

Standard Oil of New Jersey and the Effort to End Monopolies



Vintage Esso billboard advertisements. July 1940.

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Grade level: Secondary (9-12)

Objectives: Students will be able to:

- explain the concept of monopolies
- explain how Rockefeller created the Standard Oil Trust
- explain the purpose and language of the Sherman Antitrust Act (1890)
- analyze and evaluate newspaper and magazine articles about Standard Oil
- analyze political cartoons and political advertisements
- analyze the U.S. Supreme Court decision, *Standard Oil Co. of NJ v. The United States* (1911)
- determine the impact of predatory monopolistic behavior on consumers
- take and defend a position of whether the government should regulate private business in order to protect consumers from predatory monopolistic practices

New Jersey Student Learning Standards for Social Studies

6.1.12.EconEM.5.a: Assess the impact of governmental efforts to regulate industrial and financial systems in order to provide economic stability.

6.1.12.EconEM.5.b: Analyze the economic practices of corporations and monopolies regarding the production and marketing of goods and determine the positive or negative impact of these practices on individuals and the nation and the need for government regulations.

6.1.12.CivicsPR.6.a: Use a variety of sources from multiple perspectives to evaluate the effectiveness of

Progressive reforms in preventing unfair business practices and political corruption and in promoting social justice.

6.1.12.GeoHE.6.a: Compare and contrast issues involved in the struggle between the unregulated development of natural resources and efforts to conserve and protect natural resources during the period of industrial expansion.

Common Core ELA: History/Social Studies

- RH.9-10.1 Cite specific textual evidence to support analysis of primary and secondary sources, attending to such features as the date and origin of the information.
- RH.9-10.2 Determine the central ideas or information of a primary or secondary source; provide an accurate summary of how key events or ideas develop over the course of the text.
- RH.9-10.3 Analyze in detail a series of events described in a text; determine whether earlier events caused later ones or simply preceded them.
- RH.9-10.8 Assess the extent to which the reasoning and evidence in a text support the author's claims.
- RH.11-12.1 Cite specific textual evidence to support analysis of primary and secondary sources, connecting insights gained from specific details to an understanding of the text as a whole.
- RH.11-12.2 Determine the central ideas or information of a primary or secondary source; provide an accurate summary that makes clear the relationships among the key details and ideas.
- RH.11-12.3 Evaluate various explanations for actions or events and determine which explanation best accords with textual evidence, acknowledging where the text leaves matters uncertain.
- RH.11-12.8 Evaluate an author's premises, claims, and evidence by corroborating or challenging them with other information.

Compelling Questions:

- What is the impact of a monopoly on consumers?
- Should the United States government be involved in regulating privately owned businesses?
- What is more important to New Jerseyans: a successful Standard Oil, or federal laws being followed?

Supporting Questions:

- What is a monopoly?
- How does a monopoly hurt consumers?
- Who was John D. Rockefeller?
- How did he create Standard Oil?
- Why was Standard Oil a New Jersey company?
- What is the Sherman Antitrust Act?
- Who is Ida Tarbell?
- What did she do to try to bring an end to monopolies in the U.S.?
- How did Standard Oil continue to operate after it was ordered by the government to dissolve the trust in 1892?

- How did *Standard Oil of NJ v United States* help end the monopolies on oil that we still use today?
- Are potential monopolies still a problem today? Why?

Key Terms/People:

- John D. Rockefeller
- Monopoly
- Trusts
- Horizontal integration
- Vertical Integration
- Undercutting
- Price fixing
- Holding company
- Sherman Antitrust Act
- Ida Tarbell
- Muckrakers

1. What is a Monopoly?

Anticipatory activity 1: To begin this lesson, tell the students that you want to purchase a pen from somebody. Ask whether any of them have a pen that they would be willing to sell. After the students have completed this short exercise ask them what they wrote willing to sell you a pen. Tell them to write down on a piece of paper the price that they would charge for a pen--using the pen. Also ask them to help you decide which pen to purchase: what information should you think about in making your decision about which pen to purchase? The students may suggest that you should think about which pen you want, and that you should try to purchase it for the lowest possible price. If the students do not suggest these ideas on their own, raise them for the students. Ask them to explain why these ideas make sense.

Now tell the students to imagine that one student in the class owned all of the pens in the classroom. And you have decided that you would buy a pen only from somebody in the class. Ask them how this scenario might influence the price of the pen and the quality of the pen being sold. Here you would like to hear the students state that if one person owned all of the pens, that person could charge more money for them and sell lower-quality pens. Ask the students to explain why this is true. They should recognize that since only one person was selling pens, this individual would not have to worry about either the price set by other people or the quality of the pens that other people were selling. Tell the students that this scenario is an example of a monopoly. (From <http://www.econedlink.org/teacher-lesson/686>)

Definition: Now explain that a monopoly is a market structure characterized by a single seller of a unique product with no close substitutes. This is one of four basic market structures. The other three are perfect competition, oligopoly, and monopolistic competition. As the single seller of a unique good with no close substitutes, a monopoly essentially has no competition. Ask the students to explain this definition in their own words. Then shift the discussion: ask the students if they think it is fair for

monopolies to exist. Urge them to support their opinions. As the students share their opinions take notes on the board. Encourage the students to express ideas that both support and oppose monopolies.

The demand for a monopoly firm's output is THE market demand. This gives the firm extensive market control--the ability to control the price and/or quantity of the good sold--making a monopoly firm a price maker. However, while a monopoly can control the market price, it cannot charge more than the maximum demand price that buyers are willing to pay.

