

Tarbell, Ida Minerva. *The History of the Standard Oil Company, Volume Two*. New York: The Macmillan Company, 1925. 287-92. Print.

Equally well does both the history and the present condition of the oil business show that it has not needed any such aggregation to give us cheap oil. The margin between crude and refined was made low by competition. It has rarely been as low as it would have been had there been free competition. For five years even the small independent refineries outside of the Pure Oil Company have been able to make a profit on the prices set by the Standard, and this in spite of the higher transportation they have paid on both crude and refined, and the wall of seclusion the railroads build around domestic markets.

Very often people who admit the facts, who are willing to see that Mr. Rockefeller has employed force and fraud to secure his ends, justify him by declaring, "It's business." That is, "it's business" has to come to be a legitimate excuse for hard dealing, sly tricks, special privileges. It is a common enough thing to hear men arguing that the ordinary laws of morality do not apply in business. Now, if the Standard Oil Company were the only concern in the country guilty of the practices which have given it monopolistic power, this story never would have been written. Were it alone in these methods, public scorn would long ago have made short work of the Standard Oil Company. But it is simply the most conspicuous type of what can be done by these practices. The methods it employs with such acumen, persistency, and secrecy are employed by all sorts of business men, from corner grocers up to bankers. If exposed, they are excused on the ground that this is business. If the point is pushed, frequently the defender of the practice falls back on the Christian doctrine of charity, and points that we are erring mortals and

[ 287 ]

#### THE HISTORY OF THE STANDARD OIL COMPANY

must allow for each other's weaknesses!—an excuse which, if carried to its legitimate conclusion, would leave our business men weeping on one another's shoulders over human frailty, while they picked one another's pockets.

One of the most depressing features of the ethical side of the matter is that instead of such methods arousing contempt they are more or less openly admired. And this is logical. Canonise "business success," and men who make a success like that of the Standard Oil Trust become national heroes! The history of its organisation is studied as a practical lesson in money-making. It is the most startling feature of the case to one who would like to feel that it is possible to be a commercial people and yet a race of gentlemen. Of course such practices exclude men by all the codes from the rank of gentlemen, just as such practices would exclude men from the sporting world or athletic field. There is no gaming table in the world where loaded dice are tolerated, no athletic field where men must not start fair. Yet Mr. Rockefeller has systematically played with loaded dice, and it is doubtful if there has ever been a time since 1872 when he has run a race with a competitor and started fair. Business played in this way loses all its sportsmanlike qualities. It is fit only for tricksters.

The effects on the very men who fight these methods on the ground that they are ethically wrong are deplorable. Brought into competition with the trust, badgered, foiled, spied upon, they come to feel as if anything is fair when the Standard is the opponent. The bitterness against the Standard Oil Company in many parts of Pennsylvania and Ohio is such that a verdict from a jury on the merits of the evidence is almost impossible! A case in point occurred a few years ago in the Bradford field. An oil producer was discovered stealing oil from the National Transit Company. He had tapped the main line and for at least two years had run a small but steady stream of Standard oil into his private tank. Finally the thieving

[ 288 ]

pipe was discovered, and the owner of it, after acknowledging his guilt, was brought to trial. The jury gave a verdict of Not guilty! They seemed to feel that though the guilt was acknowledged, there probably was a Standard trick concealed somewhere. Anyway it was the Standard Oil Company and it deserved to be stolen from! The writer has frequently heard men, whose own business was conducted with scrupulous fairness, say in cases of similar stealing that they would never condemn a man who stole from the Standard! Of course such a state of feeling undermines the whole moral nature of a community.

The blackmailing cases of which the Standard Oil Company complain are a natural result of its own practices. Men going into an independent refining business have for years been accustomed to say: "Well, if they won't let us alone, we'll make them pay a good price." The Standard complains that such men build simply to sell out. There may be cases of this. Probably there are, though the writer has no absolute proof of any such. Certainly there is no satisfactory proof that the refinery in the famous Buffalo case was built to sell, though that it was offered for sale when the opposition of the Everests, the managers of the Standard concern, had become so serious as later to be stamped as criminal by judge and jury, there is no doubt. Certainly nothing was shown to have been done or said by Mr. Matthews, the owner of the concern which the Standard was fighting, which might not have been expected from a man who had met the kind of opposition he had from the time he went into business.

