

**A Review of
TITAN
THE LIFE OF JOHN D. ROCKEFELLER, SR.
by Ron Chernow**

**Reviewed by
Michael Lee**

INTRODUCTION

John D. Rockefeller, Sr. is remembered as one of the foremost capitalists in American history. Recalling some of the great names from the turn of this century - Andrew Carnegie, J.P. Morgan, William Hearst and Henry Ford - the name Rockefeller is always required to complete the roll call. Rockefeller, in his lifetime, was both the most admired and most hated businessman in America. Considered one of the Great Robber Barons, the name Rockefeller has changed from very negative connotations at the turn of this century to a mostly positive one by the end of it. The John D. Rockefeller, Sr. story is really the story of the American oil industry. From an unused commodity in the early 1800's to the major global economic industry it is today, the story of oil is the story of Standard Oil and a man named Rockefeller. It continues to this day.

John D. Rockefeller not only created Standard Oil, which was the largest business empire on earth, he formed the most extensive empire of philanthropy in existence including the University of Chicago, Spelman College, Rockefeller University, the Museum of Modern Art, The Cloisters, and the Rockefeller Foundation. The fascination with Rockefeller is that his account reveals one of the most ruthless and relentless business personae of all time matched by one of the most forward thinking philanthropic minds the world has ever seen.

The oil rush of the 1860's is comparable to the California Gold Rush or even the internet technology explosion of today. People flood to the geographic area of riches and cast their die in the new crap shoot. Huge fortunes were quickly made and lost. The newly discovered treasure brought out the best and worst in people.

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Boom is too quickly followed by bust, and wealth can be gained, lost, or stolen. From this rough and tumble environment the genteel, quiet and reserved Rockefeller forged a global monopoly and created personal wealth that may never be exceeded.

What is meant here is that Rockefeller's personal wealth was estimated in 1917 to be 2.5% of the gross national product. His fortune was estimated at between nine hundred million and one billion dollars. The entire federal budget in 1917 was seven hundred and fifteen million dollars. Rockefeller could have personally funded the government for a year with a huge sum left over. Today, even Bill Gates' enormous worth is only about one half of one percent of gross national product. All this to say, John D. Rockefeller may long reign as the richest man in American history.

ENVIRONMENTAL HIGHLIGHTS

One can not minimize the environmental changes that occurred, in the precise correct order, at the precisely correct time that allowed Rockefeller to create an industry. It was an exciting time in America. For Standard Oil to become a reality, two technological changes had to occur and two other industries had to blossom, all in convergence and one logistical item had to fall into place to create the opportunity Rockefeller needed to build his enterprise. All of these transpired in the shadow of the greatest era of American war casualties, the Civil War.

The second great religious awakening in the United States is stated to have begun in the early 1800's and the dichotomous mode in the land was one of great religious zeal coupled with unparalleled economic expansion. Two great changes were occurring in the modernization of America. One was the growth of the transportation industry in general and railroads in particular. The second and perhaps the most significant change that would impact young Rockefeller was much more domestic than one might guess. It was the growing need for lighting, or as it was termed at the time, illumination.

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In the growing United States many individuals were seeking new and less expensive ways to illuminate their homes and businesses. Rural families were looking for ways to extend their activities beyond the short days of winter and as with many other technologies, once people were exposed to lighting in larger cities they wanted it for themselves.

Chemists had learned to extract kerosene from oil with sulphuric acid. This was done in a fairly small still-like apparatus. Kerosene was found to have great potential in lighting which had heretofore been dominated with products like whale oil, alcohol, and another petroleum derivative camphene. These were all quite expensive and relatively scarce. In Rockefeller's youth camphene sold for 88¢ a gallon. This purchase price was something he never forgot. Until the discovery of the refining process which produced kerosene, oil was mostly considered a nuisance.

Oil was extremely abundant in parts of Western Pennsylvania. It was even naturally polluting some creeks and small rivers. It was used in medicines sold by traveling salesmen that were orally ingested. Others used it as a component in lotions with supposed healing properties. For years it was not perceived as having much, if any, commercial value.

The first real oil strike is credited to Colonel Edwin Drake in Titusville, Pennsylvania in 1859. This was not truly the first oil to be found but was the first resource tap thought to be renewable. Much like the technology discoveries of today, this created a wild surge of entrepreneurship. In Pit Hole, Pennsylvania, for example, a farm sold for two million dollars in 1865 for the oil found there. The same farm, thirteen years later with oil deposits exhausted, sold for four dollars and thirty-seven cents. The early days of oil were classic boom or bust.

The hunt to find oil reserves for the creation of kerosene was on and much like the Pioneer Seed story, others began to tell John D. about this exciting development. Rockefeller was in the produce brokerage business in Cleveland, Ohio at the time and did

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not seem to be the one who would become the champion and largest player in this burgeoning business. Rockefeller was not initially overtaken with the prospects of the oil business. Wells would dry up. Fires caused severe damage and panic in the industry. Almost as much oil was lost in transporting it as was extracted from the ground. It appeared to be a very high risk endeavor; not one that was especially appealing for the conservative Rockefeller.