How does a monopoly hurt consumers? In the absence of government intervention, a monopoly is free to set any price it chooses, and this price is generally the one that leads to the largest possible profit. So, a monopoly may charge a higher price than if there was competition. It may also limit the options available and limit innovation because of its monopolistic position. This may also be true with oligopolies. For example, OPEC countries working together have been able to keep prices high by limiting the quantity of oil they offer on the international market. Adam Smith, who is hailed as the father of free markets, condemned business monopolies in this epic work, *The Wealth of Nations* (1776), because they hurt the public by reducing choice, efficiency, and progress while raising prices to whatever levels the monopolist deems necessary to achieve his desired profit.

2. Who was John D. Rockefeller? How and why did he create Standard Oil of New Jersey?



John D. Rockefeller c. 1872,
shortly after founding Standard Oil

Source: *The History of Standard Oil Company*. November 1904.

Background: Teachers may share this background as a reading assignment. Born into a modest working class family in upstate New York, John D. Rockefeller entered the then-fledgling oil business in 1863 by investing in a Cleveland, Ohio, refinery. Discovery of oil in Titusville, Pennsylvania just before the Civil War led to the rapid growth of a new industry based largely on the use of kerosene for lighting. Oil refining became largely concentrated in Cleveland because of its proximity to the oil fields of Western Pennsylvania, its excellent (and competitive) railroad service, its availability of cheap water transportation (on adjacent Lake Erie) and its abundant supplies of low cost immigrant labor. In 1870, he joined three others to establish Standard Oil, at a time when the refining industry was still highly

decentralized, with more than 250 competitors in the U.S. By the early 1880s Standard Oil controlled some 90 percent of U.S. refineries and pipelines.

The company was an innovator in the development of the business “trust.” In 1882, all of its properties and those of its affiliates were merged into the Standard Oil Trust, the first of the great corporate trusts. A *trust* was an arrangement whereby the stockholders in a group of companies transferred their shares to a single set of *trustees* who controlled all of the companies. In exchange, the stockholders received certificates entitling them to a specified share of the consolidated earnings of the jointly managed companies.

In 1885, Standard Oil of Ohio moved its headquarters from Cleveland to its permanent headquarters in New York City. Concurrently, the trustees of Standard Oil of Ohio chartered the Standard Oil Co. of New Jersey (SOCNJ) to take advantages of New Jersey's more lenient corporate stock ownership laws. After enacting laws in 1888-89 that permitted one company to own another, New Jersey became the preferred state for trust incorporations.

Standard Oil had previously purchased 176 acres of land on Constable Hook in Bayonne, the site of marine transfer operations for the Port of New York and New Jersey, in 1872, and by 1885 there was a pipeline connecting it to the field of Texas. On July 4, 1900, a fire broke out in the Constable Hook Standard Oil refinery in Bayonne. It started when lightning caused a number of the large oil tanks to explode. Flaming oil spread out into New York Bay. It took three days to extinguish the fire that in the end caused \$2.5 million in damages yet only nine injuries. In 1906, Standard Oil expanded its operations to over 300 acres at Constable Hook in Bayonne, and the following year it purchased several hundred acres in Linden and Elizabeth, New Jersey, on New York harbor, and built a large facility for processing crude oil that became Bayway, a leading research facility as well as the most northern oil refinery on the east coast of the United States, now owned by Philips 66.

Standard Oil dominated the oil products market initially through horizontal integration (creating or acquiring production units that are complementary or competitive, e.g., buying competitors in the same industry doing the same stage of development to reduce competition, increase market share by using economies of scale, or to create a monopoly) in the refining sector, then, in later years vertical integration (integrating multiple stages of production along its production path or supply chain to promote financial growth and efficiency, e.g. growing raw materials, manufacturing, transporting, marketing, and/or retailing).

The Standard Oil trust streamlined production and logistics, lowered costs, and undercut competitors. Critics accused Rockefeller of engaging in unethical practices, such as predatory pricing and colluding with railroads to eliminate his competitors, in order to gain a monopoly in the industry.

In 1911, the U.S. Supreme Court found Standard Oil in violation of anti-trust laws and ordered it to dissolve. With the dissolution of the Standard Oil trust into 33 smaller companies, Rockefeller became the richest man in the world. During his life Rockefeller donated more than \$500 million to various philanthropic causes.

Activity 2: Standard Oil business practices and the Sherman Antitrust Act

In the United States we value competition in our market system. Competition is a regulating force, along with the self-interest of the consumer, in the US economy. They work together to keep prices low and bring new products to the market place. They also foster innovations that help to bring down the cost of doing business.

But are there times when one supplier in a market is better than a competitive market? Should the government work to protect that one supplier in a market? This lesson will explore the idea of monopolies and the actions the government uses when faced with monopolies.

Have students review **Handout 1**: Examples of ways that Rockefeller used the size and clout of Standard Oil to undercut competitors:

1. Temporarily undercutting the prices of competitors until they either went out of business or sold out to Standard Oil.
2. Buying up the components needed to make oil barrels in order to prevent competitors from getting their oil to customers.
3. Using its large and growing volume of oil shipments to negotiate an alliance with the railroads that gave it secret rebates and thereby reduced its effective shipping costs to a level far below the rates charged to its competitors.
4. Secretly buying up competitors and then having officials from those companies spy on and give advance warning of deals being planned by other competitors.
5. Secretly buying up or creating new oil-related companies, such as pipeline and engineering firms, that appeared to be independent operators but which gave Standard Oil hidden rebates.
6. Dispatching thugs who used threats and physical violence to break up the operations of competitors who could not otherwise be persuaded.

Adapted from: <http://www.linco.org/standardoil.html>

Background: What is the Sherman Antitrust Act?

Share Handout 2 with students. Contrary to popular belief, monopolies are not illegal in the United States. What is illegal is actions taken by monopolies to limit competition. The Sherman Antitrust Act (Sherman Act, July 2, 1890, ch. 647, 26 Stat. 209, 15 U.S.C. 1–7) was the first United States Federal statute to limit cartels and monopolies.

