had before, taking the train to his office every day despite concerns for security. The business arena was as vibrant as ever, but Rockefeller was no longer young. He turned the management of the Trust over to John Dustin Archbold, bought an estate north of New York City, and began to spend leisure time playing golf and bicycling.

Rockefeller and his wife, Laura Celestia “Cettie” Spelman, had gotten married in 1864 and their family included three daughters and a son. Rockefeller praised his wife, the daughter of a successful merchant and politician, saying that his wife had better judgment than he did. “Without her advice,” he said, “I would be a poor man.”

Like her parents, Cettie Spelman Rockefeller had been an ardent abolitionist during the days of slavery; her father had taken part in the Underground Railroad in Ohio, helping escaped slaves make their way north to freedom. Rockefeller had met Laura Spelman when they were both students taking accounting classes. Cettie left Ohio to attend Oread Institute with the intention of becoming a teacher, but after marrying Rockefeller in 1864, she followed the example of women of her generation, as she concentrated on her family and became involved in the Rockefeller church, the Northeast Baptists. The Rockefeller faith and fortune would demonstrate another facet of the complicated tycoon’s character as he devoted more of his time and money to worthy causes. But he wasn’t finished with Standard Oil yet, and the public was not finished with John D. Rockefeller.

## Chapter Five

# Monopoly!

*“I never had an animus against their size and wealth, never objected to their corporate form. I was willing that they should combine and grow as big and wealthy as they could, but only by legitimate means. But they had never played fair, and that ruined their greatness for me.”*

—Ida Tarbell

The age of the robber barons had galvanized the American economy and men of extreme wealth were no longer an anomaly. Thomas Jefferson’s long-ago hopes for America to remain a pastoral idyll in the midst of a money-grubbing world were dashed, as the United States became synonymous with wealth that came from manufacturing, not agriculture. The Gilded Age, when businessmen like Rockefeller, Andrew Carnegie, Henry Clay Frick, John Jacob Astor, Jay Cooke, Jay Gould, James Fisk, Cornelius Vanderbilt, and others redefined business practices to suit their industries and their particular concept of ethics marked an era of phenomenal wealth and commercial power.

But just as these intrepid businessmen were acquiring wealth, the reform movement was growing as well, and the progressives didn’t like what they saw. Journalists and politicians alike tasked themselves with the moral mission of bringing change to what they regarded as a corrupt system which allowed powerful men to trample competition in the name of avaricious capitalism.

The year 1887 saw the creation of the Interstate Commerce Commission, which was assigned to oversee the rates charged for all railroad freight to make sure that the costs were equal for all. Then, in 1890, the Sherman Antitrust Act was passed to address the encroaching reach of monopolies in

American business.

Any arrangement that restrained trade was forbidden, and while it was not immediately apparent just what constituted restraint of trade, it didn't take long before Standard Oil was in the crosshairs of a lawsuit brought by the Attorney General of Ohio. Ohio sued Standard Oil, which by 1890 controlled 88 percent of all the refined oil in the United States, and the lawsuit successfully forced the Trust to dissolve in 1892. Standard's solution was to separate Standard Oil of Ohio in order to maintain control. In 1899, after New Jersey revised its incorporation laws and permitted a company to own shares in companies located in any other state, the Standard Oil Trust legally re-named itself the Standard Oil Company of New Jersey, a holding company which held stock in 41 other companies.

Muckraking journalist Ida Tarbell's 1904 expose of Rockefeller's dealings, *The History of the Standard Oil Company*, reported on the firm's tactics, which included spying, price wars, dubious marketing practices, and courtroom antics which kept the company from being charged. The public response was swift. Tarbell may have had a personal motive for her efforts to bring Standard Oil to retribution, as her father had been one of those rivals who had been a victim of the South Improvement Company scheme to provide Standard Oil with advantageous freight rates.

Rockefeller, eager to present a more benign image of his actions, insisted that he had only done what the market permitted. But skeptics were not convinced that his public statements matched his private business dealings. When the government's Commissioner of Corporations investigated Standard Oil's dealings from 1904 to 1906, the conclusion was that the company's position at the top of the refinery pyramid was unquestionably due to its abuse of its control of pipelines, railroad discrimination, and unfair methods of competition. In 1909, Standard Oil was sued by the federal department of Justice for restraining interstate commerce and sustaining a monopoly.

The government said that the Standard Oil Company raised prices to its monopolistic customers but lowered them to hurt competitors, often concealing its illegal actions by using supposedly independent companies that it controlled in order to benefit. Findings showed that Standard Oil charged excessive prices in areas where it had no competitors and where it did have competition, it lowered its prices to the point that abolished profit for either its competitor or for the company itself as part of its practice of driving out its rivals.