One of the chemists involved in the use of kerosene extraction, Samuel Andrews, enticed John D. into the oil business as a side venture in 1865. This first foray into the oil business was registered as Rockefeller and Andrews. By 1870 Rockefeller would be a multi-millionaire.

The Rockefeller fortune and the tremendous story of Standard Oil might never be known, however, if not for the growing technology used by the railroads. This parallel industry on the same exponential growth pattern at the same time as kerosene development saved the day. If Rockefeller would not have had competing rail companies and water transportation modes available he would not have achieved his tremendous success. We will discuss more about his pivotal use of transportation in creating a unique competitive advantage later. Suffice it to say for now, Rockefeller quickly concluded transportation of product was the critical differentiation between successful and non-successful ventures in the refining business.

Like a tornado in the night, another environmental change occurred that could have easily bankrupt Rockefeller. The invention of electrical illumination. Consider the impact of electricity on the kerosene market. Much like the buggy whip manufacturers during the birth of the automobile, technology emerged that could eliminate the need for kerosene almost overnight. Edison's discovery of the light bulb was a huge threat to the oil refining business. Electricity was found to be more cost effective and less dangerous than the use of kerosene lamps. It was also a replenishable resource without any chemical handling. The electrification of America was an apparent threat to John D. and he could have seen his dynasty collapse

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nearly right in front of his eyes. Personally, he would still have easily survived financially but he would not have become the titan we know today. As if by providence, another technology saved the day-the automobile.

The decision to power the new concept of individual modes of transportation, the great dream of Henry Ford and others, by the internal combustion engine was pivotal to Rockefeller's success. Oil could be distilled to kerosene but it could also be refined into gasoline. The automobile exploded onto the scene creating a huge demand for gasoline that continues to this day. Disaster was averted and an empire nearly lost, flourished.

The impact of the Civil War can not be excluded in any conversation regarding the major environmental changes affecting this story. The war itself created the need for the type of commodities that initiated Rockefeller into the world of commerce. The end of the Civil War created a climate of expansion probably very similar to what we remember of the post World War II days. There was a work force weary of combat now interested in creating some wealth of their own and instilled with a certain work ethic from their military experience.

Men returning from the war understood taking orders, working in groups and dealing with dangerous situations. These men were ripe to work in the rugged conditions in the oil fields. It is difficult for us in modern society to try and relate to the times of a conflict within our own borders but the country was certainly weary of loss and ready to be engaged in economic activity at a near fever pitch. Nearly simultaneously, banking, railroading, retail and many other industries began to form in a chaotic explosion of development and entrepreneurship. It is not unjustified to say that the most significant factor in the growth to world dominance of the United States, from 1865-1915 or so, was business, not government.

The final environmental stroke of luck that made the Rockefeller dynasty possible was the slow pace of oil discovery. Today, if the average American were asked to name the major

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domestic locations for oil extraction, certainly answers like Texas, Alaska, Western Oklahoma or maybe a reference to offshore drilling would be received. It is highly unlikely very many people would suggest Western Pennsylvania. Yet, this is the birthplace of the American oil business. It took some time for the technological advances to occur which made the deep well sites in the other locations possible to find.

During the formative days of oil refining, relatively small geographic production areas greatly enhanced Rockefeller's efforts to consolidate the industry. If oil had initially been discovered in disparate areas, Rockefeller's moves in acquisition and transportation would have been greatly hampered. As it was, Rockefeller was in the right place at the definitive time.

FAMILY BACKGROUND

Born July 8, 1839, John D. Rockefeller was born to William and Eliza Rockefeller. The story of Rockefeller's formative years, I believe, lends crucial elements to understanding the man. All the traits, both good and bad, of which he was accused in adulthood, have their root in his abnormal upbringing. His experiences before the founding of Standard Oil provide the insights into the true man known as Rockefeller.

He was actually born in New York but his family moved to Pennsylvania when he was very young. John D., as he was known to sign his name, had a mostly absentee father and a strict Baptist mother. In fact, when John D. was born, there were illegitimate siblings from the family maid in the household. His father was well documented as a confidence man, a philanderer of some note.

John D.'s father, William, or "Big Bill" as he was known, was quite the scoundrel. Accused of everything from murder to stealing horses, he was confirmed as a bigamist and smuggler. If there was an opportunity to make a buck, Big Bill was game. He was a flashy man who, whenever he did appear in John D.'s life, was always well dressed with plenty of cash. He kept his family on the move in a constant attempt to avoid prosecution and discovery of his

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personal affairs like a second wife and family. Big Bill appears in John D.'s life on multiple occasions, even loaning money when needed although famous for demanding repayment long before the term was up. His behavior became the antithesis of John D.'s own behavior who regarded an ostentatious lifestyle with much disdain. Known as "Doc" Rockefeller in his later years, his tawdry lifestyle and complete self focus were important in creating an image for John D. to avoid at all costs.

Eliza, John D.'s mother, on the other hand was a devout Baptist. She reared her children in a like manner with a fear of God and respect for all the Biblical principles of the Baptist faith. John D. took to the church enthusiastically. Often his friends and enemies referred to him as "the deacon", a moniker he seemed to relish. His mother was strict disciplinarian and learned to lead a very austere life. This was a family who was never certain if, or when, Big Bill would appear on the scene.