The Act provides: "Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal".

The Act also provides: "Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a felony.

The Act put responsibility upon government attorneys and district courts to pursue and investigate trusts, companies and organizations suspected of violating the Act.

Later, in 1914, the Clayton Act extended the right to sue under the antitrust laws to "any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws.". Under the Clayton Act, private parties may sue in U.S. district court and should they prevail, they may be awarded treble damages and the cost of suit, including reasonable attorney's fees.

See <https://www.ourdocuments.gov/doc.php?flash=false&doc=51>

Activity 3: Analyzing a political cartoon

Teachers give students **Handout 3** (the political cartoon below) or project the image on a whiteboard and let students come close to look at it. Have students answer the following questions:

1. What do you see? (Make a list)
2. Who is depicted in this political cartoon?
3. Is the artist in support of monopolies and against monopolies?



John D. Rockefeller, "King of the World,"
Source: *Puck Magazine*. 1901.

Depicted in the cartoon: (some of the things your students should identify):

- Rockefeller is sitting on top of a platform labeled Standard Oil (Company name)
- Rockefeller is dressed in king's attire with money signs all in his robe.
- Serious look on his face

- The huge crown atop his head.
- Four railroad companies that Rockefeller owned and used to transport his oil.
 - Reading R.R (Monopoly board game)
 - Jersey Central R.R
 - St. Paul R.R
 - Lehigh Valley R.R
- Dollar sign on top of his crown
- The Background is a ruined/destroyed United States.
- Dark grey skies, industry across the land.
- No trees.

Activity 4: Close Reading

Background: Who is Ida Tarbell?

Ida Minerva Tarbell was born in 1857 in northwestern Pennsylvania. She grew up amid the derricks of the oil region. Her father became an oil producer and refiner until a hidden agreement between the railroads and refiners led by John D. Rockefeller in 1872 hit the Pennsylvania oil region like a tidal wave. After graduating from Allegheny College, the sole woman in the class of 1880, Tarbell moved to Ohio to teach science, but resigned after two years and turned to writing.

The rapidly changing economic landscape and the rise of monopolistic trusts was "disturbing and confusing people," wrote Tarbell. A new generation of investigative journalists, later dubbed "muckrakers" by President Theodore Roosevelt, had set out to wage a campaign to expose corruption in business and political lawlessness. Tarbell latched onto the idea of using the story of Standard Oil to illustrate these troubling issues, persuading McClure Magazine to publish a three-part series on the oil trust. Instantly popular with readers, "The History of the Standard Oil Company" grew to be a 19-part series, published between November 1902 and October 1904.

Tarbell wrote a detailed exposé of Rockefeller's unethical tactics, sympathetically portraying the plight of Pennsylvania's independent oil workers. Still, she was careful to acknowledge Rockefeller's brilliance and the flawlessness of the business structure he had created. She did not condemn capitalism itself, but "the open disregard of decent ethical business practices by capitalists." About Standard Oil, she wrote: "They had never played fair, and that ruined their greatness for me."

Directions: Have students read "The Woman Who Took on the Tycoon" at <https://www.smithsonianmag.com/history/the-woman-who-took-on-the-tycoon-651396/> by Gilbert King in *Smithsonian Magazine* (July 5, 2012) (**Handout 4**)

- Instruct the students to closely read the article by annotating it as they read:
 - underlining and starring the important points
 - putting a question mark next what is confusing
 - circling any word that they do not understand

- Once the students have completed the exercise themselves, the teacher will then go through the article with the students to help them understand it
- Students will then complete the critical thinking questions (**Handout 5**) about the article and Ida Tarbell.

Activity 5: *Standard Oil Co. of NJ v. U.S. (1911)*

Have students listen to Rockefeller’s two minute speech to the court from “The Men Who Built America” at https://www.youtube.com/watch?v=LC9Dh4kR_g .

Possible questions after student viewing

1. What does the judge accuse Standard Oil of doing and how? Does John D. Rockefeller address these accusations?
2. John D. Rockefeller does not deny his company's actions. Instead he reminds the court of all the jobs his company provides, millions of dollars he made for the United States. Do these things outweigh his actions? Why or why not?

Homework: Invite students to read and complete the worksheet entitled Standard Oil and the Sherman Anti-Trust Laws (**Handout 6**)

1. What was John D. Rockefeller’s role in the Standard Oil Company?
2. How did lowering prices help Standard Oil Company attract new customers?
3. How did buying other oil companies help Standard Oil gain control of the oil industry?
4. Why do you think that the United State Congress prohibited monopolies and trusts?

After the students have completed this work, reconvene the class. Call on students to share their answers with one another. Then share possible answers to the Standard Oil and Sherman Anti-Trust Laws worksheet at https://www.econedlink.org/wp-content/uploads/legacy/686_oil_answers1.pdf.

1. What was John Rockefeller’s role in the Standard Oil Company?

John Rockefeller invested in the Standard Oil Company so that the company could afford to expand its operations.

2. How did lowering prices help Standard Oil Company attract new customers?

Standard Oil Company had more money than its competitors. Therefore, they were able to survive on less income. Standard Oil could afford to cut their prices. Other companies that lacked financial infrastructure could not afford to reduce their prices. Consequently, when Standard Oil cut their prices other companies’ customers purchased Standard Oil.

3. How did buying other oil company’s help Standard Oil gain control of the oil industry?

Standard Oil Company not only bought the other companies’ oil, they also bought the other companies’ customers. As Standard Oil added to its customer base it increased its control of the oil industry. 4. Why do you think that the United States Congress prohibited monopolies and trusts?

