

EXCERPT FROM THE HISTORY OF THE STANDARD OIL COMPANY

Book

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Ida M. Tarbell (1857-1944) first published her two-volume history of the Standard Oil Company as a series of articles in *McClure's Magazine* between November 1902 and November 1904. They appeared in book form as *The History of the Standard Oil Company* in 1904, the first carefully researched history of the dominant oil-refining business run by John D. Rockefeller Sr. (1839-1937). This selection from that book includes the preface and a description of Standard Oil's business tactics in Pennsylvania in the 1870s.

In the preface, Tarbell described the origins of her research project and the sources she used to build her history of the firm. Going beyond the outrage and generalizations about Standard Oil in *Wealth Against Commonwealth* (1894), by Henry Demarest Lloyd (1847-1903), Tarbell documented what she had learned from public investigations, discussions with Standard Oil executives, and revelations from people whose businesses had been destroyed by the firm's harsh tactics. During publication of the original articles in *McClure's Magazine*, she used the notoriety of the series to gather more information from people who had direct knowledge of the company's practices.

In the body of the book, one section of which is included here, Tarbell revealed the aggressive behavior of Rockefeller's company in the oil industry's price war of the 1870s. She left readers with the impression that the popular image of big businesses as powerful monopolies was an accurate one. Critics accused her of biased presentation of the facts in revenge for her father's business being one of those driven under by Standard Oil. Journalist Matthew Josephson (1899-1978) would draw on Tarbell's account for his book, *The Robber Barons* (1934), published during the Great Depression of the 1930s, when public outrage at the power and abuse of big businesses reached new heights.

Tarbell's work captured the drama, sense of moral outrage, and concern with the shadowy ethics of big businesses that became the hallmark of muckrakers such as her fellow journalists Ray Stannard Baker (1870-1946) and Lincoln Steffens (1866-1936), who wrote about the social ills of industrial America and urban political corruption. Collectively, their work laid the foundation for more empirical and systematic investigations on the urban, state, and national levels by reformers during the Progressive Era (1900-1917).

PRIMARY SOURCE DOCUMENT

Excerpt of *The History of the Standard Oil Company*, by Ida M. Tarbell

This work is the outgrowth of an effort on the part of the editors of McClure's Magazine to deal concretely in their pages with the trust question. In order that their readers might have a clear and succinct notion of the processes by which a particular industry passes from the control of the many to that of the few, they decided a few years ago to publish a detailed narrative of the history of the growth of a particular trust. The Standard Oil Trust was chosen for obvious reasons. It was the first in the field, and it has furnished the methods, the charter, and the traditions for its followers. It is the most perfectly developed trust in existence; that is, it satisfies most nearly the trust ideal of entire control of the commodity in which it deals. Its vast profits have led its officers into various allied interests, such as railroads, shipping, gas, copper, iron, steel, as well as into banks and trust companies, and to the acquiring and solidifying of these interests it has applied the methods used in building up the Oil Trust. It has led in the struggle against legislation directed against combinations. Its power in state and Federal government, in the press, in the college, in the pulpit, is generally recognised. The perfection of the organisation of the Standard, the ability and daring with which it has carried out its projects, make it the pre-eminent trust of the world—the one whose story is best fitted to illuminate the subject of combinations of capital.

Another important consideration with the editors in deciding that the Standard Oil Trust was the best adapted to illustrate their meaning, was the fact that it is one of the very few business organisations of the country whose growth could be traced in trustworthy documents. There is in existence just such documentary material for a history of the Standard Oil Company as there is for a history of the Civil War or the French Revolution, or any other national episode which has divided men's minds. This has come about largely from the fact that almost constantly since its organisation in 1870 the Standard Oil Company has been under investigation by the Congress of the United States and by the Legislatures of various states in which it has operated, on the suspicion that it was receiving rebates from the railroads and was practising methods in restraint of free trade. In 1872 and again in 1876 it was before Congressional committees, in 1879 it was before examiners of the Commonwealth of Pennsylvania and before committees appointed by the Legislatures of New York and of Ohio for investigating railroads. Its operations figured constantly in the debate which led up to the creation of the Interstate Commerce Commission in 1887, and again and again since that time the Commission has been called upon to examine directly or indirectly into its relation with the railroads.