The family would operate on credit for periods of up to a year at a time, when suddenly Big Bill would appear, flash a large amount of cash, and clear all the accounts. He was never around for long and would depart leaving his family to again live off whatever credit would be extended. The Rockefeller household was nearly what we would call today a single parent environment. The Rockefellers might have been better served by divorce rather than the embarrassment and shame foisted on them by Big Bill's promiscuous behavior. This upbringing certainly unsettled John D. as he referred to his mother, in bringing her to Cleveland, as a "widow" even though his father was quite alive. One can only guess the abandonment felt by those in the family.

Eliza took it upon herself to instill frugality in all of her children. John D., as the eldest son, quickly was thrust into the role of surrogate father and bread winner. She was quoted as telling the children over and over again, "Willful waste makes woeful want." As a very young boy, with the encouragement of his mother, John D. purchased candy by the pound, subdivided and sold it to his siblings at a profit. He found a turkey nest, stole the baby turkeys and raised them for sale. Eliza had a blue china bowl on the mantel to which

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profits would be deposited to assist funding the family. But even in this poverty his mother encouraged him to drop pennies into the offering plate. Rockefeller put it this way:

"I was trained from the beginning to work and to save. I have always regarded it as a religious duty to get all I could honorably and to give all I could. I was taught that way by the minister when I was a boy."

Eliza's influence on her children regarding the church was so strong that John D. almost entered the full time ministry as his vocation. In fact, if the financial pressure had not been so great to force him to learn the accounting trade to support his siblings, every indication is that this would have been his desire. John D.'s devotion to God and church are a critical component in his world view and nothing in my research gives me any indication that he was any less than completely sincere in his religious commitment. His allegiance to the Christian faith and the Baptist doctrine were unquestioned in his lifetime. He remained a complete tee-totaler, refused to gamble or dance his entire life.

From his very first income John D. is self noted and unabashed in his regular giving to the church. He also gave a great deal of time to church. Rockefeller was always ready to teach a class or sweep up whichever might be most needed. As a young man he was very involved in helping to work with fund raising for the congregation and was quite successful at soliciting support from members. Unfairly accused by his opponents of using philanthropy as an atoning gesture in his twilight years, Rockefeller, in fact, made great commitments of time and finance for community service from his earliest days. Again, going against myth, his philanthropy paralleled his business life and was not an after thought of his success like some of the other great business men of the time such as Andrew Carnegie. Rockefeller struggled with huge personal and financial commitments to things he felt important, while at the same time plotting strategies that would improve his business situation. Rockefeller's love for the Baptist Church and civic enterprises that inspired him, was sincere and life-long. This balancing act would

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nearly kill him at the age of fifty. The stress of his two-sided personality created in Rockefeller a deep desire to retire and work only on charitable activities.

Another interesting personal note was that John D., as a young man, developed a deep love for music. He learned to play the piano and was said to have practiced for up to six hours a day. It is noted that he even toyed with the notion of becoming a full time musician.

It is interesting to ponder how differently things would have turned out should the young Rockefeller have chosen the ministry or music for his vocation. Perhaps we would not even know his name. Just as likely he would have achieved success in these fields based on his persevering spirit and positive attitude. It is also an interesting aside that these would have been his preferential choices. Barring the needs of his family and the encouragement of others to explore this fascinating new technology called oil refining, Rockefeller might have joined the great preachers of the 20th Century.

THE BOY WONDER

Little about Rockefeller's life has more speculation than the stories about the rise of the man from sixteen years of age to one of America's financial elite. The family depending on him, Rockefeller went to Cleveland in search of work. Even in this effort his perseverance shines. The young John D., with his understanding of bookkeeping from the E.G. Folsam Commercial College's three month course, beat the streets of Cleveland in search of a position. He is said to have gone to every business on a list of preferred employers which he compiled and then to have started at the top again and reworked his way through it. He attached a work ethic even to the business of seeking work. He left the boarding house each day promptly at eight a.m. and did not return until late afternoon. His sales pitch was direct, "I understand bookkeeping, and I'd like to get work." He repeated this mantra up and down the streets of Cleveland for six weeks. Then it happened.

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September 26, 1855 would be celebrated by Rockefeller for the rest of his life as "Job Day". A day he would revel in as more important than his own birthday. He walked into the offices of Hewitt and Tuttle where after an interview with Mr. Tuttle, he was given the job of assistant bookkeeper. In his seventies Rockefeller was quoted as saying, "All my future seemed to hinge on that day; and I often tremble when I ask myself the question: what if I had not got the job?" The worry and fear was not obvious to others even at this point in his life. Rockefeller was seen to have a gift in being able to show very little emotion.

Not unusual for the time, he received no wage for three months. Rockefeller then received his first pay, retroactive to his day of hiring, in the amount of \$50.00 or about 50¢ a day. He was then given a raise in pay to the new salary of \$25 per month. Rockefeller noted feeling guilty about the raise at the time, thinking that the princely sum was excessive.

