Biography
Pocantico

Mr. R. TELLS
EARLY S. O. HISTORY

At Pocantico, Nov. 1, 1917 a series of conversations with Mr. Rockefeller was begun by Inglis, relative to his early business career and especially to the origin and growth of the Standard Oil Company. While Mr. Rockefeller made it clear that the contemplated history shall not be controversial nor engaged in disputes with various persons who have attacked him, yet the substance of their attacks has been and will be incorporated in the questions put to Mr. Rockefeller in these talks.

Q. Was it in 1865 that you sold out your share in the commission business of Clark & Rockefeller, and put your money into the oil refining firm of Rockefeller & Andrews? A. Yes; in '65; about April 1; the selling out, and the buying out of the other business.

Q. Did you soon start a second refinery -- Wm. Rockefeller & Co. -- into which you took H. M. Flagler as partner? A. We dontinued as we were at first until 1866, when we organized Wm. Rockefeller & Co. My brother William was the head. Mr. Andrews and I were the Co. Mr. Flagler did not come in then. I should say we took Mr. Flagler in in 1868.

Q. Were you president of Wm. Rockefeller & Co.? A. No. There was no president. It was not a company but a firm. Before Mr. Flagler joined us we organized another firm, Rockefeller & Co., in the City of New York, in 1866, consisting of us three men (Messrs. J. D. and Wm. Rockefeller and Mr. Andrews.) That was a commission agency for the disposition of our own oil for export. It had no president. All three were firms. My brother William was the man who administered the business. My brother had already had a valuable business experience. He had been a partner in two firms. We began young. My brother is one year, one month and eight days younger than I am.

The New York firm went on disposing of our oil for export until we took H. M. Flagler with us in the firm which was a consolidation of all these firms. With him also came S. V. Harkness. Mr. Flagler was the active representative. I want to be very vareful in anything written about me not to say anything that any family connected with us might think showed the least lack of kindly consideration for any member of that family who may have been associated with us in business.

The firm of Rockefeller, Andrews and Flagler represents the consolidation of all these firms: either in 1867 or 1868. Wm. Rockefeller & Co. was formed in 1866, and Rockefeller, Andrews and Flagler was in '67 or '68. Call it 1868.

We come next to the organization of the Standard Oil Company of Ohio, in the latter part of 1869, or early 1870, with a capital of $1,000,000. Then, in 1870, began the purchase of the oil refineries of Cleveland. I do not remember just how many there were --- say twenty-five or thirty, more or less. Some of them were very little. The purchasing began and continued until they were, substantially, all purchased, running over a year or two. Some preferred not to go in at once. They delayed. After having a working arrangement for some time, they found the relation so agreeable and satisfactory that they were pleased to come into the company.

Q. Why did you organize the Standard Oil Co.? A. The motive? We found ourselves -- I now refer to the oil refiners -- engaged, by reason of the over-development of the refining industry, in a ruinous competition which was so severe that probably eighty or ninety per cent. of the refiners of the country were either losing money or conducting their business without a profit, having already invested very largely of their working capital in these plants

which could not be profitably utilized for other purposes than the business of oil refining.

Q. It was your idea to combine all these for protection? A. Yes, the idea was mine. That has been conceded on all hands; but I don't want to put it in an offensive way. The idea was persisted in, too, in spite of the opposition of some who became faint-hearted as the magnitude of the undertaking constantly assumed larger proportions, extending beyond the local area of Cleveland to New York, Philadelphia, Boston, Baltimore, Pittsburgh, the oil regions, Parkersburg, W. Va., and elsewhere. We went into Canada some, into Marietta, Ohio, and elsewhere.

Q. When did the giving of rebates begin? A. Rebates and drawbacks were a common practice for years preceding and following this history so far given: for many years preceding and many years following this period; that is this period before 1862 and long after. It was a common practice in all descriptions of freighting, not peculiar to oil: in merchandise, grain, everything. A very keen competition among the railroads, notably the trunk lines, resulted in different forms of inducements to secure the preferences of shippers over these various competing lines.

(Continued, Nov. 2, 1917.)

And I may say here (Mr. Rockefeller continued) that we were very helpful to the railroads afterwards in aiding them to restore rates to a remunerative point.

Q. The New York Central and the Erie? A. All the trunk lines, including the Baltimore & Ohio; for John Garrett came in, and he was a disturbing factor -- but we won't go into that. We were in such a relation to the

oil business that when they would agree upon a fair apportionment of business, we could do for them what they had never been able to do for themselves, namely, to actually secure that apportionment.

Q. How was that done? A. We had acquired such a control in all the refining centres of the country -- of the refining interest -- that we could control the shipments. This was especially true of a period some little time later; but the tendency was that way from the beginning, and they changed, the railroad officials, from an attitude of questioning as to whether we would deal fairly with them, if you please, or questioning as to whether we could carry out our assurances that we could secure to them their just proportion of whatever they agreed to take. After they had proven us they found it to be true, not only that we could but did decure to them a proportion just in accord with our promises. And with the regulation respecting the division there came the more remunerative rates of freight, and thus a great benefit to the whole transportation interest.

It is to be remembered that while the New York Central and the Erie, over whose lines we had been transporting the largest part of our products, in connection with shipments by lake and the Erie canal, regarded us from the beginning as their allies in the freight competition, and that the Pennsylvania and the Baltimore & Ohio were slower to believe it possible that we, who had been supposedly against them, could now turn and aid them in common with the others in a fair distribution of the oil freight.

See my brother William for more details about this. He is the only man left now with as much knowledge as he possesses -- when I'm gone.

A question about his first partner, Maurice B. Clark, and how they happened to separate, brought from Mr. Rockefeller the following:

MR. R. TELLS
EARLY S. O. HISTORY

"He was an ignorant man, an Englishman, ten years older than I was, and he tried, almost from the beginning of our partnership, to dominate and over-ride me. A question he asked several times in our discussions of business matters was, ' What in the world would you have done without me?' I bore it in silence. It does no good to dispute with such a man. He was very angry when I borrowed money to extend our business of refining oil. 'Why, you have borrowed $100,000!' he exclaimed, as if that were some sort of offence. He had his brothers, James and William, in the oil firm of Clark & Rockefeller. They were of his sort. (See page 79 of 'Random Reminiscences.)

"We agreed, in a perfectly pleasant way, to dissolve the partnership, by paying the debts and dividing the assets, then disposing of the plant and goodwill to the highest bidder among ourselves. They had their lawyer with them. I had none. It did not seem to me that I needed one. I look back now at that day in 1865, and it seems to me one of the most important in my life. It was the day that determined my career. I felt the bigness of it, but I was as calm as I am talking with you now. I had arranged for everything; made up my mind how much I could pay for the business: I was ready. You have read in the 'Random Reminiscence' how the sale went off. I did nffer to give Mr. Clark, my old partner, a check for the $72,500. on the spot, but he knew how safe and reliable I was and said, 'No. Settle at your convenience.'

"He went his way, and continued in the oil refining business. He thought, I suppose, that I was taking too great risks, but I felt sure of myself. I suppose it was twenty years later that he began to drop in and see my brother William and ask 'How is John?' It took a long time to convince him that he was wrong and I was right, but at last one day he drove out to Forest Hill. He looked up at me that day -- for the first time. 'Why!' he

exclaimed, 'you've grown big. You've grown up.' You see, it took him a long time to feel that I was no longer a boy. He was beginning to go down the hill then. We bought him out finally. There was another Englishman, Mr. Scofield, whom we bought out twice. After the first sale, in spite of his promise to keep out of the oil refining business, he went into it again -- and we bought him out a second time. He, too, did not feel sure that we were going to make a success; so he sold out his stock in our company. His children have since told mine that they never ceased to regret that he sold out. His stock with us would have been worth $18,000,000. or $20,000,000."

(Continued Nov. 3, 1917.)

Q. It is alleged that the Rockefeller firms got better rebates than any other. Did they? Why? What did they get? What did the others get?
A. I do not think that the Rockefeller firms got better rebates than the others; though their very large and uniform shipments, together with the unusual facilities which they afforded to the transportation companies for loading and unloading freight, in connection with the regularity of their shipments, should have entitled them to more consideration than the smaller and irregular shippers. It was found in after years that small shippers on the Pennsylvania lines had received as large rebates as the larger shippers, though the larger shippers had been led to believe that they were getting special consideration. Each shipper sought to get the very lowest rates, and the uniform practice was to give rebates or drawbacks on all shipments. It would be impossible now to quote from memory the exact rebates given under the varying conditions. There was a great demoralization of freight traffic. It is hard for anyone to look back from this day and get a clear picture of how great that demoralization was, with the trunk lines bidding against one

another and all the shippers trying to get the most advantageous rates. I do recall that we aided the railroads in greatly reducing the time taken by shipments and the return of cars, so that by virtue of our prompt handling of the cars at terminals and other special facilities which we afforded them they were enabled to make the round trip in about half the time; and my recollection is that when they had come to know how reliable our assurances were and how satisfactory it was to do business with us they were willing to construct and did construct an additional one thousand cars for this traffic. We shipped solid train-loads. The small men, who could not furnish these facilities, were jealous, and that jealousy was part of the hue and cry against us. In those days all got the same thing in one form or another. At one time we thought we were favored -- but I recall very well these cases on the Pennsylvania Railroad of which I have spoken.

Q. It is alleged (Tarbell History, I p. 46) that Mr. Alexander, of Alexander, Scofield & Co., in 1868 or 1869, complained that the Atlantic & Great Western R. R., controlled by Erie, were giving you better rates than he was getting, and that they gave him a rebate of 15 cents a barrel on the 40 cents a barrel he was paying for crude oil from the oil regions to Cleveland but gave him no rebate on oil from Cleveland eastward. (Testimony, H. of R. Committee, April, 1872.) A. I remember Alexander well. He was an ignorant Englishman, with more than the usual amount of conceit. All of his partners came into the Standard Oil Co. and took stock. He declined to go in, and they took his interest. He was venomous at their success -- and ours -- and he was not progressive. He was of the type of Maurice B. Clark and other Englishmen. All this is confidential, of course, and is not to be put

in print; it is only for your guidance. Alexander was a partner of Scofield . Scofield had another partner, named Teagle, when he re-engaged in the oil business in violation of his covenants. That Teagle married a daughter of Maurice B. Clark, and his son, an educated and progressive man, is now and has been for years one of the most highly valued men in the Standard Oil group, for his progress, his breadth, his vision, his loyalty and devotion to the ideas of modern and progressive business methods. What a commentary all this is on the "statements" quoted by Miss Tarbell and such critics!