In 1888, in the Investigation of Trusts conducted by Congress and by the state of New York, the Standard Oil Company was the chief subject for examination. In the state of Ohio, between 1882 and 1892, a constant warfare was waged against the Standard in the courts and Legislature, resulting in

several volumes of testimony. The Legislatures of many other states concerned themselves with it. This hostile legislation compelled the trust to separate into its component parts in 1892, but investigation did not cease; indeed, in the last great industrial inquiry, conducted by the Commission appointed by President McKinley, the Standard Oil Company was constantly under discussion, and hundreds of pages of testimony on it appear in the nineteen volumes of reports which the Commission has submitted.

This mass of testimony, all of it submitted under oath it should be remembered, contains the different charters and agreements under which the Standard Oil Trust has operated, many contracts and agreements with railroads, with refineries, with pipe-lines, and it contains the experiences in business from 1872 up to 1900 of multitudes of individuals. These experiences have exactly the quality of the personal reminiscences of actors in great events, with the additional value that they were given on the witness stand, and it is fair, therefore, to suppose that they are more cautious and exact in statements than many writers of memoirs are. These investigations, covering as they do all of the important steps in the development of the trust, include full accounts of the point of view of its officers in regard to that development, as well as their explanations of many of the operations over which controversy has arisen. Hundreds of pages of sworn testimony are found in these volumes from John D. Rockefeller, William Rockefeller, Henry M. Flagler, H. H. Rogers, John D. Archbold, Daniel O'Day and other members of the concern.

Aside from the great mass of sworn testimony accessible to the student there is a large pamphlet literature dealing with different phases of the subject, and there are files of the numerous daily newspapers and monthly reviews, supported by the Oil Regions, in the columns of which are to be found not only statistics but full reports of all controversies between oil men. No complete collection of this voluminous printed material has ever been made, but several small collections exist, and in one or another of these I have been able to find practically all of the important documents relating to the subject. Mrs. Roger Sherman of Titusville, Pennsylvania, owns the largest of these collections, and in it are to be found copies of the rarest pamphlets. Lewis Emery, Jr., of Bradford, the late E. G. Patterson of Titusville, the late Henry D. Lloyd, author of "Wealth vs. Commonwealth," William Hasson of Oil City, and P. C. Boyle, the editor of the Oil City Derrick, have collections of value, and they have all been most generous in giving me access to their books.

But the documentary sources of this work are by no means all printed. The Standard Oil Trust and its constituent companies have figured in many civil suits, the testimony of which is still in manuscript in the files of the courts where the suits were tried. These manuscripts have been examined on the ground, and in numerous instances full copies of affidavits and of important testimony have been made for permanent reference and study. I have also had access to many files of private correspondence and papers, the

most important being that of the officers and counsel of the Petroleum Producers' Union from 1878 to 1880, that covering the organisation from 1887 to 1895 of the various independent companies which resulted in the Pure Oil Company, and that containing the material prepared by Roger Sherman for the suit brought in 1897 by the United States Pipe Line against certain of the Standard companies under the Sherman anti-trust law.

As many of the persons who have been active in the development of the oil industry are still living, their help has been freely sought. Scores of persons in each of the great oil centres have been interviewed, and the comprehension and interpretation of the documents on which the work is based have been materially aided by the explanations which the actors in the events under consideration were able to give.

When the work was first announced in the fall of 1901, the Standard Oil Company, or perhaps I should say officers of the company, courteously offered to give me all the assistance in their power, an offer of which I have freely taken advantage. In accepting assistance from Standard men as from independents I distinctly stated that I wanted facts, and that I reserved the right to use them according to my own judgment of their meaning, that my object was to learn more perfectly what was actually done—not to learn what my informants thought of what had been done. It is perhaps not too much to say that there is not a single important episode in the history of the Standard Oil Company, so far as I know it, or a notable step in its growth, which I have not discussed more or less fully with officers of the company.

It is needless to add that the conclusions expressed in this work are my own.