His mother's frugal influence manifested itself in a document that would become part of the Rockefeller folklore itself, "Ledger A". With a nickel from his first pay he purchased a little red ledger book. Ledger A was a simple yet absolutely impeccable accounting of every penny John D. earned and every penny he spent. Every penny accounted for with no exception. No over/under account in Rockefeller's bookkeeping, only an excruciatingly accurate listing of debits and credits. Encouraged by Eliza to keep track of such things, this book became Rockefeller's retentive obsession. He kept it his entire life like the Pearl of Great Price. It now resides in the Rockefeller Archives. Without a hint of error, the financial transactions of John D. are recorded there without narrative. Like other aspects of his secretive life, Rockefeller's existence can be defined by numbers on a ledger sheet. He kept these figures with loving care, some supposed as an emotional confirmation of his exhilaration of being severed from his father's charge. Rockefeller, only sixteen, was for the first time in his life truly free.

John D. must have been the model employee. He certainly was a terrific example of the Protestant work ethic. He arrived at

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work at 6:30 a.m. and seldom left before 10:00 p.m. His true love for the exercise of business was so great that he wrote a note in his own journal scolding himself for spending so much time there. He once made a resolution to leave work before 10 p.m. but found himself unable to keep it. Forced into commerce by his desire to provide for his mother, Rockefeller quickly drifted into the pursuit of the efficient enterprise.

Hewitt and Tuttle provided a glimpse of a larger world to the young Rockefeller who was said to have remarked, "My eyes were opened to the business of transportation." No small thing to note for a man who would make hundreds of millions of dollars as a result of transportation. Hewitt and Tuttle provided the tutoring John D. needed in how the world worked and how to spot opportunities and threats.

Hewitt and Tuttle brokered a varying array of commodities and Rockefeller was a good student. Tuttle's quarreling departure created a promotion for John D. but he was unhappy with his raise first to \$500 per year and then \$600. As bookkeeper he was well aware that Mr. Tuttle had received the executive sum of \$2,000 per year. As a result, the disgruntled Rockefeller began dabbling in his own side business with flour and pork products in his portfolio of earliest of ventures.

Unhappy with his future prospects with Hewitt, Rockefeller left to form the first of what would be many partnerships. With money borrowed from his father, plus his personal savings, he and Maurice Clark formed "Clark and Rockefeller". It was April 1, 1858, and certainly no April Fool's joke.

It is noteworthy that Rockefeller would continue this pattern of working with, and through, others. What the psychological force was which caused him to form partnerships over and over again is not clear. Although he was seen to be reclusive, in actuality he always had a small circle of friends and business associates that he leaned on. He considered these people his friends even though he never really is known to have confided in anyone. What we do

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know is that with this venture he began his search for a business soul mate which would not end for several years.

THE DAYS OF KEROSENE

Rockefeller, like many others had escaped military service because of his role as provider for his family. He utilized a concept, not uncommon for the time, of hiring a substitute. No one ever questioned Rockefeller's patriotism. He was fond of promoting that he had paid for somewhere between twenty to thirty men to fight in the war against slavery. The war years had created a great market for produce of all kinds. John D. had seen some handsome profits but the post war oil boom, with its rush of soldiers to the oil fields, created a monsoon of commerce. Everybody wanted the new illuminate, kerosene.

Cleveland was the perfect home base for Rockefeller's enterprise. The train had arrived in 1851 with the Cleveland, Columbus and Cincinnati Railroad. Water transportation was possible directly on Lake Erie or the Ohio Canal. Cleveland was truly a crossroads community.

The demand for oil and its draw created a ruckus and raw environment that John D. hated. The oil workers were rowdy and rough. The atmosphere was bawdy. Prostitution, gambling, and alcohol consumption were the social norms and were repugnant to Rockefeller. All this, and low tech methods of transportation and refining of the time, made the financial environment very unstable. Fires would break out causing prices per barrel to dramatically increase. A new well was discovered and prices would tumble. The lack of order in the business was abhorrent to Rockefeller and he pledged to himself to set this straight by whatever means he could.

Rockefeller truly feared that uncouth, short sighted men in the oil business would bring destruction if not bridled. This was reinforced by the explosion of new wells which were driving prices down even further forcing many of the early operators into bankruptcy. Undeterred, as if guided by some sadomasochistic force,

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new investors lined up and new drilling efforts dotted the Pennsylvania landscape. It was then the ever vigilant Rockefeller devised a strategic plan to consolidate the industry and create what we term a monopoly. Rockefeller saw his plan as the only sane option to save the oil business from itself. To begin to accomplish this Herculean task he lacked only one thing. The true lubricant for the machine Rockefeller was about to invent was capital. So he created the concept of a Standard Oil Company as an entity and Henry Flager devised the actual corporation. The Standard Oil Corporation of Ohio was formed and acquisitions began.

At this time most of these state authorized corporations could not own property outside their state of incorporation which was a problem Rockefeller pondered. At the time of Standard's incorporation, however, the beginning was much like a very small IPO creating one million dollars in capital for the new business to invest. One note of interest, Rockefeller felt very strongly about how this new structure would appear to other potential investors so he chartered Standard Oil. Its officers would receive no salary from the enterprise, but only stock. He felt granting stock would inspire all officers to diligently work toward the goal of appreciating stock value indifferent to the temptations of a large salary or bonuses.