This same jealousy animates Tarbell and this man Lloyd who wrote. With him it was not so much that a relative might have been taken in and was left out; but in the case of Tarbell it was "pure cussedness," as Mr. Flagler would have called it. I never knew her, though she prowled around our church and Sunday school, as I learned afterwards. I think she came in our Sunday school. We had large classes, and I went in and addressed them briefly. I had an active relation with that school from the time I was twenty-six years old until I was seventy, and though I could not be there except for a few months in summer, yet they seemed to want me to stay. Since that time and up to now they have elected me the honorary superintendent of the school, and that notwithstanding the incoming of many new people in the school.

Q. W. H. Doane of Cleveland, it is alleged, was opposed to drawbacks but wanted what others were getting. (Tarbell, History, I, p.47.) They gave him ten cents a barrel for a short time in 1868. What do you remember of that? A. Mr. Doane was a warm, close personal friend of mine, a partner of my partner, S. V. Harkness, who set him up in business and bought him the tank cars in which he sent oil to the Cleveland refiners. Please bear in mind

that when Mr. Harkness was a member of our firm and was in partnership with Mr. Doane, Mr. Doane was supplying many Cleveland refiners with oil and presumably was one of the most favored customers in respect to rebates and drawbacks. Mr. Doane's testimony was not intended at all to be adverse or prejudicial to the Standard Oil Co. He afterward came into a close relation with the Standard Oil Co., which continued in a most pleasant way for many years. This is simply for your information.

There is so much false pretence in all this talk about rebates! Samuel Downer of Boston met Mr. Flagler at the Windsor Hotel in New York, where he was seeking to interview some railroad officials in order to obtain some favorable transportation rates on oil, and he remarked to Mr. Flagler as follows: "Flagler, I am opposed to the whole scheme of rebates and drawbacks --- without I am in it!"

> (Mr. Rockefeller imitated the orotund tones of the man who scorned rebates, &c.; then quickly dropped his voice to a half whisper when he added -- "without I am in it!")

So much of the clamor against rebates and drawbacks (he continued) came from people who knew nothing about business. Who can buy beef the cheapest -- the housewife for her family, the steward for a club or hotel, or the quartermaster or commissary for an army? These people would make no difference between wholesale and retail. Who can handle merchandise more cheaply, those who handle it in bulk, or those who handle it in small lots? 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?

While these little people were making so much noise and throwing dust in the air we were not interfering with them nor telling them everything we

knew. We could afford to keep silent. We were pumping oil far cheaper than any railroad could carry it. Then we came to the bulk transportation; then transportation in bulk to Europe. We were far in the lead in all these things. We achieved them by saving our money, putting our profits into improvements and extending our business. The final determination of this policy came to my brother and me -- at last to me. In the beginning we had to go to the banks -- almost on our knees -- to get money on credit. As we made profits I urged that we put them into the business, to extend it. There was some opposition. J. A. Bostwick, a nervous, jerky little man, and W. C. Andrews -- "Tip"Andrews, who was burned to death in New York -- opposed this policy: they wanted their profits immediately. But it was all arranged on a friendly basis. (Of course, you will not print these names.) We paid as high as $300. a share for original Standard Oil stock. It was my idea to have the company buy in all of its stock that it was possible to get; so that we could have it all in the treasury for the benefit of all alike; have no favorites; but when certain ones opposed this we bought it in -- and made millions!

Q. Mr. Alexander testified that he never got better than $1.33 a barrel by rail from Cleveland eastward, and that it was "commonly believed in Cleveland that the Standard had a rate of 90 cents a barrel." H. M. Flagler under oath showed the contract between the S. O. Co. and the Lake Shore R.R. at $1.40, $1.20 and $1.60 a barrel, according to the season. A. What Mr. Flagler testified to is the truth; so there is nothing to say. As to the freight rates after possibly 1875 or 1876, I didn't follow up such questions then. Mr. Flagler and I might possibly confer together. But we are 47 years away from 1870 now, and the public has more light on rebates and drawbacks and all the conditions of those times.

MR. R. TELLS
EARLY S. OIL HISTORY

I think it fair to say in this place that there was a long period in railroad management in which everybody sought and obtained rebates and drawbacks according to the inducements which they were able to offer to the railroad companies; and that afterward that was all changed. This was not applicable to the Standard Oil Co. more than to any and all shippers; for it isn't for a moment to be supposed that any intelligent business man would make shipments without making an effort to get rates -- such effort as he would make in buying goods to make the best possible arrangement.

Q. Did not all American railroads give rebates to large shippers, beginning about 1865? A. Yes. (See what was said two days ago - Page 3 of this series.)

Q. Did not the English courts -- and the American courts in some measure -- rule that it was proper to charge lower rates on large shipments than on small? A. I do not know. But I repeat that if I owned a railroad or a steamship, or was otherwise engaged in transporting commodities for people, that I would certainly seek for business of a large volume and regularity of shipment rather than for irregular and smaller shipments, and I would do in that just what any business man would do.

Q. Was not the Pennsylvania Railroad refining oil at this time? Was not the Penn. R.R.,with its ally, the Empire Transportation Co., trying to eliminate Cleveland as a refining centre, and did not the Oil City and Titusville papers boast that this would be done? A. Yes; that was true. And we who had our investments at Cleveland and united our interests there were able to save not only for the northern lines part of their freight traffic, which they could not otherwise have secured, but also saved for Cleveland a valuable business when she was very much in need of profitable industries for her upbuild-

ing. I don't think it would be a matter of record, nevertheless it us true that we of the Standard Oil Co. did not receive from Cleveland a just recognition of what we had accomplished which had inured so largely to her benefit.

Q. Cleveland was then just beginning to grow as a city? A. Yes. Our industry represented 15,000 or 20,000 population in a small city. It was very important indeed for her welfare.

Q. Did not the Penn. R.R. claim a "patent right" on oil transportation? A. The Penn. R.R. claimed that as they were situated geographically it was a traffic that belonged to them, and especially as they had so much a shorter haul they could wipe out the other and competing lines -- the northern lines -- off the map.

Q. Gen. J. H. Devereux, in 1868, succeeded Amasa Stone as Vice-President of the Lake Shore R.R. Shee his affidavit, p. 277 of Tarbell "History", Vol. I. He states that twenty-five refiners of Cleveland were afraid they would have to abandon the business or move to Pennsylvania. The only exception was Rockefeller, Flagler & Andrews, who, on Lake Shore's assurance that it would carry oil as cheaply as the Penn. R. R., proposed to stand their ground at Cleveland and make their fight there. That about 1870 the first move was made to send refined oil by rail all the year from Cleveland to New York. Prior to this Cleveland's export oil went by lake and canal at $1. a barrel, with a certainty of reduction to 90 cents. Rockefeller, Andrews & Flagler proposed sixty car-loads of oil a day in solid trains, at their own risk of fire or loss. Gen. Devereux saw that this would reduce the round trip of the cars to ten days; would need only six hundred cars; offered a larger profit than any business under the old arrangements -- 35 cents a barrel from region

MR. R. TELLS
EARLY S. O. HISTORY

to Cleveland and $1.30 a barrel eastward on refined, Cleveland to New York.

"In affiant's judgment this was the turning point which secured to Cleveland a considerable portion of the export traffic . . . This arrangement was open to any and all parties who would guarantee a like amount of traffic."

A. That is correct, as I recall it. Formerly we shipped by lake and canal. We had the capital and could do that. The others had not the capital and could not let the oil remain so long in transit by lake and canal; it took twice as long that way -- I should think you might use the general statement that it would take a great deal longer, much longer. (Referring to the quotation from Gen. Devereux's affidavit at the end of the question:) Of course, it is to be remembered that other peopld would say, "We couldn't offer that much traffic; so his terms were prohibitive." Nevertheless, it was not our fault that they could not offer it. We were working for our own upbuilding. As a rule a merchant does not exert himself, exert his effort, to see how many rival interests he can build up. We were simply attending to our own business.

I wonder what ....,.. I don't think I ever read Ida Tarbell's book; I may have skimmed it. I wonder what it amounts to, anyway, in the minds of people who have no animus? Is it presented as from the monopolist side, or is it that this band was a peculiarly fiendish combination of mortals, going about to destroy everybody? As a matter of fact, the Standard Oil Co. has been one of the greatest, if not the greatest, of upbuilders we ever had in this country -- or in any country. All of which has inured to the benefit of the towns and cities the country over; not only in our country but the world over. And that is a very pleasant reflection now as I look back. I knew it at the time, though I realize it more keenly now. I never doubted it. I have had time since then to compare this with many other industries in which

MR. R. TELLS
EARLY S. O. HISTORY

I have made investments. Furthermore, I have never met any group of men engaged in large or small business enterprises, of a higher type. That's putting it very modestly; for I knew those men.

I might add here; but though this is true, or was true of this combination, it is nevertheless to be remembered that there might have been representatives of some of the many organizations controlled by the Standard Oil Co. who, in their ambition for place and position, might have said and done things, and undoubtedly did and said things, which were never approved of but always condemned by the people who controlled the affairs of the company.

November 9, 1917.

Q. We come now to the South Improvement Co. It is alleged that in the fall of 1871 refining was overdone; there was three times as much capacity for refining oil as there was production of crude. The Pennsylvania R.R. and the Empire Transportation Co. -- pipe line -- were lined up against the Lake Shore R. R., the N. Y. Central R.R. and the S. O. Co., who sought to preserve Cleveland as a refining centre. Pittsburgh and Philadelphia also feared that they would lose their refining business. A. Yes.