I. M. T.

... While none of the other members of the Standard Oil Company examined in 1879 was quite so sweeping in his denials, all of them evaded direct answers. The reason they gave for this evasion was that the investigations were an interference with their rights as private citizens, and that the government had no business to inquire into their methods. Consequently when asked questions they refused to answer "by advice of counsel." Ultimately the gentlemen did answer a great many questions. But taking the testimony all in all through these years it certainly is a mild characterisation to say that it totally lacks in frankness. The testimony of the Standard officials before the Hepburn Commission was so evasive that the committee in making its report spoke bitterly of the company as "a mysterious organisation whose business and transactions are of such a character that its members decline giving a history or description of it lest this testimony be used to convict them of a crime." The producers certainly were right in claiming that secrecy was a characteristic of the Standard as it had been of the South Improvement Company.

The new Standard Combination, like the South Improvement Company, aimed at controlling the entire refining interest. "The coal oil business be-

longs to us," Mr. Rockefeller once told a recalcitrant refiner. His associates were saying the same on all sides; "the object of the Standard Oil Company is to secure the entire refining business of the world," a member of the concern told B. F. Nye, an Ohio producer.

The method the Standard depended upon to secure this control was the same as the method of the South Improvement Company—special privileges in transportation. We have seen how intelligently and persistently Mr. Rockefeller worked to secure these special privileges until, in 1877, he had made with all the trunk lines contracts which in every particular paralleled the contracts which in January, 1872, Messrs. Scott, Gould, Vanderbilt and McClellan made with the South Improvement Company. He now had a rebate on every barrel of oil he shipped, and this was given with the understanding that the railroad should allow no rebate to any other shipper unless that shipper could guarantee and furnish a quantity of oil for shipment which would, after deduction of his commission, realise to the road the same amount of profit realised from the Standard trade. He also had a drawback on every barrel his rivals shipped. No clause in the South Improvement Company's contract with railroads had given more offence to the oil world than that which called for a drawback to the company on the oil shipped by outsiders. It will be remembered that the beneficiaries of this contract were to receive drawbacks of \$1.06 a barrel on all crude oil that outside parties shipped from the Oil Regions to New York, and a proportionate drawback on that shipped from other points. The rebate system was considered illegal and unjust, but men were more or less accustomed to it. The drawback on other people's shipment was a new device, and it threw the Oil Region into a frenzy of rage. It did not seem possible that the Standard would attempt to revive this practice again, and yet when it had got its hand strongly on the four trunk lines it made a demand for the drawback. It has already been recounted how, on February 15, 1878, four months after the Pennsylvania succumbed to the Standard's demand, Mr. O'Day wrote to Mr. Cassatt: "I here repeat what I once stated to you, and which I wish you to receive and treat as strictly confidential, that we have been for many months receiving from the New York Central and Erie Railroads certain sums of money, in no instance less than twenty cents per barrel on *every barrel of crude oil carried by each of these roads*. . . . Co-operating as we are doing with the Standard Oil Company and the trunk lines in every effort to secure for the railroads paying rates of freight on the oil they carry, I am constrained to say to you that in justice to the interests I represent we should receive from your company at least twenty cents on each barrel of crude oil you transport." And Mr. Cassatt after seeing the freight bills showing that both the Central and Erie allowed a drawback gave orders that the Pennsylvania pay one of 22 1/2 cents. When Mr. Cassatt was under examination in 1874 the examiner remarked:

"I understand, Mr. Cassatt, that this 22 1/2 cents paid to the American Transfer Company is not restricted to all oil that passed through their lines."

"No, sir; it is paid on all oil received and transferred by us."

Among the interesting documents presented at this inquiry was a statement of the crude oil shipments over the Pennsylvania road for February and March, 1878. They footed up to a total of 343,767 1/2 barrels. On this amount a discount of twenty cents a barrel was allowed to the Standard Oil Company through its agent, the American Transfer Company. Among other independents who shipped this oil was H. C. Ohlen. In all, Mr. Ohlen shipped 29,876 barrels, and on this the Standard Oil Company received twenty cents a barrel! That is, after Mr. Ohlen had paid for his oil, paid for having it carried by the pipe-line to the railroad, and paid the railroad the full rate of freight without the commission the Standard received, the Pennsylvania was obliged to turn over to the Standard Oil Company twenty cents of the amount he had paid on each barrel!