At this same time Rockefeller and his partners Andrews and Flager focused on nearly every aspect of the business. Instead of purchasing barrels for \$2.50 each, they made their own barrels for \$1 each. No detail was too small for Rockefeller. He was known to go down to the refinery and sweep up so the workers could continue their efforts without pausing. While present he would try to hurry up the workers in an attempt to boost productivity. He questioned every aspect of their work and made suggestions on how things might be improved ever so slightly.

In the barrel making effort he noticed forty soldered rivets were used to secure the wood together. He asked the welder why this was so. The welder responded that this was how he was trained. Rockefeller asked him to try thirty-eight. This was unsuccessful as the barrels would burst when filled. Rockefeller then suggested

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thirty-nine beads of solder, this time the barrels held. Fifty years later in his life Rockefeller would delight in sharing this tale of how he had saved a fortune in the refining process with just such little modifications. He might be said to be one of the fathers of continuous improvement.

During these daily reflections Rockefeller found his greatest success in pitting one transportation source against another. So much so that, even before the Standard Oil Company was officially formed ,he was averaging \$1.65 per barrel transported versus the average of \$2.40. Multiplied by the hundreds and then thousands, this was a true competitive advantage. While Rockefeller was pitting rail line against water transportation, and rail line against rail line in an effort to control his industry, the railroads had their own problems.

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THE SOUTH IMPROVEMENT COMPANY

The railroad companies were struggling to make ends meet. They were forced to negotiate with a growing number of entrepreneurs for transportation costs. Other rail carriers were as desperate for revenue, as one can imagine, all leading to rapidly dropping shipping costs. At this time Rockefeller, and some in the rail business, namely Tom Scott, began to seek ways to form what we today would term a strategic alliance. At the time, this was not at all illegal although many would later question the morality of the decision. Rockefeller was again innovative in seeking a win-win solution which would further his efforts to impose his will on the oil business and at the same time benefit the rail lines. What they came up with might be properly described a joint venture holding company, in today's vernacular, with a couple of twists that were just too hard for the public to swallow.

Tom Scott suggested Rockefeller's Standard Oil Company allow the railroads to increase the price of freight. To offset this change a rebate of up to 50% of the price would be paid to the joint venture, the South Improvement Company (SIC). The SIC would be owned, in part, by Rockefeller and his partners, and in part, by the different rail companies. Rockefeller's part in the agreement was to send a predetermined amount of traffic over the SIC's rail partners. This helped the SIC rail investors to shut out competition from Pittsburgh and other lines from vying for Rockefeller's business.

Another reason Scott and the others involved might have been motivated to offer such generous terms to Rockefeller was John D. had been privately amassing his own fleet of tanker cars. He had acquired hundreds of them, in fact, as part of his plan to control each step in the supply chain. This tactic had actually created a shortage of tanker cars, so, in working with Rockefeller the rail lines had access to the tankers necessary without a huge capital outlay to insure proper capacity. As the proverbial owner of the ball, Rockefeller had guaranteed himself the right to play in the game with this very crafty move.

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To even further sweeten the deal, Scott offered to pay Rockefeller a royalty, which was termed a "drawback" on all other oil shipments via rail within the SIC partnership. This would insure Rockefeller generated revenue even from his competitors. Other refiners would have to pay a much higher net transportation cost, at the same time feeding Standard's coffers. The goal was the stabilization of freight prices while allowing Rockefeller a tremendous competitive advantage. It was a match made in heaven or hell depending on your perspective. It was certainly collusion of the highest caliber, illegal today, and revolt provoking at the time. It coined a descriptive textbook phrase, the "economics of strangulation".

Even though knowledge of the South Improvement Company triggered immediate protests, some of which were violent in nature, the desired effect occurred. Many refiners were so overwhelmed by the concept of Standard and the railroads working together they saw this as the writing on the wall and sold out to Rockefeller.

The notoriety of the SIC was played out in the press across the nation and, though not illegal, was seen as the most notorious conspiracy in big business foisted upon the nation. Rockefeller seemed perplexed his whole lifetime about why so much was made of this dummy corporation. As it turned out, no rebates were ever paid, no royalties collected, no fees were ever received. The South Improvement Company was dissolved almost as quickly as it was formed without any operation at all. Yet even today, this shell company is heralded as one of the most famous monopolistic efforts in American history.

For years thereafter, many in the press and government felt this plan revealed the private conniving of Rockefeller. They feared, despite the fact that the South Improvement Company never occurred, these were the contracts and secret deals Rockefeller and the other Robber Barons arranged in private. The SIC created a complete lack of trust in American industries. Politicians were savvy enough to pick up on this, Rockefeller was not. This anti-big

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business sentiment would ultimately be championed by the supreme politician, the President of the United States, in the person of Theodore Roosevelt. John D. was convinced creating stability in an industry he saw in unprofitable turmoil to be more important than whatever damage people envisioned the new monolith inflicting. Rockefeller was not alone here as cartels were being formed in the nation in livestock, agriculture, steel production and, of course, transportation.

And while the SIC never completed a single transaction. Rockefeller and others already had many such arrangements in place with various vendors. Rockefeller did not invent either the rebate or drawback ideas or even suggest them as components of the SIC. Like many of his ventures, he learned of them elsewhere and can be credited only with perfecting them.