Q. It is alleged that certain Pennsylvania refiners brought to Mr. Rockefeller and his associates a remarkable scheme -- to bring together secretly a large enough body of refiners and shippers to persuade all railroads hauling oil to give the company thus formed special rebates on its oil and drawbacks on that of other people. Outsiders could not compete with them -- A. (interrupting) Oh, that's all nonsense. You must give a little credit to the sanity of business men in the front ranks in the administration of the railroad business, as well as these more successful oil refiners, who did

represent some of the brightest, widest-awake and most progressive business men in the country. I would have known if there had been any scheme to prevent competition.

Q. It is alleged that this combination could persuade railroads not to transport crude oil for export; therefore could raise the price of export oil fifty per cent. A. Do you see how perfectly silly that is? How easy it would have been to transport it to the seaboard to a broker or some other agency! I will say this: I have not the slightest recollection of any such thing.

Q. And if there had been such a thing? A. I would surely remember it. At that time the shipments of crude oil to Europe for refining purposes were infinitesimal, if any.

Q. It is further alleged that "this control of refining and transportation would enable them to fix their own price on crude. They would control the entire oil business." A. I want to say that this was a scheme -- you'll find it in the testimony, Tom Scott's and some of the Philadelphia and Pittsburgh people; this South Improvement Co. scheme; it's in the testimony somewhere. They were the parties who -- I think it was Tom Scott's scheme. He had control of the Pittsburgh and Philadelphia refiners. They were on their knees to him for rates. They reverenced the Pennsylvania R.R. administration; would do anything at their beck; would do anything to get in return help in the transportation of the oil.

Please make this a separate paragraph: We, the Standard Oil people, did not originate the South Improvement Co. It was not our idea. We had an idea of our own. We moved with those Pennsylvania people. We had been moving with them in the refiners' associations and in other ways with a view of protect-

ing the refining industry; and in all the varied experiences we were gathere ing information which confirmed us in the idea that to enlarge our own Standard Oil Co. of Ohio and actually take into partnership with us the refining interest would accomplish the protection to the oil industry as a whole, both producing and refining, which had not been accomplished by any of the efforts previously resorted to, of associations, etcetera, etcetera, including the effort to control production -- to restrict production -- of crude oil for the betterment of prices. There was in those organizations a fatal lack of cohesiveness, and we of the north, notably of Cleveland, were greatly relieved when the South Improvement Co. scheme was abandoned, though it resulted in our being obliged to bear burdens which some of the Philadelphia and Pittsburgh interests had agreed to bear. That to which I particularly refer is that expenses had been incurred in the initial steps toward the organization of the South Improvement Co. . . We did not delay at all to proceed with our favorite scheme -- I now refer to us of the north, on the northern lines, N. Y. Central and N.Y. & Erie roads, the Cleveland interest as distinctive from the Tom Scott interests -- and the Standard Oil Co., in accordance with its plans, proceeded to increase its capital stock and admit to its membership all its neighboring refineries at Cleveland who were willing to come in on fair, reasonable terms. Mr. Flagler didn't think he'd be up in heaven and I down here telling of this -- he had to do with it, too.

November 10,1917.

Q. It is alleged that Mr. Flagler testified (House of Representative Proceedings in relation to Trusts, 1888,) that neither of the Messrs. Rocke-

feller nor he nor anyone else connected with the Standard Oil Co. had any confidence in the scheme known as the South Improvement Co. That the Messrs. Logan (John and Patrick) and Mr. Warden were the leaders. That "we subscribed for some stock, which was never paid for. Contracts were held in escrow a few weeks; destroyed or cancelled by mutual consent." A. Yes. That gives you the truth just as it was. He was testifying in the near by time. While we were associated with these people and there was mutual confidence, it might have been to an extent like the relations existing between nations who are saying they have adjusted their differences and at the same time go on building ammunition factories and throwing up fortifications along their borders. As a matter of fact, a period of two or three years elapsed before these men from Philadelphia and Pittsburgh came into the Standard Oil Company; though we seemed to be and were indeed in close and friendly relations, each was conducting his own business independently of the other and in sharp competition. To illustrate: we might be in friendly intercourse in a meeting, with confident expectation of a satisfactory and early adjustment of our differences of whatever character, looking to the unification of our business in the Standard Oil Co., of Ohio and yet at the same moment we were each putting out contracts for our respective concerns for the year's business -- the brokers coming and going the while, during these sessions on this business. We believed, but we still kept our powder dry. We were all on the firing line. We were good-natured and all was fair, but we were not hoodwinked by alluring prospects. We preferred to block out the season's work for our individual concerns rather than allow our competitors to take the orders away from us. These competitors were full-grown men, quite capable of taking care of themselves, and no explanations or apologies were necessary on either side for the course which was being pur-

sued for future business.

Q. It is alleged that Peter H. Watson, Gen. Freight Agt. of the Lake Shore R. R. Co., was President of the South Improvement Co. W. G. Warden of Philadelphia held 476 shares; O. F. Waring of Pittsburg, 475; Mr. Rockefeller and four associates in the Standard Oil Co. held 180 shares each --- 900 shares allotted to them out of the 2,000 to go to thirteen subscribers. A. (Mr. Rockefeller made no answer except to remark that Mr. Waring's initials were O. T.)

Q. By January, 1872, it is alleged, contracts with the South Improvement Co. were signed by the Pennsylvania R.R., N. Y. Central and Erie. I quote from Tarbell: "The open rate on crude to New York was put at $2.56. On this price the South Improvement Company was allowed a rebate of $1.06 for its shipments; it was given in cash a like amount on each barrel of crude shipped by parties outside the combination. The open rate from Cleveland to New York was $2., and 50 cents of this was turned over to the South Improvement Co., which at the same time received a rebate enabling it to ship for $1.50. An independent refiner in Cleveland paid 80 cents a barrel to get his crude from the oil regions to his works, and the railroad company sent 40 cents of this money to the South Improvement Co.,; at the same time it cost the Cleveland refiner in the combination but 40 cents to get his crude oil."

A. Let me say just this -- you'll find it in the testimony -- : there was never a shipment made or a rebate or drawback collected under this South Improvement Co. plan. It is too silly. It is on the plane of the story of the negrow who complained to the court that his wife was asking a dollar of him everyday, and the judge asked him what she did with all that money. The negro answered: "I dunno, Jedge. I ain't given her none yit." That is the

style of these Tarbell and Lloyd writings. It is the style that an unscrupulous lawyer could use before a lot of ignorant people, throwing a lot of dust in their eyes and absolutely deceiving them as to the facts. I think I have made it clear to you what our connection with the South Improvement Co. plan was: we were willing to act in accord with the Philadelphia and Pittsburgh men in order to preserve ourselves and the Cleveland refiners and the northern railroad lines; though we never had much expectation of the plan's going through to success. Nothing came of it.

November 12, 1917.

Q. It is alleged that the South Improvement Co. declared that they represented the bulk of the oil refining interests; but they refined only 4,500 barrels out of the 45,000 to 50,000 barrels daily output of the refineries. A. They did represent the bulk. That would be my recollection without any question -- those people and those allied to them. The South Improvement Co. was open if it went into effect. That was the desire of all the railroads; that there would be control of the freight of the product; the railroads knowing that without the control of the product they could not make the divisions of business necessary so as to prevent rate-cutting. In this case, as in so many others, this would be veiled in the histories; but I am sustaining my theory, that it must be already obvious that, unless this control was assured . . . . . I say again; all the refineries were to have the opportunity to come in on equal terms.

Q. It is alleged that the Pennsylvania RR. was to have 45 per cent. of the eastbound shipments, and the Erie and New York Central 27 1/2 per

cent. each. Westbound freight equally divided among the three. Fixed rates: no cutting. A. Yes. Those details I could not give from memory, and it is not of any especial significance what their divisions were, I suppose. I do not see that I should make very much of a thing like that in an important historical work.

Q. It is alleged that the Standard Oil Co., Jan. 1, 1872, increased its capital from $1,000,000. to $2,500,000.; that O. B. Jennings, Benjamin Brewster, Truman P. Handy, Amasa Stone and Stillman Witt were new stockholders, these last three being officers and stockholders in railroads centering in Cleveland. It is alleged that Mr. Rockefeller now went to the owners of twenty-six other refineries and said: "You see, this scheme is bound to work. It means an absolute control by us of the oil business. There is no chance for anyone outside. But we are going to give everybody a chance to come in . -- A. (Interrupting) Right there: I never said anything about there being no chance for anybody outside, nor did I say anything mandatory or that could be construed as mandatory. Nor did I say anything about any of these people entering the South Improvement Co. at all. It is to be remembered that the officers of the Standard Oil Co. did not have faith in the South Improvement Co. scheme, and that we were proceeding with a view to: 1, protect the Cleveland interests as a whole, which were jeopardized by the threatening attitude of the Pennsylvania railroad toward the northern lines to which we looked for our protection in the competition for the oil refining business. The question of whether our competitors at Cleveland would join us was a matter for them to determine, and inasmuch as the business of oil refining at Cleveland had become so unprofitable, the real question was if our competitors there could be admitted on fair terms into the Standard Oil Co. of Ohio. When it was found how much of stock or money would be given in exchange for their plants

MR. R. TELLS
EARLY S. O. HISTORY

we found no difficulty in proceeding rapidly with the negotiations, and nearly all came in, although some who afterward came in and were permanently identified with the Standard Oil Co. preferred to wait and meanwhile proceed in accord with us under some tentative arrangements which brought us a closer acquaintance, which resulted in their joining us in the Standard Oil Co. a little later on. Though it is true that a few of the refiners decided to remain out, and these were among the smallest and least able to compete with us. With these our relations continued, entirely pleasantly, until at length, one by one, of their own volition, they were pleased to embrace the opportunity to join their interests with ours, the result of which in every case was most satisfactory to them.