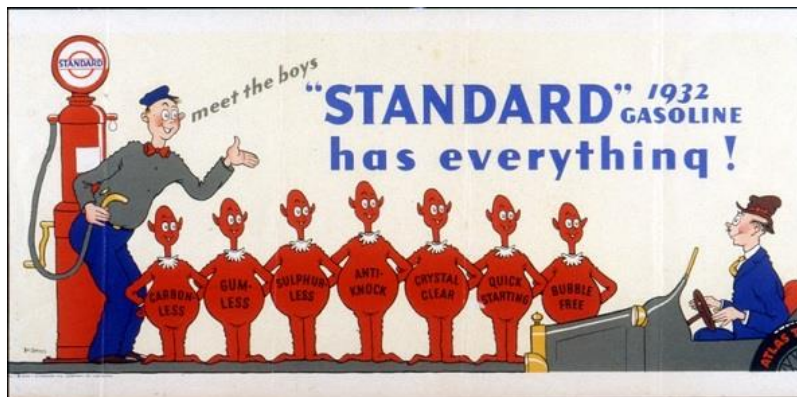
4. Then read **Handout 7**: Excerpts from the U.S. Supreme Court decision, *Standard Oil Co. of New Jersey v. United States*, 221 U.S. 1 (1911), compare and discuss question 4: Why do you think that the United State Congress prohibited monopolies and trusts?.

Activity 6: Standard Oil today

Following the U.S. Supreme Court decision in 1911, Standard Oil was broken into 33 separate companies and Rockefeller becomes the richest man in the world. In 1926, embodying the phonetic rendition of the initials 'S' and 'O' in Standard Oil, Jersey Standard brought out a new blend of fuel under the trade name Esso. In 1972, the name was officially changed to Exxon, and in 1999, Exxon and Mobile joined to become the Exxon Mobil Corporation. The company evolved from a domestic refiner and distributor of kerosene to a large multinational corporation, involved at every level of oil and gas exploration, production, refining and marketing, and petrochemicals manufacturing.

Cartoon Analysis: Teachers give students **Handout 8** or project the picture below to their class and ask the following questions

- What do you see?
- What is this?
- Who do you think was the artist?
- Does it look like the break-up of Standard Oil hurt the company?



Handout 8: This 1932 Standard Oil Company (New Jersey) advertisement is among those preserved by the Dr. Seuss Collection of the Mandeville Special Collections Library at the University of California, San Diego. Source: <http://aoghs.org/editors-picks/seuss-the-oilman/>

Environmental Clean-up. Teachers share the following background with students: In 2004, the state of New Jersey filed a lawsuit against Exxon Mobil, claiming that it had polluted 1500 acres of wetlands and surrounding natural environment where it had run its petrochemical operations for decades. Exxon Mobil was found to be responsible for cleaning up the environmental damage at its Constable Hook facilities in Bayonne and its Bayway facility in Linden, NJ, and also at 16 other facilities and roughly 1700 gas stations across the state. The clean-up at Constable Hook has included excavation, stabilization, capping, and the capturing of ground water contamination and installation of steel wall containment

systems. The state had originally requested \$8.9 billion for the clean-up. However, NJ Governor Christie agreed to a \$225 million settlement, which has been criticized by politicians and environmentalists.

Critical thinking: Do you think that corporations should be held liable to clean up any damage they cause to the environment by their operations or should the public pay to clean-up environmental damage because it has benefitted from the products produced and such corporate liability might inhibit economic progress and jobs? Support your answer.

Activity 7: Assessment

Write a short essay answer one of the following questions:

- Do you think that Standard Oil should have been broken up? Support your conclusion with reasoning and facts.
- Select one of the examples below (telephones, computer operating systems, airlines, chemical companies) and discuss whether you think monopolistic behavior was/is involved and whether a merger should be allowed or a break-up required. Support your conclusion with evidence.
- Do you think that the U.S. government should be less or more involved in regulating big businesses? Support your conclusion with specific examples and balancing of the potentially positive and negative effects of monopolies.

1. Telephones: AT&T and the Department of Justice settled the antitrust case against AT&T when AT&T agreed to break itself up into several firms in 1984. One firm, AT&T, would provide long-distance service, and seven other firms ("Baby Bells") would provide local telephone service in different regions. The Department of Justice found that a vertically integrated telephone company, one that provided local and long-distance service, was not required for productive efficiency, or that there were other offsetting gains from the divestiture. According to the Department of Justice, the vertical structure of the company provided an opportunity for unfair competition against other providers of long-distance service. Since 1984, the technology and industry structure have changed rapidly. The AT&T break-up probably helped upstart fiber-optic long-distance firms Sprint and MCI, who did not own local lines and had to compete with the integrated AT&T network. Severing AT&T's local networks put all three on the same footing. But in other ways, the break up was more ceremony than substance. Each of the seven "Baby Bells" still controlled the local communications network in its region. All that changed for most consumers of local phone services was the name at the top of the bill. Meanwhile, rival networks from outside the traditional telecom world were just beginning to bubble, and they would not only moot the local-long-distance distinctions at the heart of the AT&T split and but also transform communications in more fundamental ways.

2. Computer operating systems: The court concluded in 2002 that Microsoft maintained its monopoly power by anticompetitive means and attempted to monopolize the Web browser market.

3. Airlines: As the world has become more global, many large U.S. corporation have been growing and fighting off international competition through mergers and the U.S. Justice Department has been allowing them. For example, the recent merger of Continental and United Airlines was allowed and has resulted in reduced competition and higher prices at Newark and JFK airports.