The examiner tried very hard to find out if there was a legitimate reason why such an allowance should have been made to the American Transfer Company on oil it did not handle. "We pay that," Mr. Cassatt said, "as a commission to them to aid in securing us our share of trade." "We pay it," said the comptroller, "for procuring oil to go over the lines in which the Pennsylvania Railroad Company is interested as against the New York lines and the New York Central."

"Do you understand," the examiner questioned of one of the auditors, "that the American Transfer Company secured to the Pennsylvania road the traffic of the outside refiners of New York (mentioned in the statement quoted above)?" "I never raised a question of that kind in my mind," answered the adroit auditor.

But the answer was evident. The American Transfer Company had nothing whatever to do with the oil shipped by Mr. Ohlen or Ayres, Lombard and Company or J. Rousseaux or any one of the other independents mentioned in the statement, unless perchance that oil had come originally from the lines of the American Transfer Company. In that case the shipper had paid the line for the service rendered, at the time he bought the oil—the custom then and now. The tax was paid by the Pennsylvania solely because the Standard Oil Company had the power to demand it. The demand was made in the name of the American Transfer Company as a blind. Naturally the proof that the Standard had revived the most obnoxious feature of the South Improvement Company aroused intense bitterness and disgust among the oil men.

Another offensive clause of the 1872 contracts was that pledging the railroads to lower or raise the gross rates of transportation for such times and to such extent as might be necessary to overcome competition. Now, the new contracts of the Standard provided the same arrangement; that is, they stipulated that the rates were to be lowered if necessary so as to place the Standard on a parity with shippers by competing lines. The workings of the clause were illustrated when the producers got the Equitable Line through

in 1878, the railroads dropping their charge to eighty cents a barrel, and in some cases even less. The producers certainly had evidence enough for their claim that the contracts of the South Improvement Company and the Standard Oil Company with the railroads were similar in every particular as far as principles were concerned—that they differed alone in the amounts of the rebates and drawbacks.

There was plenty of evidence brought out, also, to show that the object of the Standard operations was like that of the South Improvement Company—keeping up the price of refined oil. Both combinations were formed to keep the refined article scarce on the market by controlling all the refineries and by refusing to sell under competition. The officials of the South Improvement Company stated under oath that they hoped to raise the price fifty per cent. The Central Organisation hoped to put up the price of refined from fifteen to twenty-five cents. As a matter of fact that organisation when it finally got control of the market put up the price considerably more. The spectacular demonstration in the winter of 1876 and 1877 of what could be done in keeping up the price of refined was still rankling in the minds of the oil men. They saw that it was by that coup that the Standard had gotten the ready money to pay for the plant of the Empire Transportation Company—the money to buy in whatever it wanted—the money to pay the fifty per cent. dividend to which one of its members testified in the Ohio Investigation. They remembered that while the refiners had been selling refined around thirty cents a gallon they had sold crude at less than four dollars a barrel. Little wonder then that they felt they had evidence that the Standard had actually done what they had always claimed it would do if it got hold of the refining interests as it planned. Even in the case where certain large producers had entered into a partnership with the Standard on condition that they pay them prices for crude commensurate with the price of refined, these producers claimed the agreement had not been kept. One of these cases came to light in a suit instituted in 1878. It seems that some time in December, 1874, the large oil company of H. L. Taylor and Company sold one-half interest in its property to the Standard Oil Company.

Naturally enough the producers now pointed out that the case of the H. L. Taylor Company was a demonstration of what they had claimed in 1872, when the South Improvement Company, alarmed at the uprising, offered them a contract, and what they had always claimed since when the Standard offered contracts for oil on a sliding scale, viz., that such contracts were never meant to be kept; that they were a blind to enable the Standard to make scoops such as they had made in the winter of 1876 and 1877.

Taking all these points into consideration—

First—That the Standard Oil Company, like the South Improvement Company, was a secret organisation;

Second—That both companies were composed in the main of the same parties;

Third—That it aimed, like its predecessors, at getting entire control of the refining interest;

Fourth—That it used the power the combination gave it to get rebates on its own oil shipments and drawbacks on the shipments of other people;

Fifth—That it arranged contracts which compelled the railroads to run out all competition by lowering their rates.

Sixth—That it aimed to put up the price of refined without allowing the producer a share of the profits—...