Q. Tarbell further quotes Mr. Rockefeller as saying to other oil refiners: "You are to turn over your refinery to my appraisers, and I will give you Standard Oil Co. stock or cash, as you prefer, for the value we put upon it. I advise you to take the stock. It will be for your good." Certain refiners objected, but Mr. Rockefeller was firm. It was useless to resist, he told the hesitating; they would certainly be crushed if they did not accept his offer ---." A. (Interrupting) That is absolutely false, and no man was told that by me or by any of our representatives. You may put that down onee and for all: that statement is an absolute lie. And here again I repeat that more than seventy-five, and probably more than eighty per cent. --- certainly a great number --- of the refiners at Cleveland were already crushed by the competition which had been steadily increasing up to this time, and the opportunity to get stock or to receive money as an equivalent for refineries from which they could derive no profit and from the conduct of which they had been steadily losing money, was a godsend to them all.

MR. R. TELLS
EARLY S. O. HISTORY.

Q. (Still quoting Tarbell) "would certainly be crushed if they did not accept his offer, and he pointed out in detail and with gentleness how beneficent the scheme really was -- preventing the Creek refiners from destroying Cleveland, ending competition, keeping up the price of refined oil, and eliminating speculation." A. As to keeping up the price of refined oil, keeping down the price of crude oil, and that sort of thing, it's all nonsense. We weren't talking that to that kind of people. We would have kept that in our minds, had there been any such thought. This last allegation has several features. As to those preceding we have got the flat and unqualified denials. What I did say in these cases last alleged was: "We here are at a disadvantage. Something should be done for our mutual protection. We think this is a good scheme. Think it over. We would be glad to consider it with you if you are so inclined."

What we did was to take in the largest concerns first. I had not spoken with Colonel Payne for a long time, though we were old school-mates. I sent for him to meet me in a bank parlor down-town. He came. I said to him, in substance, I thought we could manage the business better for mutual protection and that of the people of Cleveland, by uniting our interests; that we had already an institution under the laws of the State of Ohio; that we intended to increase our capital and take in those who wanted to come in with us. And he, as representing the concern next to our own and the one best able to meet the competition, promptly answered me, then and there, that he was favorable; that he would consult his partners and let me know as early as possible. This he did in a very few days, and thereafter the matter was left in the hands of our employees competent to judge of the values of the realty and take inventories of the stocks on hand, &c.

MR. R. TELLS
EARLY S. O. HISTORY.

Then you might add: the presumption is that the concerns less strong financially and less favorably equipped for withstanding the competition would be still more ready and willing to unite their interests with the stronger concerns, for the common protection of all. Now, see again: as a proof that these men competing with us in the oil refining business saw the necessity for some united action to secure a common salvation, and that they were skeptical even if such united action would save the business, they were not willing to make contributions of money in addition to their old refineries in return for the stock in the Standard Oil Co. They were only willing to put in their refineries, which had come to be of no practical use to them, as the business for quite a long period had been steadily losing them money, and these refineries could not be utilized for any other business purpose.

November 13, 1917.

Before any questioning Mr. Rockefeller said: "In this history I wouldn't like it to appear that we are writing to make answer. We are writing a historical record without any malice or venom, without any controversy with people with whom we may not agree. I think that the writing may be a condemnation of those who should be condemned, even if it is not directly centred upon them."

Q. Tarbell alleges that Frank Rockefeller corroborated witnesses who testified to this (the nineteen questions preceding this) when "he and others were trying to interest Congress in a law regulating interestate commerce, in 1876." Out of thirty companies in Cleveland, he is alleged to say, only four or five did not sell out. A. (Interrupting) My poor brother! He has had his day. I pulled him up four times out of bankruptcy, and now I am taking

care of --- . That I would not want to have referred to. It is hard enough for his family. After that (1876) we took him back in our employ. He had again squandered his money. He was an erratic man. Just think -- turning against our company so many times! The last time I had any interview with him was about 16 or 17 years ago. And then, even, I walked down the street with him and said: "Frank, I'll always be a brother to you."

Q. Tarbell quotes Frank Rockefeller as testifying . . . "officers of the Standard Oil Co. They made no bones about it at all. They said:'If you don't sell your property to us it will be valueless, because we have advantages with the railroads.' . . . I have heard Rockefeller and Flagler say so." A. Oh, well, that's all covered in my statement yesterday. That is unqualified --- I stated to you yesterday what is an answer to this. You see he had a refinery that he wanted to sell, and it was business for him to go to Washington. Just the same as if the people of this neighborhood, if they thought that I wanted to do something for the good of the neighborhood, would oppose, thinking that I would buy them out. He and the others were up to such schemes all the time till they got their property sold out at the price they wanted -- schemes of blackmail. My statement yesterday was unqualified. My statement would go for more, I think, than my brother Frank's. Poor Frank!

Q. Tarbell alleges that W. H. Doane told a Congressional committee a few months later that the refineries were bought out by the Standard Oil Co.; "the railroads had put up the rates, and it scared them." A. The answer to that is as I told you yesterday, that the contract, the bugbear of the South Improvement Co. that we were not favorable to was the Tom Scott arrangement. I would not like to mention the name of my old partner, Mr. Warden. It never went into effect: never a barrel of oil was shipped. You see, it's

like my old partner coming to me one day at that time and saying: "John, I think they're selling South Improvement Co. short in the oil regions. I think I'll sell my (S.O.CO.) stock." I said, "Maurice, you're not a member of the South Improvement Co. You're a member of the Standard Oil Co. You'd better wait." After luncheon he came back and said he thought he'd sell. I gave him a check. I don't know whether he sold all his stock or not. His excuse was that he wanted to go and buy an elevator -- going into the grain business.

It wasn't so long before there was an investigation at Washington, and the South Improvement Co. was disposed of. We were mighty glad. The Standard Oil Co. was going on splendidly. People were theorizing and running to Tom Scott -- remember what a big man he was then! -- but it was only a year or two until they came to us at Cleveland (Philadelphia and Pittsburgh people) and said, "We want to come in with you." It became apparent to us that the associational idea was a failure. In the association you couldn't fix a penalty; nothing that would prevent them from going off and doing anything which might seem to them more profitable.

Q. Tarbell alleges that Mr. Alexander of Alexander, Scofield & Co., told this same committee (Congressional, 1876): "There was a pressure brought to bear upon my mind, and upon almost all citizens of Cleveland engaged in the oil business, to the effect that unless we went into the South Improvement Co. we were virtually killed as refiners; -- A. (Interrupting) I want to show you the inconsistency of that right here: They didn't -- any of these Cleveland refiners -- go into the South Improvement Co. They were never asked to go into the South Improvement Co. They were asked to go into the Standard

MR. R. TELLS
EARLY S. O. HISTORY

Oil Co. of Ohio. All the members of Alexander's firm cheerfully came into the Standard Oil Company. But he's dead and gone. You're not writing this in a controversial spirit at all. We had nothing to do with him. His partners bought him out. We had no negotiations with him at all. He was an ignorant, conceited Englishman -- we don't want to write that. Though his partners were willing to come in and bring his share and take stock for it, they had the same trouble with him that we would have had under the circumstances. He was impossible. So much so that they neither had him at any interview with us nor suggest that he have any interview with us. But they did buy him out and bring it to us and got stock for it.

Q. (Continuing the alleged quotation); that if we did not sell out we should be crushed out . . . We sold at a sacrifice, and we were obliged to. There was only one buyer in the market, and we had to sell at their terms or be crushed out, as it was represented to us. A. (Interrupting) Do you think it possible, from what you guess about me and what you see about me, that I would have been so foolish as to start out with such a prophecy to men with whom I expected to start in business, thus incurring their ill-will, their hatred, at the inception of the business? Talks like this, emanating from individuals, were made when in after years they saw that they had made a great mistake in not coming into the Standard Oil Co. and in seeking to justify themselves they bring forth all these allegations. Mr. Bowler married the grand-daughter of Mr. Scofield -- the daughter of my brother Frank -- and how quick he was to tell me the family had often talked it over, what a mistake the father had made, after coming into the company to sell out, go out of the business in violation of his covenants with the Standard Oil Co. Remember always that people viewing the history from today are in a very different

position from those who viewed it as an untried, unproven adventure, without a precedent, undertaken by young men. I would emphasize the word "young".

Q. (Continuing to quote Alexander) It was stated that they had contracts with the railroads by which they could run us into the ground if they pleased. After learning what the arrangements were, I felt as if, rather than fight such a monopoly, I would withdraw from the business, even at a sacrifice, A. One moment. One of his partners was Isaac L. Hewitt, my old first employer, of Hewitt & Tuttle. He was one of the men who took stock in the Standard Oil Co. I had a personal conversation with Mr. Hewitt, and he said to me: "Yes, John; I want to go in with you, but I can't because we have lost money, and my interest in the business I can't get stock for because I am indebted to the firm on account of the losses we have sustained." To which I said, "Mr. Hewitt, I will loan you and enable you to take the interest. To whom he cheerfully and gratefully and most promptly responded: "I will be glad to take it, and I thank you, John." There is a chapter I could give you later. I don't know whether it should go into the history. It was not long however -- he was a much older man than I -- it was not long before he became fearful that the Standard Oil Co. could not succeed; consequently he sold his stock. Many years afterward I had a telegram from his daughter in California, asking if she could make an engagement to see me on business in New York City at the residence of the daughter of Jeremiah Millbank, her cousin, Mrs. Lizzie Anderson, at which time she said to me that her family had always been opposed to the course that the father had pursued in selling out his stock, and that she had heard that I was now engaged in bringing together the ore properties of the Lake Superior region in the same way in which the oil refining properties had

been brought together, and she did not want to make the mistake of failing to have her iron ore properties brought in with the rest. Had her father retained his interest (in the S. O. Co.) as I besought him to do, it would have been worth several hundreds of thousands of dollars($1,600,000.)

This ended the session for the day. Mr. Rockefeller continued to think of the situation, and as he walked up the stairs toward his apartments he said:

"I think I have made it pretty clear to you as we have taken up these statements. At this period at least 75 or 80 per cent. of the oil refiners of Cleveland were losing money, when we offered to take them in. You can see just what this Alexander testimony is worth when I tell you that Mr. Hewitt of that firm could do nothing with his $20,000. interest until I lent him money to help him buy into the Standard Oil Co. Alexander, Scofield & Co. had been losing money. They were about at the end when they came in with us. But there was no compulsion no pressure, no 'crushing'. How could our company succeed if its members had been forced to join it and were working under the lash? And another proof that there was no 'crushing' is that among those refining companies that did not join the Standard Oil Co. were several of the smallest in Cleveland. I think these facts make clear the logic of the situation.