4. Dow Chemicals and DuPont, two of the largest chemical companies in the U.S., are currently talking about merging.

Helpful Links for Teachers

“The Dragon Slain: The Breakup of the Standard Oil Trust” at <https://www.education.psu.edu/egee120/node/226>

“The Dismantling of Standard Oil” at <http://www.linco.org/standardoil.html>

Standard Oil Co. of New Jersey v. United States at https://www.law.cornell.edu/supremecourt/text/221/1#writing-USSC_CR_0221_0001_ZS

http://learning.blogs.nytimes.com/2012/05/15/may-15-1911-supreme-court-orders-standard-oil-to-be-broken-up/?_r=0

<http://www.econlib.org/library/Enc/Monopoly.html>

Handout 1

Examples of ways that Rockefeller used the size and clout of Standard Oil to undercut competitors:

- Temporarily undercutting the prices of competitors until they either went out of business or sold out to Standard Oil.
- Buying up the components needed to make oil barrels in order to prevent competitors from getting their oil to customers.
- Using its large and growing volume of oil shipments to negotiate an alliance with the railroads that gave it secret rebates and thereby reduced its effective shipping costs to a level far below the rates charged to its competitors.
- Secretly buying up competitors and then having officials from those companies spy on and give advance warning of deals being planned by other competitors.
- Secretly buying up or creating new oil-related companies, such as pipeline and engineering firms, that appeared to be independent operators but which gave Standard Oil hidden rebates.
- Dispatching thugs who used threats and physical violence to break up the operations of competitors who could not otherwise be persuaded.

Adapted from: <http://www.linco.org/standardoil.html>

Handout 2: The Sherman Antitrust Act, 1890

The Sherman Antitrust Act (Sherman Act, July 2, 1890, ch. 647, 26 Stat. 209, 15 U.S.C. 1–7) was the first United States Federal statute to limit cartels and monopolies.

The Act provides: "Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal".

The Act also provides: "Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a felony.

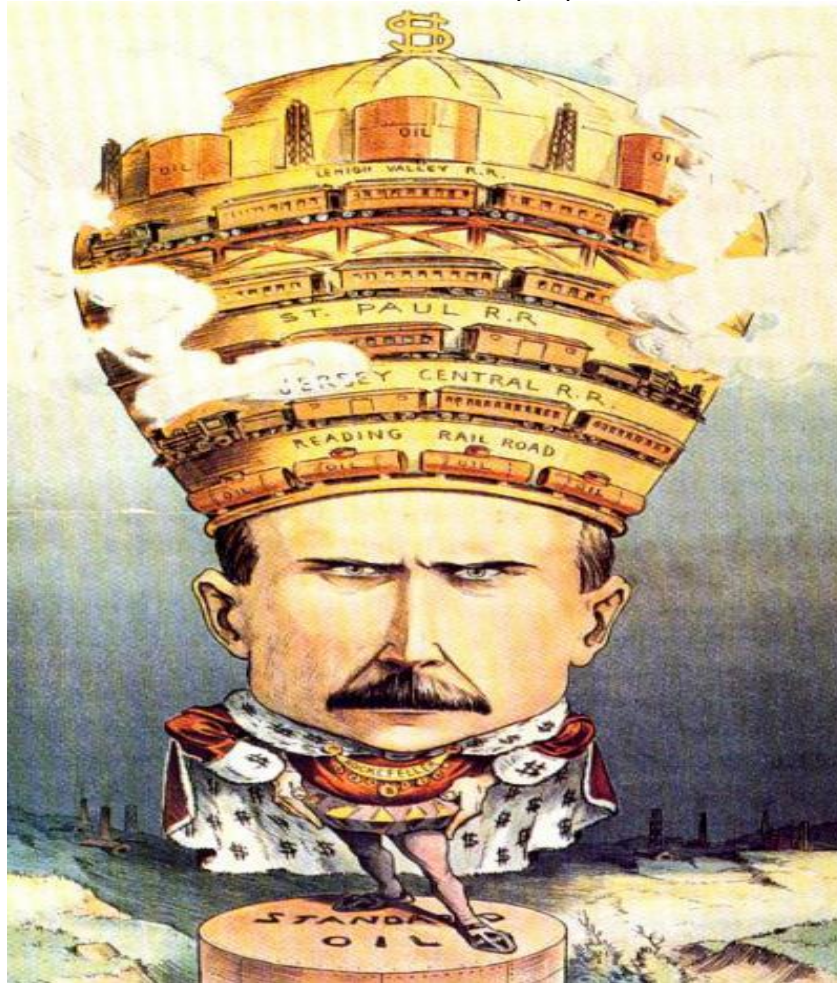
The Act put responsibility upon government attorneys and district courts to pursue and investigate trusts, companies and organizations suspected of violating the Act.

Later, in 1914, the Clayton Act extended the right to sue under the antitrust laws to "any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws.". Under the Clayton Act, private parties may sue in U.S. district court and should they prevail, they may be awarded treble damages and the cost of suit, including reasonable attorney's fees.

Adapted from:

<http://www.shrm.org/legalissues/federalresources/federalstatutesregulation/sandguidanc/pages/shermananti-trustactof1890.aspx>

Handout 3



John D. Rockefeller, "King of the World,"
Source: *Puck Magazine*. 1901.

- What do you see in this cartoon? (make a list)
- Who is depicted in this political cartoon?
- Is the artist in support of monopolies and against monopolies?

Handout 4

The Woman Who Took on the Tycoon

John D. Rockefeller Sr. epitomized Gilded Age capitalism. Ida Tarbell was one of the few willing to hold him accountable.

By [Gilbert King](#)

smithsonian.com (2012)



Ida M. Tarbell, c. 1904. Photo: Wikipedia image

http://blogs.smithsonianmag.com/history/files/2012/07/463px-Ida_M_Tarbell_crop.jpg

At the age of 14, Ida Tarbell witnessed the [Cleveland Massacre](#), in which dozens of small oil producers in Ohio and Western Pennsylvania, including her father, were faced with a daunting choice that seemed to come out of nowhere: sell their businesses to the shrewd, confident 32 year-old John D. Rockefeller, Sr. and his newly incorporated Standard Oil Company, or attempt to compete and face ruin. She didn't understand it at the time, not all of it, anyway, but she would never forget the wretched effects of "the oil war" of 1872, which enabled Rockefeller to leave Cleveland owning 85 percent of the city's oil refineries.