The case went to the Supreme Court on May 15, 1911, and the earlier decision of the lower court was upheld. Standard Oil, which was named an unreasonable monopoly according to the definition of the Sherman Antitrust Act, was ordered to be divided into more than 30 different, independent companies. Instead of the small cabal of partners ruling over the companies, each one was to have a different board of directors. Those decisions of over a century ago are not as far away as we might think; Standard Oil of New Jersey would become Exxon, and Standard Oil of New York would become Mobil.

Public anger at the power and reach of Standard Oil went beyond mere economic consideration of the company's legitimacy. Speaking in support of the reasoning by which the Sherman Antitrust Act presented its case against Standard Oil, a member of Congress explained that while the company and others like it may have made prices cheaper for consumers, they destroyed legitimate competition and drove honest businessmen from the markets. The decision indicated that for all the emphasis on profit and capitalism, there was a moral sense which also played a part in how American business ought to be conducted.

Although John D. Rockefeller was the face of Standard Oil, he had already retired from his management responsibilities by the time of the Supreme Court decision. However, he remained the owner of a quarter of the shares of the companies. When the value of the shares doubled, Rockefeller prospered. The splitting of the Standard Oil Company left him with the title of the richest man in the world, with a net worth of 900 million dollars. In Rockefeller's viewpoint, he was a wealthy man who had earned his millions. Now that he was retired, he knew how he wanted to spend it. He admired the example of Andrew Carnegie, whose goal after accumulating his wealth was to give most of it away. But for Rockefeller, giving was an easy habit to indulge in; he'd been giving money away all his life.

## Chapter Six

# Give as Much as You Can

*“I investigated and worked myself almost to a nervous breakdown in groping my way, without sufficient guide or chart, through the ever-widening field of philanthropic endeavor. It was forced upon me to organize and plan this department upon as distinct lines of progress as our other business affairs. I have always indulged the hope that during my life I should be able to establish efficiency in giving, so that wealth may be of greater use to the present and future generations. If the people can be educated to help themselves, we strike at the root of many of the evils of the world.”*

—John D. Rockefeller

Always detail-oriented, Rockefeller kept meticulous records of his expenditures, and shortly after he was hired at his first job, he purchased a ten-cent notebook in which he recorded his financial transactions. Fifty years later, he took the ledger from his safe deposit box and brought it to the Sunday school class that he taught. It revealed that he had spent nothing on his own amusement. More than half of his pay went to pay for his food and lodgings. But that frugal lifestyle did not include his charitable giving. At a time when he was making one dollar a day, he was giving away from five cents to twenty-five cents. His mother’s early lessons had borne fruit.

John D. Rockefeller retired with more money than anyone in the world, and he had a plan for how to spend it. He found time for leisure, and he continued to play golf. As he withdrew from his business, Rockefeller started buying property. Along with his New York properties, he purchased more homes: an estate in Lakewood, New Jersey, an estate near Tarrytown, New York, and The Casements, his winter home on Ormond Beach in Florida. In 1890, Henry Flagler had purchased the Ormond Hotel and enlarged it so that



it could accommodate 600 guests. Rockefeller had been a guest at his Standard Oil partner's hotel in 1914 and found the area to his liking. So when he bought his Ormond Beach estate, he used it as his winter home. But not all of his purchases were for his own use.

The man who had no qualms about quashing his competitors in the business world was a very different human when it came to philanthropy. Even during times when he was engaged in borrowing money to expand his business enterprises, he didn't stint on his charitable giving. In fact, he saw receiving money and giving it as twin outcomes of the same process of faith which promised that to those who gave, much would be given in return. His wife shared his zeal for giving as part of their religious duty. While many of their affluent New York neighbors opted for lives of extravagance, Cettie and John Rockefeller led Bible studies as part of their involvement in their church. Rockefeller read the Bible every day and went to prayer meetings twice a week.

Rockefeller had been as generous in his giving to charity as he was relentless in his pursuit of profit. He saw no discrepancy between the two commitments. He and his wife's generosity began with their loyalty to the Northeast Baptist Church but didn't end there. His church was affiliated with the Northern Baptist Convention which supported education for freed slaves in the South after the end of the Civil War. The Rockefellers continued to provide financial support for institutions which aided freed slaves, who all too often had found that freedom without the means to advance was a different form of slavery. As an abolitionist, Rockefeller had been opposed to slavery when it existed in the country and once paid to purchase a slave's freedom from bondage. Money spent while he was traveling was given to African-American churches as well as to the Southern Baptist Convention. When he traveled, he did not take Sundays off and often attended African-American churches and places of worship, where he would leave a large donation after the service.