"As to the South Improvement Co., we did not organize it, did not think from the beginning that there was much promise in it. It was a Tom Scott scheme. We acceded to it because he and the Philadelphia and Pittsburgh men, we hoped, would be helpful to us ultimately. We were willing to go with them as far as the plan could be used; so that when it failed we would be in a position to say, 'Now, try our plan.' Thus we would be in a much better position to get their co-operation than if we had said No from the first.

MR. R. TELLS
EARLY S. O. HISTORY

"And when the South Improvement Co. had failed we went ahead with our organization, which we had never lost faith in, and it was successful. The same plan has been used since by the Steel Company, the copper companies and other corporations, though they have been more elaborate. We have been always very conservative.

"I think you have seen enough of me to know that 'crushing' or compulsion is no part of my scheme of organization. In all the history of the world men have never made a success of a concern into which they were forced or driven. You cannot have winning co-operation except by willing partners. Time and again we have had some of the smaller refiners come in and see us in New York -- Mr. Archbold and I. We have said to these men: 'Now, let us look at the facts together. We think it is to your interest and ours to work together. The case is thus. Don't be in a hurry. Think it over. Take your time.' I have seen these men with the tears running down their faces; have heard them answer: 'Why, Mr. Rockefeller, I never thought you were such a man as this!'

"During all this time of outcry against us I determined it was useless to waste energy in denials and disputes with jealous or disappointed people. I persuaded our partners to keep silent, too. The more we progressed, yet kept on gaining success and keeping silent, the more we were abused. Mr. Flagler said to me, 'Why, John, you must have a hide like a rhinoceros!' We all said nothing and went on sawing wood. These envious people, who had had the same opportunities we had but failed to profit by them, were most abusive. Alexander was one of those who first bid for the business of Clark & Rockefeller when it was put up. He couldn't bear to think that I -- a mere boy -- had made a success where he had failed.

"But let us in the history tell the truth simply. It will refute all these

libels. But let us avoid anything controversial. We don't want to start another set of Tarbells and such people with their slanders."

November 17, 1917.

Q. (Continuing the alleged testimony of Mr. Alexander): "I think we received about 40 or 45 cents on the dollar on the valuation which we placed upon our refinery. We had spent over $50,000. on our works during the past year, which was nearly all that we received. We had paid out $60,000. or $70,000. before that; we considered our works at their cash value worth 75 per cent. of their cost. According to our valuation, our establishment was worth $150,000. and we sold it for about $65,000. which was about 45 per cent. of its value. I am stating what my partner told me." A. I don't know anything about that at all. His partners bought him out. I didn't buy him out at all. I didn't have anything to do with him. Anything he did was with his own partners. I don't know what trade he made. You remember what I told his partner about the advisability of coming in. Gold has value. Banknotes have value, under certain circumstances. Bank deposits have value. Land has value; ships have value -- according to the demand for each. If there isn't work for an oil refinery to do, it has less value than ships or railroad property, which can be used on other lines. An oil refinery can be used only for the purpose of refining oil; and when the capacity of the oil refineries was several times as much as the oil produced occurs, and when the competition in oil refining had resulted in a loss, then oil refineries, in the nature of the case were of little or no value. The price paid for the oil refinery of Alexander, Scofield & Co. was satisfactory to the gentlemen with whom we negotiated --- the other members of the firm we had nothing whatever to do with. We had nothing

MR. R. TELLS
EARLY S. O. HISTORY

whatever to do with Mr. Alexander, who gave the testimony. He sold his interest to his own partners. He was undoubtedly glad to sell at the price he obtained, in common with many others who were discouraged at the outlook of the business.

It is to be remembered that the fact that this firm, in common with others, were willing to sell their plants and to take representation in the stock of the Standard Oil Co. for the same: they were not willing to increase this representation on a cash basis by contributing in addition to their plant, cash. This, however, may have been accounted for: 1, by the fact that, owing to the losses in the business, their cash resources were exhausted; or, 2, that while they were willing and made investment of that which they could not otherwise convert into cash, they were not willing to make a fresh contribution of hard cash. But when this is written it is to be put down not in a controversial way at all. It is to be put down just as a record of history as it was, without trying to raise John Alexander from the dead or to stir the venom of Tarbell; it is to be put down as I would put it down in response to the questions of historians who were on their honor to make the correct record.

Q. What was Mr. Alexander's motive to testify as he did? A. He was a disgruntled Englishman -- very jealous of John Rockefeller, if you please, a young upstart of a clerk starting into the business, who didn't even know how to refine oil.

Q. It is alleged that Mr. Hewitt, the partner (Isaac L. Hewitt), testified before an investigating committee of the N. Y. State Senate in 1879, that "the entire oil trade in Cleveland became paralyzed when it became known that the South Improvement Co. had 'grappled the entire transportation of oil

from the West to the seaboard.'" A. I cannot make any answer to that. I have not the least recollection of making -- it is not like me to make use of any such expression as that. I was very cautious. I was, too, a great believer in this concerted effort, so great a believer that at times I was the only buyer of Standard Oil stock, of all the persons interested. There were periods of weeks or longer in which there were not persons to be found with confidence in the ultimate success to make them willing to buy the stock. Even my old original associates sold me their stock at par from time to time to the extent in the aggregate of large quantities.

As to Mr. Hewitt's statement which you quoted, "the entire oil refining trade in Cleveland became paralyzed" long before the South Improvement Co. was heard about.

Q. (Continuing Hewitt testimony): Peter H. Watson of the Lake Shore R.R. and President of the South Improvement Co., told him: "You'd better sell out. Better get clear. No help for it." A. As to any statement of Peter H. Watson, I know nothing. Peter H. Watson had nothing whatever to do with the buying of refineries, either before or after this period. He was one of the representatives of the Tom Scott idea in working out a freight scheme which would serve the interests of Commodore Vanderbilt, who was an intimate friend of his and had aided him in connection with some local railway construction schemes in the west. This is simply explanatory. We may repeat here again that Alexander, Scofield & Co. did not sell to the South Improvement Co., nor have any negotiations whatever with the South Improvement Co. to sell their refining interest. They united with their neighbors and competitors at Cleveland primarily for the protection of Cleveland refining interests as against the strong competitive railroad competition of the Pennsylvania

RR. Co., with the protection it afforded to the competing refineries at Pittsburgh, Philadelphia, New York and the oil regions.

Q. Mr. Hewitt testified that Mr. Rockefeller urged him to take stock in the new concern: "He told me that it would be sufficient to take care of my family for all time, what I represented there, and asking for a reason, he made this expression, I remember: 'I have ways of making money that you know nothing of.' "

A. I do not remember that last phrase. Mr. Hewitt was of the type that we could not find a position for in our concern. He had been in various enterprises. They had proven unsatisfactory. He was always in litigation. He went to Buffalo and ran a blast furnace for George Tifft, and that was a failure. I was his boy and I was faithful to that relation; but now I had grown to be a man and was taking my place as a man. Mr. Hewitt had been in various enterprises. He was in a bank that failed. He was an unsatisfactory sort of man. When I got my first job, working for his firm, they were bankrupt. He was always in litigation. He was groping around, one way or another. He was with the disgruntled ones. He had sold his stock in the Standard Oil Co., even after I had lent him the money, as you remember, to buy it. He had no faith in it. When I first spoke to him about it, he said: 'John, it can't be done. We've tried it on the Lake shipping. They won't hold together. You'll find it is a rope of sand.' At the time he testified he had gone into a rival firm, Lombard & Co. He was not getting the profits.

We had an idea which was all controlling: that if the refiners would go hand in hand and tie themselves up to each other so that there could be no slipping out or bad faith, as in the case of the Associations or any other loose arrangements of that type, we could protect and save the business and make it remunerative. But while that was true and we showed our confidence in it by paying cash where we could not make purchases with the stock of the Standard Oil Co., yet there were those of our own numbers who did not share this confidence to an extent sufficient

to hold all their own stock. There was my own brother, William -- this is by no means to go in the History. He got rid of some of his stock. He was building his house in New York. The reason, as it presented itself to his mind, was that he was building a house and he did not want to be in debt. I urged him to hold fast. He took time and thought it over. He sold me a part of his stock. I gave him my check for $50,000. I had faith in it. It was a task, though, to hold all our members up to faith in our sure success. We look at it today from a very different point of view from those who looked at the experiment forty-seven years ago.

Nov. 19, 1917.

Q. It is alleged that Robert Hanna, an uncle of Mark Hanna, in Feb. 1872, said to Mr. Rockefeller, that he did not want to sell, and that Mr. Rockefeller replied: "You can never make any more money, in my judgment --" A. (Interrupting) Right there -- I absolutely deny that. It's false.

Q. (Continuing to quote Mr. Hanna): (quoting Mr. Rockefeller): "You can't compete with the Standard. We have all the large refineries now. If you refuse to sell, it will end in your being crushed." A. I absolutely deny that. It is absolutely false. I'll tell you what we did with Robert Hanna's firm: we told them they could take stock or cash -- "and we'll give you three months to determine and convert from the one to the other -- three months' option." His nephew, Melville Hanna, and Melville's brother-in-law, Chapin, of Hanna, Chapin & Co., declined to come in. Now see: we were all friendly. We asked, "Would you care to make some other arrangment?" They said, "Yes" We made another arrangement which lasted a year or two, and then they came in. It was the foundation of the Hanna fortune. Is it likely that I would talk that way to Robert H anna, a much older man than Melville Hanna, when Melville Hanna felt perfectly free to say: "No; we won't go in," implying that he had not been "crushed" by any such statement?

MR. R. TELLS
EARLY S. O. HISTORY

Further: Robert Hanna had several partners who were friends of mine. On the occasion of the negotiation, which was pleasant, I made a present to one of the partners, George Baslington by name, of a little cane I had in my office, which he kept for years; and our relations were entirely pleasant.

