

On the Standard Oil Company

John D. Rockefeller



OVERVIEW

The latter part of the 1800s saw the rise of the great corporations, which often ruined small businesses and grew into monopolies. The public harshly criticized the strength and wealth of the industrial giants, but it was years before the government restrained their power. John D. Rockefeller, president of the Standard Oil Company of Ohio, testified before a government investigating commission. Excerpts from his testimony appear here.

GUIDED READING As you read, consider the following questions:

- Why might Standard Oil have failed had they not exported oil to foreign countries?
- To what does Rockefeller attribute his success?

I ascribe the success of the Standard to its consistent policy to make the volume of its business large through the merits and cheapness of its products. It has spared no expense in finding, securing, and utilizing the best and cheapest methods of manufacture. It has sought for the best superintendents and workmen and paid the best wages. It has not hesitated to sacrifice old machinery and old plants for new and better ones. It has placed its manufactories at the points where they could supply markets at the least expense. It has not only sought markets for its principal products, but for all possible by-products, sparing no expense in introducing them to the public. It has not hesitated to invest millions of dollars in methods of cheapening the gathering and distribution of oils by pipe lines, special cars, tank steamers, and tank wagons. It has erected tank stations at every important railroad station to cheapen the storage and delivery of its products. It has spared no expense in forcing its products into the markets of the world among people civilized and uncivilized. It has had faith in American oil, and has brought together millions of money for the purpose of making it what it is, and holding its markets against the competition of Russia and all the many countries which are producers of oil and competitors against American oil. . . .

Much that one man can not do alone two can do together, and once admit the fact that cooperation, or, what is the same thing, combination, is necessary on a small scale, the limit depends solely upon the necessities of business. Two persons in partnership may be a sufficiently large combination for a small business, but if the business grows or can be made to grow, more persons and more capital must be taken in. The business may grow so large that a partnership ceases to be a proper instrumentality for its purposes, and then a corporation becomes a necessity. . . .

I speak from my experience in the business with which I have been intimately connected for about 40 years. Our first combination was a partnership and afterwards a corporation in Ohio. That was sufficient for a local refining business. But dependent solely upon local business we should have failed years ago. We were forced to extend our markets and to seek for export trade. This latter made the seaboard cities a necessary place of business, and we soon discovered that manufacturing for export could be more economically carried on at the seaboard, hence refineries at Brooklyn, at Bayonne, at Philadelphia, and necessary corporations in New York, New Jersey, and Pennsylvania.

We soon discovered as the business grew that the primary method of transporting oil in barrels could not last. The package often cost more than the contents, and the forests of the country were not sufficient to supply the necessary material for an extended length of time. Hence we devoted attention to other methods of transportation, adopted the pipe-line system, and found capital for pipe-line construction equal to the necessities of the business.

To operate pipe lines required franchises from the States in which they were located, and consequently corporations in those States, just as railroads running through different States, are forced to operate under separate State charters. To perfect the pipe-line system of transportation required in the neighborhood of fifty millions of capital. This could not be obtained or maintained without industrial combination. The entire oil business is dependent upon this pipe-line system. Without it every well would shut down and every foreign market would be closed to us.

The pipe-line system required other improvements, such as tank cars upon railways, and finally the tank steamer. Capital had to be furnished for them and corporations created to own and operate them.

Every step taken was necessary in the business if it was to be properly developed, and only through such successive steps and by such an industrial combination is America today enabled to utilize the bounty which its land pours forth, and to furnish the world with the best and cheapest light ever known, receiving in return therefor from foreign lands nearly \$50,000,000 per year, most of which is distributed in payment of American labor.

Source: Manning, Thomas G., and David M. Potter. *Government and the American Economy: 1870-Present*, "Testimony before the Industrial Commission." New York: Henry Holt & Company, 1950.