The truth is, blackmail and every other business vice is the natural result of the peculiar business practices of the Standard. If business is to be treated as warfare and not as a peaceful pursuit, as they have persisted in treating it, they cannot expect the men they are fighting to lie down and die without a struggle. If they get special privileges they must expect their

competitors to struggle to get them. If they will find it more profitable to buy out a refinery than to let it live, they must expect the owner to get an extortionate price if he can. And when they complain of these practices and call them blackmail, they show thin sporting blood. They must not expect to monopolise hard dealings, if they do oil.

These are considerations of the ethical effect of such business practices on those outside and in competition. As for those within the organisation there is one obvious effect worth noting. The Standard men as a body have nothing to do with public affairs, except as it is necessary to manipulate them for the "good of the oil business." The notion that the business man must not appear in politics and religion save as a "stand-patter"—not even as a thinking, aggressive force—is demoralising, intellectually and morally. Ever since 1872 the organisation has appeared in politics only to oppose legislation obviously for the public good. At that time the oil industry was young, only twelve years old, and it was suffering from too rapid growth, from speculation, from rapacity of railroads, but it was struggling manfully with all these questions. The question of railroad discriminations and extortions was one of the "live questions" of the country. The oil men as a mass were allied against it. The theory that the railroad was a public servant bound by the spirit of its charter to treat all shippers alike, that fair play demanded open equal rates to all, was generally held in the oil country at the time Mr. Rockefeller and his friends sprung the South Improvement Company. One has only to read the oil journals at the time of the Oil War of 1872 to see how seriously all phases of the transportation question were considered. The country was a unit against the rebate system. Agreements were signed with the railroads that all rates henceforth should be equal. The signatures were not on before Mr. Rockefeller had a rebate, and gradually others got them until the Standard had won the advantages

it expected the South Improvement Company to give it. From that time to this Mr. Rockefeller has had to fight the best sentiment of the oil country and of the country at large as to what is for the public good. He and his colleagues kept a strong alliance in Washington fighting the Interstate Commerce Bill from the time the first one was introduced in 1876 until the final passage in 1887. Every measure looking to the freedom and equalisation of transportation has met his opposition, as have bills for giving greater publicity to the operations of corporations. In many of the great state Legislatures one of the first persons to be pointed out to a visitor is the Standard Oil lobbyist. Now, no one can dispute the right of the Standard Oil Company to express its opinions on proposed legislation. It has the same right to do this as all the rest of the world. It is only the character of its opposition which is open to criticism, the fact that it is always fighting measures which equalise privileges and which make it more necessary for men to start fair and play fair in doing business.

Of course the effect of directly practising many of their methods is obvious. For example, take the whole system of keeping track of independent business. There are practices required which corrupt every man who has a hand in them. One of the most deplorable things about it is that most of the work is done by youngsters. The freight clerk who reports the independent oil shipments for a fee of five or ten dollars a month is probably a young man, learning his first lessons in corporate morality. If he happens to sit in Mr. Rockefeller's church on Sundays, through what sort of a haze will he receive the teachings? There is something alarming to those who believe that commerce should be a peaceful pursuit, and who believe that the moral law holds good throughout the entire range of human relations, in knowing that so large a body of young men in this country are consciously or uncon-

sciously growing up with the idea that business is war and that morals have nothing to do with its practice.

And what are we going to do about it? for it is *our* business. We, the people of the United States, and nobody else, must cure whatever is wrong in the industrial situation, typified by this narrative of the growth of the Standard Oil Company. That our first task is to secure free and equal transportation privileges by rail, pipe and waterway is evident. It is not an easy matter. It is one which may require operations which will seem severe; but the whole system of discrimination has been nothing but violence, and those who have profited by it cannot complain if the curing of the evils they have wrought bring hardship in turn on them. At all events, until the transportation matter is settled, and settled right, the monopolistic trust will be with us, a leech on our pockets, a barrier to our free efforts.

As for the ethical side, there is no cure but in an increasing scorn of unfair play—an increasing sense that a thing won by breaking the rules of the game is not worth the winning. When the business man who fights to secure special privileges, to crowd his competitor off the track by other than fair competitive methods, receives the same summary disdainful ostracism by his fellows that the doctor or lawyer who is "unprofessional," the athlete who abuses the rules, receives, we shall have gone a long way toward making commerce a fit pursuit for our young men.

THE END

THE MODERN CORPORATION

Beyond question there is a suspicion of corporations. There may be reason for such suspicion very often; for a corporation may be moral or immoral, just as a man may be moral or the reverse; but it is folly to condemn all corporations because some are bad, or even to be unduly suspicious of all, because some are bad. But the corporation in form and character has come to stay—that is a thing that may be depended upon. Even small firms are becoming corporations, because it is a convenient form of partnership.