Possibly ten or fifteen years after this negotiation Mr.Baslington came to me in a railway train from New York to Cleveland and said: "Mr. Rockefeller, I desire to say something to you. Us boys all wanted to take stock. Old Robert Hanna wouldn't let us. We made a great mistake, which we much regret. It wasn't our fault. I want to express my high appreciation of what you did and how you did it."

Still further: Within a very few years of this present time (1917), a gentleman who had an interest in that firm came to me at Augusta, Georgia, and desired a brief interview. This gentleman for many years had occupied a high position in the Pennsylvania RR. Co. He said: "I came to thank you for the opportunity which was afforded me, with many others, to embrace an opportunity which would have been greatly to my advantage. I feel it to be due to you that I should make this statement." He went on with other words, which were most gratifying to me with respect to this affair.

Another member of the Hanna-Baslington firm, by name Charles Tucker, did as the other young men did, at the beck of Robert Hanna, and in after years much regretted their course. Charley Tucker is a man of about my own age. He calls upon me when I am at Forest Hills, and our relations have always been entirely friendly.

William H. Stewart, another member of this firm, who was a representative of the Pennsylvania RR. at this time, came with some 300 other gentlemen to make a call upon me at Forest Hills and pay their respects and give assurances of their confidence and esteem and regard some ten or twelve years ago on the occasion of the "tainted

money" outcry.

Robert Hanna afterward administered the estate of his brother, Doctor Hanna, and, I was informed by Melville Hanna, nearly ruined the family fortune by his maladministration. This is not for the book, but he has driven me into revealing some of the color here.

Q. It is alleged that members of Hanna, Baslington & Co. went to President Watson and General Devereux, who convinced them that, because their shipments were so much smaller, they could not get such rates as the Standard Oil Co. had. They sold. Tarbell says: "It must have been reluctantly, for they paid $75,000 for their works, and had made 30 per cent a year on an average on their investment, and the Standard appraiser allowed them $45,000." A. I suppose in regard to that, that would mean that the Standard Oil Co. especially with their increased business and facilities, would be entitled on their large and regular shipments to receive rates of freight commensurate with their contribution to the interest of the transporter. That was a full justification on the rate problem, as the business was being conducted, and not a crime to receive or a crime to give.

Disgruntled men like Robert Hanna go afterward and say a lot of things. I have no doubt at all their firm had been losing money.

There was Mr. Tucker, of whom I spoke to you. He took cash for his business. He never complained; he is friendly to this day.

You will remember that in those days there was much doubt as to the ultimate success of the Standard Oil Co. They called it for a long time a "rope of sand." I can see, too, that a lot of these people may have confused the South Improvement Co. with the Standard Oil Co.. It is to be remembered that any contracts that were to be carried out by the South Improvement Co. had no relation whatever to contracts which the Standard Oil Co. made afterward. These were contracts negotiated from time to time on the basis of considering the mutuality of the interest of the refiner and

the transporter. But a good attempt was made repeatedly at different times to make the Standard Oil Co. and the South Improvement Co. appear as one and the same thing.

Every benefit that the Standard Oil Co. could have and of which these men were complaining would accrue to them as soon as they accepted the stock of the Standard Oil Co. in exchange for <u>their old junk.</u> In view of this and of the good reputation the administrators of the Standard Oil Co. had enjoyed as business men, isn't it surprising that these men who had been losing money, or any of them, should complain of being offered the benefit of coming in and having the benefit of all these advantages which they allege were ours to their exclusion?

It is to be remembered here that the railroads competing with the Pennsylvania were encouraged to make close alliances with the Standard Oil Co. as a means of strengthening their position, as she grew and increased her business, as a means of enabling them to meet the competition of the Pennsylvania, the thing they most dreaded.

In turn, when the Pennsylvania found that it was not the desire of the Standard Oil Co. to have any of the roads do their business without receiving fair and remunerative rates, and as their suspicions and jealousies were dispelled by the honorable and fair dealings of the Standard Oil Co. and the marked ability which they were constantly showing in carrying out large business schemes, they were more ready to consider with the other railroads ways and means of adjusting their competitive business, which included the services of the Standard Oil Co., which proved itself able to do for them what they were unable to do for themselves -- to enable them to carry out an apportionment of business to each line in accordance with their agreements.

In the first place we naturally worked with these other roads, and as they came in they had a two-fold interest: 1, They desired to get the traffic; and

2, It helped them to adjust with their great competitor, Tom Scott.

Q. Then you were -- the Standard Oil Co. were -- eveners in adjusting traffic and rates? A. Yes; we were eveners.

Mr. Rockefeller looked in the fire awhile, then began to recall more about Robert Hanna.

"Mr. Hanna was a heavy, solid, slow man," Mr. Rockefeller said. "He made me -- I can't give the date -- a director in his bank. I was a stockholder. I attended one meeting. I found him and two or three other conservative old men spending the whole of that particular session discussing the question of a bank lock, a lock for a big safe in the bank. I never attended another meeting. I had not time. I had real things to do. I learned afterward that I had been kicked out . . . . I had a great attorney once representing me in a trivial case, a litigation, a case involving only a small amount. I said: "Judge Ramney, can you settle this thing and get it out of the way? I can't be puttering around with this." He settled the case. It was very unjust.

Nov. 22, 1917.
(A trip to Lakewood interrupted the questions during two days.)

Q. Tarbell quotes an affidavit made by George O. Baslington, a partner in Hanna, Baslington & Co., in the case of the Standard Oil Co., vs. Wm. C. Scofield et al., Court of Common Pleas, Cuyahoga Co., Ohio, Nov. 1, 1880, as follows: "At the interviews he had with Mr. Rockefeller, Mr. Rockefeller told him that the Standard Oil Co. already had control of all the large refineries in the city of Cleveland, and there was no use for them to undertake to compete against the Standard Oil Co., for it would only ultimate in their being wiped out, or language to that effect." A. I don't see how Baslington could have done that, for he's the man I told you about the other day who came to me in the cars coming from New York to Cleveland (apologizing and regretting that he had not gone into the Standard Oil Co.). And I

did not tell Mr. Baslington anything of that kind at all. You see, I refer now to several cases like those of Melville Hanna, Doane, and the Rev. Mr. Mix, and several other small refiners who did not come in at that time. Some of them came in later, but they were never forced. I never talked to anybody that way. That's the answer to that. It is fair, perhaps, to say that, taking what Peter H. Watson or General Devereux or some other railroad man may have said who was desirous of coralling all the oil business, they may have assumed that we were in with the railroads, and assumed that we said it, whether we did or not. That's the only thing I can think of in the case of Baslington.

It was in the air, the same as it was in the air when my old partner, M. B. Clark, came to me and said: "They're selling South Improvement Co. short. I guess I'll let you have my stock short." I said: "It isn't South Improvement Co. you're in, Maurice: it's Standard Oil of Ohio."

Returning to Baslington's affidavit: It was in the air. I didn't say anything of the kind to any of these men. They couldn't compete with us before these negotiations were begun. They had not the capital nor the methods of economy nor the resources that we had. I believe the Standard Oil Co. was the only company in Cleveland that made any money that year. I know Alexander, Scofield & Co. were losing, for I had to lend Mr. Hewitt $20,000 that he owed on his stock in that concern to enable him to take that much stock in Standard Oil when they came in. Colonel Payne, without consulting his partners, said, "That strikes me favorably" when I made the proposition to bring them in with us. Clark, Payne & Co. hadn't been making any money that year, nor Alexander, Scofield & Co. in that period. I'm sure Hanna, Baslington & Co. couldn't have competed when those firms couldn't.

But you see, as between two men, one of whom had taken this stock and done well and the other who had failed to take it and saw how well he might have done -- you see this testimony of his, ten years later, when he was kicking himself all the

time: he didn't get any happier: it was the mistake of his life: decided his future, to an extent. He testified ten years later. I think I have hitherto said to you that our advantages were many in the conduct of the business, on account of our capital and ability to take advantage of situations; and while the public were talking about freight rates, etc., we were well content to let them throw dust and talk about this; we were well content to reap our advantages. They weren't "on to" us. In fact, we soon did our own transporting in pipe lines. They were producing too much oil: would have to let it run on the ground. They had no capital to build tanks. We built tanks and stored the oil. While this (the excited talk) was going on we were making advancement in several directions. With our large business we always had the advantage over small business. It was nothing new. I have no idea that the Baslington firm could have competed with us anyway, you understand.

Melville Hanna and George Chapin did not come in. They heard no such talk from me: they were friendly all the time. My brother Frank and his partner did not come in at that time; came in later. I don't know who got him to testify as he did -- bull in a china shop! I see no use in referring to any of this in the history. It was more than forty years ago. We were better able to make a success in every way than they were. We had taken steps of progress that these men could not take. They had not the means to build pipe lines, bulk ships, tank wagons; they couldn't have their agents all over the country; couldn't manufacture their own acid, bungs, wicks, lamps, do their own cooperage -- so many other things: it ramified indefinitely. They couldn't have their purchasing agents as we did, taking advantage of large buying -- the same as any firm today with large capital and good organization is able to take advantage of large opportunities.

Q. In the same case, S. O. Co. vs. Wm. C. Scofield et al., Court of Common Pleas, Cuyahoga Co., Ohio, Tarbell quotes the affidavit of partner George O. Baslington Nov. 12, 1880, as follows: "In the sale of the works to the Standard Oil Co. we were

given the option to take cash or to take stock in the Standard Oil Co. at par. We decided to and did take cash, and one reason that influenced us to take cash was that we were fearful that refining oil in Cleveland might not be successful, and, if so, the cash was better than the stock, and affiant wanted the cash to enable him to embark in other pursuits." A. There! He throws away the whole case. Now you see why he came to me on the train years afterward and said he was not to blame for not staying in, and said the blame lay upon old Mr. Hanna.