Standard Oil had made him a very rich man, but for many African-Americans who were still encumbered by the vestiges of prejudice and the legacy of enslavement, upward mobility was an impossible dream. Rockefeller believed in education and supporting colleges, provided that the institution would seek to expand its bank of donors by making potential contributors aware of its needs and its potential. In 1884, he provided a significant amount of funding for the Atlanta Baptist Female Seminary,

which had been founded in 1881 to offer education for African-American women.

The founders of the school, Harriet E. Giles and Sophia B. Packard, were teachers from the Oread Institute, which Laura Spelman had attended before her marriage to Rockefeller. Giles and Packard had left Massachusetts to go to Atlanta to found a school for freedwomen. They had some financial backing from their Massachusetts colleagues and supporters, but when they met Rockefeller in 1882, their vision for a school which instructed illiterate women in the liberal arts impressed him. He visited the school in 1884, which then had 16 members of the faculty and 600 students. The school depended upon the generosity of Atlanta's African-American community, the teachers who volunteered their labor, and donations. Rockefeller, learning more about the school and its ambitious goals, was moved to be generous and he paid off the college's debt. That year, the school was renamed the Spelman Seminary, in honor of Rockefeller's wife, a longtime opponent of slavery and supporter of education for women, and her abolitionist family. Two years later, Rockefeller provided funds to build Rockefeller Hall, which is now the oldest building on the college campus. Spelman College is the nation's oldest private liberal arts historically black college for women.

Giving had begun in Rockefeller's boyhood and continued when he began working at his first job at the age of sixteen, as he dedicated six percent of his wages to charity. That amount rose as his means increased and when he was age twenty, he was tithing ten percent of his earnings to the church. He had seen his generosity rewarded as his money continued to multiply. It followed suit that for Rockefeller, God's gifts deserved to be reciprocated to those organizations and institutions which needed financial aid.

He was a dedicated supporter of Baptist missionaries, but he was not restricted to his own domination when there was a need for help, and also donated funds to provide support for a Roman Catholic orphanage. But Baptist causes were ever dear to his heart, and he also donated to Dennison University which was formerly a Baptist institution. In 1900, Rockefeller donated \$80 million to the University of Chicago, which had been founded by the American Baptist Education Society. Thanks to the generous infusion of funds, the small Baptist college was able to advance into national prominence in the field of education.

Education was valued by the world's richest man, and in 1903, he founded the General Education Board which had the goal of promoting

education on all levels all over the United States. In addition to maintaining the Baptist emphasis on education for African-Americans, financial support was also given to other, more well-known institutions, including Harvard, Yale, Brown, Columbia, Vassar, Bryn Mawr, and Wellesley.

Not only American institutions of higher learning benefitted from Rockefeller wealth. The American Baptist Foreign Mission Society, which was the foreign mission board of the American Baptist Missionaries, received funding from Rockefeller in 1905 to establish Central Philippine University, Asia's first Baptist and second American university.

He also was a benefactor to the field of medical science, founding the Rockefeller Institute for Medical Research, later Rockefeller University, in 1905. The Rockefeller Sanitary Commission, established in 1909, eradicated hookworm disease, a condition which had been especially prevalent in rural parts of the American South. After the Rockefeller Sanitary Commission closed in 1915, he created the Rockefeller Foundation to continue its work.

The Foundation had a broad focus and sponsored, amongst others, the Johns Hopkins School of Hygiene and Public Health, which was the first institution of its kind. The Foundation, which absorbed another Rockefeller program, the Laura Spelman Rockefeller Memorial Foundation, would receive a total of \$550 million from Rockefeller for the purpose of benefitting health, medical training, and the arts.

World War I, the cataclysmic war that devastated Europe, moved Rockefeller to benevolence. The Rockefeller Foundation chartered its own ships to deliver over \$22 million in relief aid to the suffering people of Belgium, Serbia, and Armenia. And during the 1930s, as the Nazis rose to power in Germany and Adolf Hitler was pursuing his policy of eradicating the Jews, the Rockefeller Foundation rescued over 300 Jewish scientists and researchers.

## Chapter Seven

# Life and Legacy

*“I was early taught to work as well as play. My life has been one long, happy holiday. Full of work and full of play, I dropped the worry on the way. And God was good to me every day.”*

—John D. Rockefeller

The Rockefellers may have lived during the Gilded Age, but they did not live gilded lives. Despite their wealth, the Rockefellers were dedicated to the purpose of their lives. When she was almost 15 years old, Laura Spelman delivered the valedictory address at Central High School in Cleveland, Ohio. Her speech, *I Can Paddle My Canoe*, espoused the rights of women and their contribution to society. Her future husband, a senior at the high school, was in the audience and apparently was not dismayed by Spelman’s views.