Rockefeller saw the economic downturn of 1873 as further indication his strategy of consolidation, which he termed cooperation, was correct. Black Thursday's bank failure, the struggling rail lines and the downward fall of crude oil prices from \$1 to 48¢ a barrel strengthened his resolve to further control the oil business. The next six years of economic stagnation allowed Rockefeller and others, perhaps most notably Andrew Carnegie in steel, to expand operations.

Feverish in his desire to implement his plan Standard's headquarters were moved to New York City in 1874. Cost control, acquisition, expansion and other strategies led to Standard Oil controlling 95% of the oil refining business by 1880. Rockefeller moved his corporate headquarters to 26 Broadway in New York City in 1882.

PUBLIC RELATIONS AND ANTI-TRUST

Maybe the largest factor in creating problems for Rockefeller and his other industrial counterparts is as the industries consolidated there were many perceived losers, and relatively few winners. Rockefeller, while accused of ruthless and tyrannical

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practices in the acquisition of his competitors, has been shown to have paid a fair price for most of his purchases and even overpaying for those he considered most strategic. Such is American success, everyone wants it but not for someone else. Rockefeller was seen as the heavy handed winner on every occasion which created a throng of passionate opponents to all he did. Editorial cartoons depicted him as an evil monster preying on the American work force. Another industry was consolidating and Rockefeller underestimated its power. Today we call it the power of the press.

Beginning in 1902, Ida Tarbell began a series of magazine articles in McClure Magazine designed to expose Standard Oil and its personification, Rockefeller. Tarbell was not an impartial reporter in this regard. Her father felt he had been pressured into ruin by Rockefeller and she had grown up in Western Pennsylvania. Tarbell's continuing series painted the oil workers as valiant and good hearted folk who were abused by Rockefeller and his ilk. She obviously touched a nerve in society. Each issue increased the circulation of McClure's, encouraging more Rockefeller haters to supply information, authenticated or not, which she used in the series.

Ida Tarbell successfully singled out Rockefeller as the greatest evil in America. She really turned him into the most hated man in America as each new issue foisted more fuel onto to the corporate sin funeral pyre of Standard Oil.

In retrospect, Rockefeller may have made only one critical error in his entire career was his silent response to critics. Today no corporation would go silent if seriously questioned by the national media or attacked by the local press in a community where they had an operating facility. Yet, the attacks of Ida Tarbell, Henry Lloyd and others were left unchallenged until well into John D.'s retirement. Americans took his steely silence as evidence of his guilt. Rockefeller's refusal to engage his opponents even encouraged those in government to take on the growth of monopolistic enterprises.

Rockefeller had a distrust and distaste for politicians. Standard contributed to many officials seeking favorable rulings or

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postponement of action. Perhaps many politicians reminded him of Big Bill who was not in their favor. Whatever the reason, Rockefeller never felt that government was anything more than an inconvenience to business and was the antithesis of efficiency, even in his time.

With all the insight he displayed, he missed the rise of the executive branch of the federal government and failed to notice Roosevelt's desire to find a large trust of which to make an example. Painted as the corporate pirate in the press, Rockefeller soon found the government as his attacker.

Later in life, Rockefeller noted the anxiety he felt towards all the requests, petitions, lawsuits, and hearings targeted at Standard Oil. At the time, his strategy of silence toward enemies prevailed again, unsuccessfully so. In 1911 the Sherman Act of 1890 was upheld by the United States Supreme Court who ordered Standard Oil be broken up. Until that point Rockefeller had worked hard to get around the different regulations imposed by the government.

Rockefeller had set up Standard Oil Corporations in various states to get around stock ownership laws. He had individual shareholders turn stocks over to trustees who then gave the shareholders what were called trust certificates. This allowed him to set up and run a national company in a consolidated way. This trust concept became synonymous with monopoly. This is why we have the Sherman Anti-Trust Act not the Sherman Anti-monopoly Act, when monopolies were the target of the legislation.

The break-up created a unique listing of noteworthy corporate entities:

- *Standard Oil of New Jersey became ESSO which is now Exxon.
- *Standard Oil of Ohio became Sohio.
- *Standard Oil of Indiana became Amoco.
- *Standard Oil of New York became Mobil Gas.
- *Standard Oil of California became Chevron.
- *Continental Oil became Conoco.

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Originally, Standard's break-up was into thirty-eight different companies including the above and firms like ARCO, BP America and Cheeseborough-Ponds, as heirs of the Standard legacy today. The dissolution of Standard Oil left Rockefeller with a significant portion but not controlling interest in all these enterprises. His personal wealth only expanded as he served on the different boards. He was revered by most of the men, now charged with operations, and had significant personal influence until his official retirement in 1914.

Interestingly enough, as the Tarbell crusade against Rockefeller began in 1902, he had already begun to step down from many of the day-to-day activities of Standard. Beginning in 1896, Rockefeller had assembled the management team he wanted and began to lessen his involvement. Ironically, because he was so secretive this was unnoticed by most in America. Rockefeller started to invest time in his other passions, charitable work, and a few hobbies, most notably golf.