Q. But why didn't he come out like a man and say that he had made a false affidavit against you? A. Oh, I don't know. It was ten years later. Maybe that was his way of making a retraction. But if you could see conditions as they were in those days! Those people were sick of the oil refining business. It was not a good business to be in -- then. I have thought out the matter in my mind often in the middle of the night (at that period) in this way: "You've got a fair fortune. You have a good property -- now. But suppose the oil fields give out!" (You know many wells gave out, and there were many who predicted that the whole yield would give out, run dry everywhere and leave us in the air.) I would say to myself in bed: "J. H. Wade and his son Randall Wade, W. J. Gordon, and other moneyed men won't listen to you about putting in capital. They listen to you politely, but won't put in a dollar in good cash to help you run your old junk!"

There was another man, a prominent attorney for the Pennsylvania RR., and he came to me six years ago at Atlanta, Ga., and spoke in such high appreciation of the liberal way we treated with his firm and how asinine it was of old Robert Hanna to decline to take stock!

But, you've got here, all the way along, to deal with blind prejudice. They were a lot of narrow and prejudiced men. Scofield I have told you about. We knew him so well that we wouldn't deal with him at all, but settled with his partners after they had bought him out. And there was old Hewitt, who could not stand to see

his clerk come up in this way. And then he was litigious all his life; and then he wasn't straight, always trying to play something. The men who played straight with us came out all right. Some of these men were jealous to have us lead in the new undertaking -- the young fellow who bid against Scofield and the others when our first firms was auctioned off.

Q. Tarbell says: "Under the combined threat and persuasion of the Standard, armed with the South Improvement Co. scheme, almost the entire independent oil interest of Cleveland collapsed in three months' time. Of the 26 refineries, at least 21 sold out." A. They didn't collapse. They had collapsed before. That's the reason they were so glad to combine their interest if they so wished it. If they preferred, however, like Baslington, Stanley, or Maurice Clark (who wanted to buy a grain elevator), to go into other business, they took the money. You remember Stanley, who said to me, "Maister Rockefeller, if the good Lord will forgive me this time I'll never go into it again!" Clark had two tries at refining. He was in Clark, Schurmer & Co. Henry Lewis, afterward our purchasing agent for thirty years, was in that firm.

It <u>had</u> collapsed! It was mighty glad to get somebody to come and find a way out. <u>We</u> were taking all the risks, putting up our good money. They were putting in their old junk. See, now. We, who had done better than any of the others and who had many advantages owing to our greater volume, were taking the risks. What risk were they running, the small refiners who came in? Wasn't it a godsend to them? What would you or I have done? Would not we have been glad to go into a concern, certainly of just as good administrators as ourselves and said to have certain advantages, they taking all the risk; while all we did was to put in our unsuccessful old refineries? Some of these were on leased land. The Standard Oil Co. was an angel of mercy, reaching down from the sky and saying: "Get into the ark. Put in your old Junk. We'll take all the risks. What risk do you run?" But I never talked

in that way. It never has been my habit at all.

Q. Tarbell says: "From a capacity of probably not over 1,500 barrels of crude a day, the S. O. Co. rose in three months' time to one of 10,000 barrels. The Standard had a greater capacity than the entire Oil Creek regions, greater than the combined New York refiners. The transation by which it acquired this power was so stealthy that not even the best informed newspaper men of Cleveland knew what went on. It had all been accomplished in accordance with one of Mr. Rockefeller's chief business principles -- "Silence is golden." A. I have no recollection that we jumped from 1,500 to 10,000 barrels a day; but I have a strong impression that during much of this period the entire production of oil did not run to 10,000 barrels a day. But the records will show as to that.

Q. I quote from the Oil City Derrick's Handbook of Petroleum (Oil City,Pa. 1898): The Petroleum Centre RECORD, Feb. 20, 1872, says: "The rumored scheme of a gigantic combination among certain refiners and the New York Central, Erie, Pennsylvania Central, Lake Shore & Michigan Southern and Oil Creek railroads to control the purchase and shipment of crude and refined oil from this region has been the subject of much conversation and speculation among producers and oil men in general today. The prevailing opinion seems to be that should any such scheme of robbery and swindling be attempted, the result would be the establishment of half a dozen pipe lines and the completion of the half-built railways, despite the opposition of monopolies,within the next thirty or sixty days." A. You see, these wild mining men talked as wildly as that. Think of that! All these pipe lines and all these railways within so few days! Mr. Archbold was one of our opponents then; made all the speeches -- or many of them. The oil region was a mining camp. Just as the teamsters, who used to get $2 or $3 a barrel to haul oil up to Titusville, made a great deal of noise and smashed the pipe lines, and said they were innocent men, ruined by the pipe lines, now these men were talking. This writing (the RECORD) represents

the talk, the excited imagination of these people.

Take a case like Dr. Egbert, whom you have seen: he had a million before I had any. How could I have so much now if I had got it honestly? These men were the same. They thought no one should make any money but the oil producers. We had a lot of experience with these Association meetings. They were unreliable. There was no depending on their promises.

Refining oil was a legitimate business. Transporting oil was a legitimate business, and many other collateral lines were legitimate businesses, out of each of which we got a profit. At each step we antagonized somebody. For example, when we began to distribute oil with our tank wagons, the wholesale grocers, who had been making a profit out of oil, were out against us, and so were the newspapers and the politicians. We spent millions and millions of dollars, building tanks all over the country for storing the oil and getting horses, wagons and stables. We spent money all over this country and the world. My, what a history! We kept at it. But we had men among us who were dead against these expenditures: thought we were going clear daft. I remember my brother's minister, old Dr. Armitage in New York, came to me and tried to make me see how foolish it was to go on spending money in this new and hazardous business!

What kind of a woman must Tarbell be, printing the bad part of Baslington's affidavit first, and then -- we won't go into that. What did old Joe Stanley say? "Maister Rockefeller, if the Lord'll forgive me this time"-- and he had more enterprise than the whole Hanna-Baslington firm. If we had failed, how the whole crowd would have laughed and said, "I told you so!"

Then the violations we had: after making agreements with us they went into the business again. My old partner, Andrews, was one. Mr. Scofield was a partner of Mr. Teagle, whose son has now been elected President of the Standard Oil Co. of New Jersey.

MR. R. TELLS
EARLY S. O. HISTORY

Q. The DERRICK notes, Feb. 21, 1872, that there is a widespread feeling in the oil region against the consummation of the proposed deal between the South Improvement Co. and the railroads in the matter of controlling the shipments from the region, and predicts that "a torpedo is filling for the Scheme." It also says that with 65-cent freight on oil, as proposed by the South Improvement Co., oil will be so heavy that few trains can get out of the region with it. A. We recognized that opposition to the South Improvement Co. and that there was a great outcry. But we also recognized the fact that it never went into operation. And While they were making noise about it we went ahead and got our properties together and did business at the old stand. Not knowing our interpretation of it, the public confused the two. We never had any freight arrangement such as the South Improvement Co. proposed. We went on and made the best freight arrangements we could. I think it's a very easy thing, if reference has to be made to that, very easy to treat it simply: simply the repetition of the *testimony of our people and the simple facts in the case.

(*Mr. Flagler's testimony, among others, General Devereaux. I don't think I testified, or Mr. Watson. I think Mr. Warden testified. I think he went over to Washington at the time that the question was agitated; 1872.)

Q. The Petroleum Centre RECORD, March 2, 1872, says: "At a meeting of refiners held in Titusville, A. P..Bennett, who had been on a mission to Cleveland to interview the promoters of the South Improvement Co., reported that the leaders of the combine offered to him to buy all the refineries of the region, that is, the big ones, saying the little ones could be crushed out. He was told that all who would not join the ring would be ruined. A. You see, he was talking in the language of those excited people and with his prejudices against us. I don't know what became of Bennett. I think Mr. Archbold bought him into his company. I think Bennett did not act in good faith with us: like old cooper Anderson, who sold us

out and said he thought "it would be a fair commercial transaction." Bennett was like others, who wanted to come in but made as loud a noise as they could in order to make as good a deal as they could.

Q. Bennett continued: He also learned that the oil region was to be divided into two districts, as follows: Petroleum Centre being the dividing line; the Northern district includes all north of the east and west line drawn through the Centre; the Southern districts is south of the same line. Rockefeller & Payne are to have charge of the North district, and Lockhart & Frew will run the South district. A. I don't remember anything about that. They had not got far enough for that, I think. As a matter of fact, we did not proceed with those men to any extent. We bought out the Archbold concern some years afterward. Mr. Archbold is gone. He would know. The others who knew are gone. I think these people were bought in by the Acme Oil Co. In buying out Captain J. J. Vandergrift we bid against William H. Vanderbilt. He predicted at the time: "That Rockefeller! He will become the richest man in the country!"

Nov. 24, 1917.

At the breakfast table Mr. Rockefeller said:

"Did you know that during all those years of persecution of Henry Ward Beecher his worst enemy was his wife? This I was told within a few years by a gentleman who knew all at the time. It was she who wrote the letters supposed to have been written by some one else, which started all the trouble. He knew it all the time; knew that her insane jealousy was at the bottom of the whole outrageous persecution; but he never said a word about it to anyone; defended her to the last, kept her secret. Was there ever a finer, more devoted courage than his?

"The crowd joined in persecuting him. The crowd is always ready to help tear down a successful man -- the most successful singer, or speaker, or lawmaker, the most successful in any endeavor.

MR. R. TELLS
EARLY S. O. HISTORY

"The attack on the Standard Oil Co. began with the newspapers publishing rumors about the South Improvement Co. It was stated that they had joined with the Standard Oil Co. -- in a secret agreement with the Standard Oil Co. -- which would crush all the small men, producers and refiners alike. It made no difference that nothing, that no act, was ever done under that plan. The air was full of rumors. The oil region was afire with all sorts of wild stories. There were meetings of protest, of bitter denunciation. The people of the oil region seemed to think that they owned everything about the oil business; that they produced it, pumped oil from the ground, and therefore must control it all the way to the consumer, and that anyone else who tried to handle it without their sanction was an interloper, an outlaw, an enemy to society. They had big meetings, processions with torches, no end of fiery talk and resolutions. John D. Archbold, who afterward came in with us, was one of the wildest and most savage speakers. Poor John! He's gone now, or he could tell you. But in a few years he and his associates came in with us, including several smaller refiners whom they had taken over into their company.