Tarbell was, in effect, a young woman betrayed, not by a straying lover but by Standard Oil's secret deals with the major railroads—a collusive scheme that allowed the company to crush not only her father's business, but all of its competitors. Almost 30 years later, Tarbell would redefine investigative journalism with a 19-part series in [McClure's](#) magazine, a masterpiece of journalism and an unrelenting indictment that brought down one of history's greatest tycoons and effectively broke up Standard Oil's monopoly. By dint of what she termed "steady, painstaking work," Tarbell unearthed damaging internal documents, supported by interviews with employees, lawyers and—with the help of Mark Twain—candid conversations with Standard Oil's most powerful senior executive at the time, Henry H. Rogers, which sealed the company's fate.

She became one of the most influential muckrakers of the [Gilded Age](#), helping to usher in that age of political, economic and industrial reform known as the [Progressive Era](#). "They had never played fair," Tarbell wrote of [Standard Oil](#), "and that ruined their greatness for me."



John D. Rockefeller Sr., c. 1875. Photo: Wikipedia

<http://blogs.smithsonianmag.com/history/files/2012/07/John-D-Rockefeller-sen.jpg>

Ida Minerva Tarbell was born in 1857, in a log cabin in Hatch Hollow, in Western Pennsylvania's oil region. Her father, Frank Tarbell, spent years building oil storage tanks but began to prosper once he switched to oil production and refining. "There was ease such as we had never known; luxuries we had never heard of," she later wrote. Her town of Titusville and surrounding areas in the Oil Creek Valley "had been developed into an organized industry which was now believed to have a splendid future. Then suddenly this gay, prosperous town received a blow between the eyes."

That blow came in the form of the [South Improvement Company](#), a corporation established in 1871 and widely viewed as an effort by Rockefeller and Standard Oil in Ohio to control the oil and gas industries in the region. In a secret alliance with Rockefeller, the three major railroads that ran through Cleveland—the Pennsylvania, the Erie and the New York Central—agreed to raise their shipping fees while paying "rebates" and "drawbacks" to him.

Word of the South Improvement Company's scheme leaked to newspapers, and independent oilmen in the region were outraged. "A wonderful row followed," Tarbell wrote. "There were nightly anti-monopoly meetings, violent speeches, processions; trains of oil cars loaded for members of the offending corporation were raided, the oil run on the ground, their buyers turned out of the oil exchanges."

Tarbell recalled her father coming home grim-faced, his good humor gone and his contempt directed no longer at the South Improvement Company but at a "new name, that of the Standard Oil company." Franklin Tarbell and the other small oil refiners pleaded with state and federal officials to crack down on the business practices that were destined to ruin them, and by April of 1872 the Pennsylvania legislature repealed the South Improvement Company's charter before a single transaction was made. But the damage had already been done. In just six weeks, the threat of an impending alliance allowed Rockefeller to buy 22 of his 26 competitors in Cleveland. "Take Standard Oil Stock," Rockefeller told them, "and your family will never know want." Most who accepted the buyouts did indeed become rich. Franklin Tarbell resisted and continued to produce independently, but struggled to earn a decent living. His daughter wrote that she was devastated by the "hate, suspicion and fear that engulfed the community" after the Standard Oil

ruckus. Franklin Tarbell's partner, "ruined by the complex situation," killed himself, and Tarbell was forced to mortgage the family home to meet his company's debts.

Rockefeller denied any conspiracy at the time, but years later, he admitted in an interview that "rebates and drawbacks were a common practice for years preceding and following this history. So much of the clamor against rebates and drawbacks came from people who knew nothing about business. Who can buy beef the cheaper—the housewife for her family, the steward for a club or hotel, or the quartermaster or commissary for an army? Who is entitled to better rebates from a railroad, those who give it for transportation 5,000 barrels a day, or those who give 500 barrels—or 50 barrels?"

Presumably, with Rockefeller's plan uncovered in Cleveland, his efforts to corner the market would be stopped. But in fact, Rockefeller had already accomplished what he had set out to do. As his biographer Ron Chernow wrote, "Once he had a monopoly over the Cleveland refineries, he then marched on and did the same thing in Pittsburgh, Philadelphia, Baltimore, New York and the other refining centers. So that was really the major turning point in his career, and it was really one of the most shameful episodes in his career."

Still a teenager, Ida Tarbell was deeply impressed by Rockefeller's machinations. "There was born in me a hatred of privilege, privilege of any sort," she later wrote. "It was all pretty hazy, to be sure, but it still was well, at 15, to have one definite plan based on things seen and heard, ready for a future platform of social and economic justice if I should ever awake to my need of one."

At age 19, she went to Allegheny College in Meadville, Pennsylvania. But after studying biology, Tarbell came to realize that she preferred writing. She took an editing job for a teaching publication and eventually worked her way up to managing editor before moving to Paris in 1890 to write. It was there that she met Samuel McClure, who offered her a position at *McClure's* magazine. There, Tarbell wrote a long and well-received series on Napoleon Bonaparte, which led to an immensely popular 20-part series on [Abraham Lincoln](#). It doubled the magazine's circulation, made her a leading authority on the early life of the former president, and landed her a book deal.