CHARITABLE VISION

Rockefeller applied his business acumen and focus to his charitable efforts as well. Synoptically you have Rockefeller, while in his 40's, establishing Spelman College in Atlanta, then Spelman Seminary to teach freed female slaves. In his 50's he spends a great deal of time in the creation and support of the University of Chicago; his 60's found him working on Rockefeller University, the Rockefeller Institute for Medical Research, The General Education Board, The Rockefeller Sanitation Commission, and the Rockefeller Foundation. Eventually the property for the construction of the United Nations is donated by the Rockefellers.

Again, seeking an aide to lean on Rockefeller hired his confidant, the Reverend Frederick Gates as his charitable counselor for many years. Gates would comment that every time a major news story appeared in the press regarding Rockefeller's wealth, fifty thousand letters would appear during the next month or so with various appeals for funds.

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His work with the University of Chicago was so stressful that Rockefeller experienced a near nervous breakdown. Over a twenty year period he donated more than thirty-five million dollars ending with a farewell gift of ten million dollars in 1910. He experienced tremendous digestive problems and adopted a very stringent diet in his life from this time forward.

In 1901, Rockefeller founded the Rockefeller Institute for Medical Research which is now part of the Rockefeller University. This was a completely unique notion; no one had an organization where scientists were trying to come up with discoveries, cures, or the like. The idea was totally Rockefeller's and amazingly enough one scientist, Simon Flexner, invented a serum to treat spinal meningitis which turned out to be very effective. This was perhaps the greatest achievement of the Rockefeller family.

The Rockefeller University web site goes on to document progress in the treating of pneumonia, the demonstration of preserving whole blood for transfusion and the identification of DNA as the most critical genetic material of all discoveries made at the Institute for Medical Research.

The General Education Board (GEB) was established in 1902 with the purpose of, "promotion of education within the United States of America without the distinction of race, sex or creed." Before its dissolution in 1965 the GEB had provided three hundred twenty-five million dollars in funding for school projects all across the nation. The GEB's work with rural schools started what we know today as the 4-H Club and home extension programs.

The Rockefeller Sanitary Commission was founded with the purpose of, "bringing about a cooperative movement of the medical profession, public health officials, boards of trade, churches, schools, the press and other agencies for the cure and prevention of hookworm disease". This was primarily a problem in the rural South and was so successful in educating and treating this problem that the program was expanded to other countries. Undoubtedly influenced

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by his wife, several of Rockefeller's smaller contributions were focused on the needs of the South and, in particular, the black post-slavery population.

Rockefeller's contributions continue today through the Rockefeller Foundation. Its broad based purpose is, "to promote the well-being of mankind throughout the world". As in business Rockefeller felt he knew best what the world needed and how it needed it. He indicated on more than one occasion in his life, he had given more money away than he had kept. John D. preferred to make all of his contributions either anonymously or as quietly as possible. He always regarded giving in a flagrant way or in a spirit of notoriety was wrong, and sought as much personal privacy in this area of his life as possible.

RETIRED BUT NOT FORGOTTEN

Rockefeller officially retired in two stages. As previously mentioned, he began phase one of his retirement when the founding of the University of Chicago took such a physical toll on him. He greatly reduced his time at the office although his schedule was still relentlessly demanding. The second phase of his retirement came after one of the darkest clouds of his business career- The Ludlow Massacre.

In 1913, a Rockefeller interest- Colorado Fuel and Iron Company was threatened with a move to unionize. The United Mine Workers were working to bring the work force to a standstill and had the workers move out of the company housing and set up a tent city. Much like Carnegie did with steel workers, Rockefeller was seen bringing in Pinkerton's and other private enforcers to provide the muscle necessary to control things. A fire broke out one evening in the tent city killing two women and eleven children. The men revolted creating a near battle scene. President Woodrow Wilson had to order federal troops in and seventy-five men were killed. Rockefeller expressed extreme personal distress over this matter.

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This created a tremendous furor which became the first independent act of Rockefeller's son John Jr. Junior handled the awful event spectacularly, winning the respect of many in the divided Standard organization and, more importantly, the respect of his father. John D. officially retired in 1914 and turned the reigns over to Junior who spent the majority of his life working, quite successfully, to restore the Rockefeller name to one of unequalled admiration.

Rockefeller spent nearly forty years in either semi- or full retirement but he was not forgotten in the media. His caricature appeared frequently in the press. With the advent of movies he was seen appearing in press reels at hearings and public events. Rockefeller seemed to finish out his days on mostly his own terms. He befriended Will Rogers, played golf a lot and monitored his different charitable foundations. He really took on these activities full time, and from there forward had little interest in business. He felt his work in the commercial world was complete.

AUTOMOBILES AND ASSORTED ITEMS

Rockefeller's business interests were always considered quite successful but the advent of the automobile put him in the financial elite. While at the helm, Standard had paid a 12% dividend like clockwork but, after turning over most of the control, he saw the dividend grow to 33% by 1897. Standard stock was valued at \$176 per share in 1896, but exploded to \$458 in 1899. An industry thought by many to be either mature or in peril from electricity boomed with the need for gasoline.