Spelman’s sphere of influence after she and Rockefeller married may have been focused on home and hearth, but that does not diminish her influence. She, like her husband, believed that the children should be productive and moral; they did not want the Rockefeller brood to have the lives of the pampered rich. Each of the four children was in charge of a section of the family vegetable garden and was paid one penny for every ten weeds that were pulled. Son John received a pay increase at age 15, earning 15 cents an hour for chopping wood. Their daughter Bessie was given an incentive for saving money when her mother told her that, if she took on the responsibility of making sure each month that lights were not left on when they were not needed, she would receive the savings as her own spending money. As their father had done in his childhood, they were expected to put money in the offering plate at church. They, like their parents, pledged to abstain from alcohol. They attended church, played, and practiced music.

The children grew up, married, and had children of their own. Daughter

Bessie, a graduate of Vassar College, married a philosophy professor and spent much of her life in Europe. Edith Rockefeller married one of the sons of Cyrus McCormick, the man who invented the reaper and transformed agriculture. Alta Rockefeller founded a settlement house in Cleveland Ohio and a sewing school in New York; she married a lawyer who later became involved in scientific agriculture. Son John married the daughter of a senator. Later, Rockefeller descendants made their mark in politics, business, and philanthropy.

In 1914, the Rockefellers celebrated 50 years of marriage. By this time, Cettie Rockefeller had been bedridden since 1910. And in 1915, she died of a heart attack.

On May 23, 1937, at the age of 97, John D. Rockefeller died of arteriosclerosis at his winter home in Ormond Beach, Florida. He was two months shy of his 98<sup>th</sup> birthday, and less than three years shy of reaching his goal to live one hundred years. The wealth that he accrued far surpasses that of any of America's well-known billionaires. Despite the millions that he gave away to charity, benefitting countless others, a cloud hovers over the name of John D. Rockefeller and the Standard Oil Company. But why, during an era in American history when the capitalist kings of the steel, banking, and railroad industries were no less ruthless than Rockefeller, did he and his corporation receive particular attention for their methods?

Was the reason, as his biographer Ron Chernow asserts, because "his good side was every bit as good as his bad side was bad. Seldom has history produced such a contradictory figure"?

Some historians argue that Rockefeller offered his competitors a fair exchange in return for leaving the industry and that he was more reasonable than Andrew Carnegie, the Scottish immigrant whose control over the steel industry was undisputed. Others counter that such alleged fairness merely shows that he was determined to brook no competition, and the profits that Standard Oil returned to its investors bolsters the success of his strategy.

Had he risen to prominence at another time in American history, his path might have been very different. But his life intersected with a time when the United States was undergoing a metamorphosis from an agricultural economy of fertile farmland to a giant of manufacturing prominence. The methods practiced by industries such as Standard Oil thrived in part because the federal government was not sure of how to handle the behemoths that were fueling the American economy. Naturally, the companies were dedicated to

preventing the government from interfering in their pursuit of profit, and they were not averse to influencing politicians to espouse their cause. The companies would challenge the validity of the legal proceedings brought against them by the Interstate Commerce Act of 1887; so confident were they of their power that they often refused to attend the proceedings. And when they did attend, their patronizing attitude and evasive responses to questions displayed an arrogance that inflamed the public.

The public ire was aided by the zeal of the journalists of that era, roughly from 1902 to 1912, known as the muckraking decade. Over one thousand articles were published which tackled the predatory habits of the corrupt business establishment. Again, the times in which these events took place heavily influenced the success of their reforming efforts; advances in printing technology had made it possible for publishers to print popular, low-cost publications which were read by more members of the public than ever before. The muckrakers, who included trailblazing female reporter Ida M. Tarbell and also Upton Sinclair, took on other powerful interests, including continued discrimination against African-Americans, the practices of the meatpacking industry, patent medicine, and political corruption in the U.S. Senate.

The muckrakers helped bring about an unprecedented era of reform which included pioneering legislation aimed at restoring free competition to the economy and at protecting the food supply along with other measures designed to stop the excesses and abuses of corporate greed.

It could be argued that Rockefeller was neither villain nor hero but merely a product of his time. He was a man who used his talents to advance his future and in doing so, promoted American business interests. The forces that allied themselves against him, particularly the press, were using their talents to further their profession's role in exposing the practices which seemed hostile to the country's best interests.

Rockefeller was a complicated man, historians agree. The United States in the Gilded Age was a complicated country, both avaricious and idealistic. But had men like Rockefeller, and reporters like Ida Tarbell, and legislation like the Sherman Antitrust Act not inhabited the American stage simultaneously, it is nearly impossible to imagine in what direction the nation might have gone. As Microsoft, Facebook, and Apple redefine business and technology to suit the needs and expectations of the current era, we are reminded that extraordinary times conjure forth remarkable men and women

who bend custom to match their will. That was what John D. Rockefeller did.

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