Standard Oil Company Refinery No. 1, Cleveland, Ohio, 1889. Photo: Wikipedia
image: http://blogs.smithsonianmag.com/history/files/2012/07/Standard_Oil-500x393.jpg

In 1900, nearly three decades after the Cleveland Massacre, Tarbell set her sights on what would become [“The History of the Standard Oil Company,”](#) a 19-part series (and book) that, as one writer described, “fed the antitrust frenzy by verifying what many had suspected for years: the pattern of deceit, secrecy and unregulated concentration of power that characterized Gilded Age business practice with its ‘commercial Machiavellianism.’ ”

Ironically, Tarbell began her research by interviewing one of her father’s former fellow independents back in Pennsylvania—[Henry H. Rogers](#). After the Cleveland Massacre, Rogers spent 25 years working alongside Rockefeller, building Standard Oil into one of the first and largest multinational corporations in the world. Rogers, it seems, may have been under the impression, after the *McClure’s* series on Lincoln, that Tarbell was writing a flattering piece on him; he reached out to her through his good friend Mark Twain. Meeting her in his home, Rogers was remarkably candid in some regards, even going to far as to provide her with internal documents and explaining the use of drawbacks in Standard Oil’s history.

Tarbell recalled that Rogers also arranged for her to interview another of Rockefeller’s partners, [Henry Flagler](#), who refused to give specifics about the origins of the South Improvement Company. Instead, she sat “listening to the story of how the Lord had prospered him,” she wrote. “I was never happier to leave a room, but I was no happier than Mr. Flagler was to have me go.”

Franklin Tarbell warned Ida that Rockefeller and Standard Oil were capable of crushing her, just as they’d crushed her home town of Titusville. But his daughter was relentless. As the articles began to appear in *McClure’s* in 1902, Rogers continued to speak with Tarbell, much to her surprise. And after he went on record defending the efficiency of current Standard Oil business practices, “his face went white with rage” to find that Tarbell had uncovered documents that showed the company was still colluding with the railroads to snuff out its competition.

“Where did you get that stuff?” Rogers said angrily, pointing to the magazine. Tarbell informed him that his claims of “legitimate competition” were false. “You know this bookkeeping record is true,” she told him.

Tarbell never considered herself a writer of talent. “I was not a writer, and I knew it,” she said. But she believed her diligent research and commitment (she spent years examining hundreds of thousands of documents across the country, revealing strong-arm tactics, espionage and collusion) “ought to count for something. And perhaps I could learn to write.”

In *The History of the Standard Oil Company*, she managed to combine a thorough understanding of the inner workings of Rockefeller’s trust and his interest in the oil business, with simple, dramatic and elegant prose. While avoiding a condemnation of capitalism itself and acknowledging Rockefeller’s brilliance, she did not hesitate to criticize the man for stooping to unethical business practices in pursuit of his many conquests:

It takes time to crush men who are pursuing legitimate trade. But one of Mr. Rockefeller’s most impressive characteristics is patience. There never was a more patient man, or one who could dare more while he waited. The folly of hurrying, the folly of discouragement, for one who would succeed, went hand in hand. Everything must be ready before he acted, but while you wait you must prepare, must think, work. “You must put in, if you would take out.” His instinct for the money opportunity in things was amazing, his perception of the value of seizing this or that

particular invention, plant, market, was unerring. He was like a general who, besieging a city surrounded by fortified hills, views from a balloon the whole great field, and sees how, this point taken, that must fall; this hill reached, that fort is commanded. And nothing was too small: the corner grocery in Browntown, the humble refining still on Oil Creek, the shortest private pipe line. Nothing, for little things grow.

Ida Tarbell concluded her series with a two-part character study of Rockefeller, where she described him as a “living mummy,” adding, “our national life is on every side distinctly poorer, uglier, meaner, for the kind of influence he exercises.” Public fury over the exposé is credited with the eventual breakup of Standard Oil, which came after the U.S. Supreme Court ruled in 1911 that the company was violating the [Sherman Antitrust Act](#). Tarbell ultimately forced Americans to consider that the nation’s best-known tycoon was using nefarious tactics to crush legitimate competitors, driving honest men from business. Ultimately, Standard Oil was broken into “baby Standards,” which include ExxonMobil and Chevron today. Rockefeller, a great philanthropist, was deeply stung by Tarbell’s investigation. He referred to her as “that poisonous woman,” but told advisers not to comment on the series or any of the allegations. “Not a word,” Rockefeller told them. “Not a word about that misguided woman.”

Almost 40 years after the Cleveland Massacre cast a pall over Titusville, Ida Tarbell, in her own way, was able to hold the conglomerate accountable. She died in Connecticut in 1944, at the age of 86. New York University placed her book, *The History of the Standard Oil Company*, at No. 5 on a list of the top 100 works of 20th-century American journalism.

Sources

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Handout 5: Directions: Read the article “The Woman Who Took on the Tycoon” (Handout 4) and answer the following questions in complete sentences citing evidence from the text.

1. Why would some oil producers in Ohio and Western Pennsylvania choose to sell to the Standard Oil Company and others choose to fight?
2. How did the South Improvement Company work with Standard Oil in Pennsylvania?
3. Why did the repeal of South Improvement Companies charter not change the lives of the oil refiners in Western Pennsylvania?
4. Explain what Ron Chernow meant when he said “Once he has a monopoly over the Cleveland refineries, he then marched on and did the same thing in Pittsburgh, Philadelphia, Baltimore, New York, and the other refining centers. So that was really the major turning point in his career, and it was really one of the most shameful episodes of his career,” when speaking about John D. Rockefeller.
5. Why did Henry Rogers give information and internal documents to Tarbell regarding Standard Oil?
6. How did Tarbell’s 19-part series on “The History of Standard Oil” lead to its ultimate downfall?

Handout 6: Standard Oil and the Sherman Anti-Trust Act

1. What was John D. Rockefeller's role in the Standard Oil Company?
2. How did lowering prices help Standard Oil Company attract new customers?
3. How did buying other oil companies help Standard Oil gain control of the oil industry?
4. Why do you think that the United State Congress prohibited monopolies and trusts?