It is equally true that combinations of capital are bound to continue and to grow, and this need not alarm even the most timid if the corporation, or the series of corporations, is properly conducted with due regard for the rights of others. The day of individual competition in large affairs is past and gone—you might just as well argue that we should go back to hand labour and throw away our efficient machines—and the sober good sense of the people will accept this fact when they have studied and tried it out. Just see how

the list of stockholders in the great corporations is increasing by leaps and bounds. This means that all these people are becoming partners in great businesses. It is a good thing—it will bring a feeling of increased responsibility to the managers of the corporations and will make the people who have their interests involved study the facts impartially before condemning or attacking them.

On this subject of industrial combinations I have often expressed my opinions; and, as I have not changed my mind, I am not averse to repeating them now, especially as the subject seems again to be so much in the public eye.

The chief advantages from industrial combinations are those which can be derived from a cooperation of persons and aggregation of capital. Much that one man cannot 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. In most countries, as in England, this form of industrial combination is sufficient for a business co-extensive with the parent country, but it is not so in America. Our Federal form of government making every corporation created by a state foreign to every other state, renders it necessary for persons doing business through corporate agency to organize corporations in some or many of the different states in which their business is located. Instead of doing business through the agency of one corporation they must do business through the agencies of several corporations. If the business is extended to foreign countries, and Americans are not to-day satisfied with home markets alone, it will be found helpful and possibly necessary to organize corporations in such countries, for Europeans are prejudiced against foreign corporations, as are the people of many of our states. These different corporations thus become co-operating agencies in the same business and are held together by common ownership of their stocks.

It is too late to argue about advantages of industrial combinations. They are a necessity. And if Americans are to have the privilege

of extending their business in all the states of the Union, and into foreign countries as well, they are a necessity on a large scale, and require the agency of more than one corporation.

The dangers are that the power conferred by combination may be abused, that combinations may be formed for speculation in stocks rather than for conducting business, and that for this purpose prices may be temporarily raised instead of being lowered. These abuses are possible to a greater or less extent in all combinations, large or small, but this fact is no more of an argument against combinations than the fact that steam may explode is an argument against steam. Steam is necessary and can be made comparatively safe. Combination is necessary and its abuses can be minimized; otherwise our legislators must acknowledge their incapacity to deal with the most important instrument of industry.

In the hearing of the Industrial Commission in 1899, I then said that if I were to suggest any legislation regarding industrial combinations it would be: First, Federal legislation under which corporations may be created and regulated, if that be possible. Second, in lieu thereof, state legislation as nearly uniform as possible, encouraging combinations of persons

and capital for the purpose of carrying on industries, but permitting state supervision, not of a character to hamper industries, but sufficient to prevent frauds upon the public. I still feel as I did in 1899.

## THE NEW OPPORTUNITIES

I am far from believing that this will adversely affect the individual. The great economic era we are entering will give splendid opportunity to the young man of the future. One often hears the men of this new generation say that they do not have the chances that their fathers and grandfathers had. How little they know of the disadvantages from which we suffered! In my young manhood we had everything to do and nothing to do it with; we had to hew our own paths along new lines; we had little experience to go on. Capital was most difficult to get, credits were mysterious things. Whereas now we have a system of commercial ratings, everything was then haphazard and we suffered from a stupendous war and all the disasters which followed.

Compare this day with that. Our comforts and opportunities are multiplied a thousand fold. The resources of our great land are now actually opening up and are scarcely

touched; our home markets are vast, and we have just begun to think of the foreign peoples we can serve — the people who are years behind us in civilization. In the East a quarter of the human race is just awakening. The men of this generation are entering into a heritage which makes their fathers' lives look poverty-stricken by comparison. I am naturally an optimist, and when it comes to a statement of what our people will accomplish in the future, I am unable to express myself with sufficient enthusiasm.

There are many things we must do to attain the highest benefit from all these great blessings; and not the least of these is to build up our reputation throughout the whole world.

The great business interests will, I hope, so comport themselves that foreign capital will consider it a desirable thing to hold shares in American companies. It is for Americans to see that foreign investors are well and honestly treated, so that they will never regret purchases of our securities.

I may speak thus frankly, because I am an investor in many American enterprises, but a controller of none (with one exception, and that a company which has not been much of a dividend payer), and I, like all the rest, am dependent upon the honest and capable adminis-

tration of the industries. I firmly and sincerely believe that they will be so managed.