Rockefeller always felt his income was providential and, while totally unexpected, the internal combustion engine was just part of God's plan. First, with rail transportation and then with the automobile, Rockefeller's success was inextricably tied to transportation industries. Even while one mode threatened the other, they both played into the hands of the man who controlled oil.

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John D. Rockefeller, Sr. was an astute business man who found strong lieutenants like Flager and Archibald. These men shared his vision of a united oil consortium as the only sane solution in such a volatile environment. Standard certainly used questionable tactics including political payoffs, financial threats, and secretive agreements. Many today would consider these huge ethical problems but, in reality, most of these tactics survive today in one form or another. It was Rockefeller's way to have these sorts of activities carried out by his firm without any direct personal contact. John D. always tried to distance himself from these practices but was not above the exaggerated truth from time to time.

All in all, the characterization of Rockefeller as a corporate criminal is really too harsh. Examining the times and activities of his contemporaries, his actions were not outside the norm. Today some are certainly illegal, but they were not at the time.

Rockefeller felt his final judgement would come not from his opponents or the popular press but from God himself. When you consider what happened to the progress of America around the turn of the century, it would not have been possible without Rockefeller, and men like him, who created the industrial complex. Who is more studied, Rockefeller or Benjamin Harrison? Undoubtedly Rockefeller, since his impact on the nation and even the world was more significant. Rockefeller is aptly described as an American business titan.

THE FOREVER UNKNOWN

While there is a phenomenal amount of information written about the Rockefeller family, little is actually recorded by John D. in person. Nelson Rockefeller once wanted to include an interview with his grandfather in some graduate work and was refused. John D. wrote back that he was not interested in discussing Standard Oil with anyone, including Nelson. Most thoughts from Rockefeller remain forever unknown.

QUIPS, QUOTES AND ANECDOTES

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Here are some anecdotes which reveal the tip of the iceberg about this very private man.

- "It kept the men up on tip-toe; no stagnation among them"
-John D. Rockefeller concerning Big Bill's practice of randomly firing men only to rehire them in a few days.
- "Save when you can and not when you have to." -John D. Rockefeller
- "Oh how blessed the young men are who have to struggle for a foundation and a beginning in life. I shall never cease to be grateful for the three and half years of apprenticeship and the difficulties to be overcome, all the way along."
-John D. Rockefeller
- "Because you have got a start, you think you are quite a merchant; look out, or you will lose your head-go steady. Are you going to let this money puff you up? Keep your eyes open. Don't lose your balance." -John D. Rockefeller's nightly mantra he is said to have spoken as a personal rebuke each night before bed.
- "Friendship founded on business is superior to a business founded on friendship."-Henry Flager
- "I know of nothing more despicable and pathetic than a man who devotes all the waking hours of the day to making money, for money's sake." -John D. Rockefeller (from his memoirs)
- "You know we are independently rich outside investments in oil- but I believe my oil stocks the very best." -John D. Rockefeller in a letter to his wife Cettie during the negotiations regarding the South Improvement Company.
- "You can abuse me, you can strike me, so long as you let me have my way." -John D. Rockefeller
- "I am glad you won at golf today John; last time I beat you the price of gasoline raised 10¢." -Will Rogers
- "It is the right hand of the devil." -John D. Rockefeller (concerning alcohol)

A BRIEF CHRONOLOGICAL SUMMARY

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- 1870 The Standard Oil Company is founded by John D. Rockefeller in Cleveland, Ohio. Rockefeller's share of the refined oil business is less than 4%, with more than 250 competitors in the US.
- 1873 John D. Rockefeller already controls 80% of the refining capacity of Cleveland, which makes a third of the national total.
- 1879 The Standard Oil Trust shuts down 31 of the 53 refineries owned by Standard Oil and concentrates production in 3 giant refineries.
- 1880 Standard controls nearly every refinery in the United States and has more than \$40 million in cash reserves.
- 1882 The alliance of all the companies that made Standard Oil is transformed into the Standard Oil Trust.
- 1882 An Ohio court dissolves the trust, but it is reincorporated in New Jersey, a state that yet accepts trusts. The trustees abandon the initial plan of horizontal integration and focus on a more vertical integration.
- 1890 Congress votes the Sherman Antitrust Act. Standard is again reincorporated, in New Jersey as a holding company.
- 1900 Standard Oil controls more than 90% of the refined oil in the United States.
- 1911 The Supreme Court decides the break up of the Standard Oil into smaller, competing companies. Rockefeller maintains a stake in each.

CONCLUSIONS AND LESSONS LEARNED

Rockefeller's story is a captivating one in which we see the duality of the early American culture played out in its fullest grandeur and greatest ugliness. Rockefeller, like many of his contemporaries, worked very hard to build a large business empire with at least part of the goal being the betterment of mankind as he saw fit. Steeped in Calvinistic principles, he saw his success as validation from God that he was doing the right thing.

Was he a severe businessman? Without question. Did he push the legal envelopes of the time? Most certainly! but he must be

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given his dues as a devoted family man and perhaps the greatest philanthropist we will ever see. Rockefeller would have hated the concept of Yin and Yang as being cultist but who better expresses this contrast than John D. Rockefeller, Sr. who, at the age of eighty-six, penned the following words:

"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 everyday.

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