Handout 7: *Standard Oil Co. of New Jersey v. United States*, 221 U.S. 1 (1911)

Excerpted from Syllabus by Cornell Legal Information Institute

The Anti-Trust Act of July 2, 1890, c. 647, 26 Stat. 209, should be construed in the light of reason; and, as so construed, it prohibits all contracts and combination which amount to an unreasonable or undue restraint of trade in interstate commerce.

The combination of the defendants in this case is an unreasonable and undue restraint of trade in petroleum and its products moving in interstate commerce, and falls within the prohibitions of the act as so construed.

...The debates in Congress on the Anti-Trust Act of 1890 show that one of the influences leading to the enactment of the statute was doubt as to whether there is a common law of the United States governing the making of contracts in restraint of trade and the creation and maintenance of monopolies in the absence of legislation.

...The terms "restraint of trade," and "attempts to monopolize," as used in the Anti-Trust Act, took their origin in the common law, and were familiar in the law of this country prior to and at the time of the adoption of the act, and their meaning should be sought from the conceptions of both English and American law prior to the passage of the act.

The original doctrine that all contracts in restraint of trade were illegal was long since so modified in the interest of freedom of individuals to contract that the contract was valid if the resulting restraint was only partial in its operation, and was otherwise reasonable.

The early struggle in England against the power to create monopolies resulted in establishing that those institutions were incompatible with the English Constitution.

At common law, monopolies were unlawful because of their restriction upon individual freedom of contract and their injury to the public and at common law, and contracts creating the same evils were brought within the prohibition as impeding the due course of, or being in restraint of, trade.

At the time of the passage of the Anti-Trust Act, the English rule was that the individual was free to contract and to abstain from contracting and to exercise every reasonable right in regard thereto, except only as he was restricted from voluntarily and unreasonably or for wrongful purposes restraining his right to carry on his trade. *Mogul Steamship Co. v. McGregor*, 1892, A.C. 25.

A decision of the House of Lords, although announced after an event, may serve reflexively to show the state of the law in England at the time of such event.

This country has followed the line of development of the law of England, and the public policy has been to prohibit, or treat as illegal, contracts, or acts entered into with intent to wrong the public and which unreasonably restrict competitive conditions, limit the right of individuals, restrain the free flow of commerce, or bring about public evils such as the enhancement of prices.

The Anti-Trust Act of 1890 was enacted in the light of the then existing practical conception of the law against restraint of trade, and the intent of Congress was not to restrain the right to make and enforce contracts, whether resulting from combinations or otherwise, which do not unduly restrain interstate or foreign commerce, but to protect that commerce from contracts or combinations by methods, whether old or new, which would constitute an interference with, or an undue restraint upon, it.

The Anti-Trust Act contemplated and required a standard of interpretation, and it was intended that the standard of reason which had been applied at the common law should be applied in determining whether particular acts were within its prohibitions.

The word "person" in § 2 of the Anti-Trust Act, as construed by reference to § 8 thereof, implies a corporation as well as an individual.

The commerce referred to by the words "any part" in § 2 of the Antitrust Act, as construed in the light of the manifest purpose of that act, includes geographically any part of the United States and also any of the classes of things forming a part of interstate or foreign commerce.

The words "to monopolize" and "monopolize" as used in § 2 of the Anti-Trust Act reach every act bringing about the prohibited result.

Freedom to contract is the essence of freedom from undue restraint on the right to contract.

In prior cases where general language has been used, to the effect that reason could not be resorted to in determining whether a particular case was within the prohibitions of the Anti-Trust Act, the unreasonableness of the acts under consideration was pointed out, and those cases are only authoritative by the certitude that the rule of reason was applied; *United States v. Trans-Missouri Freight Association*, [166 U.S. 290](#), and *United States v. Joint Traffic Association*, [171 U.S. 505](#), limited and qualified so far as they conflict with the construction now given to the Anti-Trust Act of 1890.

...The Anti-Trust Act generically enumerates the character of the acts prohibited and the wrongs which it intends to prevent, and is susceptible of being enforced without any judicial exertion of legislative power.

The unification of power and control over a commodity such as petroleum and its products by combining in one corporation the stocks of many other corporations aggregating a vast capital gives rise, of itself, to the *prima facie* presumption of an intent and purpose to dominate the industry connected with, and gain perpetual control of the movement of, that commodity and its products in the channels of interstate commerce in violation of the Anti-Trust Act of 1890, and that presumption is made conclusive by proof of specific acts such as those in the record of this case.

The fact that a combination over the products of a commodity such as petroleum does not include the crude article itself does not take the combination outside of the Anti-Trust Act when it appears that the monopolization of the manufactured products necessarily controls the crude article.

...The remedy to be administered in case of a combination violating the Anti-Trust Act is two-fold: first, to forbid the continuance of the prohibited act, and second, to so dissolve the combination as to neutralize the force of the unlawful power.

The constituents of an unlawful combination under the Anti-Trust Act should not be deprived of power to make normal and lawful contracts, but should be restrained from continuing or recreating the unlawful combination by any means whatever, and a dissolution of the offending combination should not deprive the constituents of the right to live under the law, but should compel them to obey it.

In determining the remedy against an unlawful combination, the court must consider the result, and not inflict serious injury on the public by causing a cessation of interstate commerce in a necessary commodity.

Handout 8



This 1932 Standard Oil Company (New Jersey) advertisement is among those preserved by the Dr. Seuss Collection of the Mandeville Special Collections Library at the University of California, San Diego. Source: <http://aoghs.org/editors-picks/seuss-the-oilman/>

- What do you see?
- What is it about?
- Who do you think is the artist?
- Does it look like the break-up of Standard Oil hurt the company?