"We went calmly on about our business, adding to our strength by taking in new members, eliminating that much competition and increasing the size of our turn-over without adding to the overhead cost. We showed by our acts that we were not crushing anybody or running over anybody. We did not try to do all the refining at Cleveland, which was one of the things we were accused of contemplating, but we agreed with the continuance of refining at Boston, Philadelphia, Pittsburgh, at Marietta, Ohio. Perhaps in some cases this was not altogether reconcilable with the utmost economy of production; yet we felt that consideration was due to local conditions, not only to the actual economy in refining oil but to the many homes that had been established near various refineries, the families who had become attached to the various communities.

"Perhaps we were in these cases acting as we did in after years toward certain

colleges, which were not absorbed into better, more efficient institutions, though at first sight it would seem that their chief reason for existence was that some rich man, just before lying down to die, had said: 'Lo! I will now establish a college.' But where such colleges had grown into the life of a community, had become a worthy part of the lives of the people, we did not seek to have them absorbed in abler institutions that served the same district.

"The point is, that after awhile, when the people, or, at least, the intelligent, saw that we were not crushing or oppressing anybody, began to listen to our suggestion for a pleasant meeting at which we could quietly talk over conditions and show them the advantage of entering our organization. One after another they joined us. And how many times, how very many times men would say: 'Why, I did not know you were like this, ready to talk things over in a neighborly way.' They seemed to think we would show horns and hoofs and roar at them. Yes, Tarbell says truly that during this process of building up our organization 'even the best newspaper men of Cleveland did not know what was going on.' It is all too true! But I wonder what General of the Allies ever sends out a brass band in advance with criers to notify the enemy that on a certain day he will begin an attack? Do not the papers say that the success of General Byng's drive at Cambrai the other day was largely due to the fact that he jumped his forces out of the trenches and charged the Germans without giving them the usual notice of three days' artillery fire?

"We did not advertise our plans to anybody, but went ahead earning success, even though our silence encouraged the wildest romancers to spread wild tales about us. And a fact for which I am profoundly grateful is that all this abuse that has been heaped on us has left no trace of bitterness, so far as I am concerned. I have not been soured by the experience -- though there have been times when it was hard to bear."

After breakfast Mr. Rockefeller resumed answering questions at the point where Bennett left off -- page 44 of this record.

MR. R. TELLS
EARLY S. O. HISTORY

First he said:

"Soon after this snowball got rolling I did not personally follow up many of these steps. I delegated to others the detail work. I ceased to make negotiations as to refineries coming in, leaving it to Mr. Warden, Mr. Archbold, Mr. MacGregor, Mr. Barstow and others in the different localities; though I still had knowledge. I think you may put a side note: it was very interesting and to us a gratifying thing that the men who had been our most bitter opponents, when they came to understand from us and not from rumors which filled the air about our purposes and plans, were among the most loyal and enthusiastic supporters of the cause. Among these men, too, were those who were interested not alone in the refining business but as producers of the oil, the owners of the pipe lines and the tank lines. And these men did much to allay, to correct the false sentiment existing in the minds of the general public adverse to this Standard Oil combination. However, it is to be remembered that as this combination had as one of its corner-stones to which it looked for success the economies of producing, refining, merchandising and what not, it interfered with many in each of these departments of competitive work who were in fact depending for their success upon the use of old and superannuated methods. As I have previously remarked, for example, the middlemen generally, who had been accustomed to good profits, were opposed to us and joined the general hue and cry against us because we went direct to the consumer. So the barrel-makers, the sulphuric acid manufacturers, the wick-makers, the pump-makers, the boiler-makers and many others were opposed to us because we supplied ourselves and our customers for the profit, and oft-times for the good profit, we could secure in producing these things which we were requiring in our business and which we could produce at lower and lower costs as we increased our consumption of the same. We bought, not for one refinery, but for many; we had a purchasing agency, we did what the Government is doing, bought on a huge scale. And many of those who at first complained of the lower prices they were obliged to make to

secure our larger orders, found that, by practising the same economies which they saw us making use of, they were enabled on this larger volume to get better results than with the smaller and scattered business, with the uncertain payments for work done; on the same principle that the railroads that secured from us the large, steady business, found much greater profits in them than in the irregular, uncertain shipments which they had formerly had from many small shippers."

(Q. Inasmuch as the Standard Oil Co. had so many advantages, in its greater capital, better management, greater facilities, greater volume of business, better freight rates, etc., what was its motive in offering to take in the unsuccessful firms competing with it? A. The Standard Oil Co. had already seen the great advantage and the increasing advantage which it had enjoyed in the increase of the volume of its business, and it had also seen the great disadvantage of competing with men who were bankrupt. It is to be remembered that oft-times the most difficult competition comes, not from the strong, the intelligent, the conservative competitor, but from the man who is holding on by the eylids and is ignorant of his costs, and anyway he's got to "keep running or bust!"

Oft-times if a man doing a business to a disadvantage were to close down his works and throw up his hands it would be a notice to his bankers and other creditors that he could not do business any more at a profit. He must keep up, or they would close in on him. He will lose all if he stops; he will probably lose anyhow. Moreover, by buying in these companies we could get a profit out of this business which they were running at a loss, and an increasing profit as we increased the volume of business done, and a decreasing cost as we increased the volume of manufacture without any increase in the cost of management not only, but in our ability to help the whole situation, freighting, producing, distribution, etc., by the centralization of an influence which was constructive always and not destructive.)

MR. R. TELLS
EARLY S. O. HISTORY

Nov. 26, 1917.

Q. I call your attention to the following, page 291 of Tarbell's "History," Vol. I: "George O. Baslington being duly sworn (Nov. 12, 1880) says: That the firm of Hanna, Baslington & Company, the first year they were in business , made a profit amounting to a little less than $40,000 and from the end of the first year up to the time of the sale to the Standard Oil Company they made no profit at all. At the time of the sale the firm reserved the privilege of running the works to close up and run them up to about April 1, 1872, and during that time they made profit to the amount of about $21,000. At the time I made my former affidavit to Mr. Tyler, I stated these facts to him." A. If they made a profit then (up to April 1,1872), it was accounted for by the removal of a lot of this cut-throat competition of neighboring competitors who were bankrupt, and that profit should be credited to "the wicked Standard Oil Company." I want to say that the public are not benefited by competition of that type. The result is always that the men who have been the cause of this unreasonable and unprofitable competition fail, and their competitors must derive a profit somewhat increased to average up for the period so unfavorable. More and more this is clear to me: forty to forty-five years have passed, and these things which were very interesting to certain people at that time are not so now, because they realize now what some of the people perhaps could see then, when they thought it would be perfectly possible to accomplish what has been established in stabilizing the business, which has resulted in benefiting producers and consumers. In this connection, it was not so many years after we began before the effort had extended to the issuance of certificates for oil which was stored, on which money could be borrowed from banks, in the oil regions not only, but in other parts of the country, enabling the producers when they were not satisfied with the prices current to hold their oil by borrowing money on their certificates. Then, too, these certificates were upon public exchanges and were bought as investments by people who were not

engaged regularly in the oil business. The business steadily became more stable, and respectable bankers began to be willing to consider oil securities who had in years previous become disgusted and ceased to make loans.

How we put and end to cut-throat competition has been pretty fully told in print. See if you can get a newspaper article by Carlos Smith, one of two or three Smiths engaged in the oil refining business in Cleveland. He wrote an article in reference to the entry of the Standard Oil Co. and its acquiring the refineries at Cleveland and elsewhere, in which, if I mistake not, he spoke in most complimentary terms of the Standard Oil Co. This information was imparted to me about the time of my giving testimony six or eight years ago in the Government suit for the dissolution of the Standard Oil Co., and it is possible that it is among the papers which have been preserved, of which Mr. Folger may know, or some of the attorneys of the Standard Oil Co. Or possibly they may be found among clippings of mine, either here or at my office. It would be well to get that.

There were three of these Smiths -- the father and two sons, all of a speculative character; dabbling in oil as refiners and speculators, with limited means and poor credit. Consequently they were among the number to increase the price of crude oil by possibly buying on time and decrease the price of refined oil by selling for cash at low prices in consequence of their inability to have their drafts discounted by the bank in the regular way.

He removed to Providence, R. I., and it would be my impression that the article referred to was published in a Providence paper.

Q. The DERRICK, March 21, 1872, says: "It learns from a gentleman 'thoroughly posted on affairs in Cleveland' that the opposition to the South Improvement Co. is particularly strong in that city, and that a special detail of police is necessary to guard the property of the ring, sixty men in all being thus employed; a half dozen are stationed about the residences of the officers of the South Improvement Co., the

balance of the detail is placed over the Standard Oil Works and cooper shop, now the property of the South Improvement Co., who pays the bill to the city." A. Interesting, isn't it, as confirming my impression that there was a confusion in the minds of the public and in the minds of some newspaper people in reference to the distinction between the South Improvment Co., which never had an existence to do business, and the Standard Oil Co. of Ohio, which had no connection with the South Improvement Co. further than that some of its officers had also been among those who constituted the organization of the South Improvement Co. As to the statement, "the balance of the detail is placed over the Standard Oil Works and cooper shop, now the property of the South Improvement Co., who pay the bill to the city." I was the president of the Standard Oil Co. of Ohio. I did not have any guards at my house, and I would have been the one most likely to have had a guard, as I was most prominently identified. I'm afraid that sounds rather big, but I am stating only the fact for the record. I have never had any knowledge of any of the other officers of the Standard Oil Co. having a guard on account of the South Improvement Co. excitement, nor can I recall that the works of the Standard Oil Co. were so guarded at any time. It is my deliberate opinion that they were not. If they had been, I should be able to recall some recollection of the same.

Mr. Rockefeller looked back to the lawsuit in which the affidavit of George O. Baslington was made, quoted in this record.

"These litigations and troubles," he said, "came out of the violation of contract by parties to them with us. We sued to compel Scofield and his associates to carry out a contract in which they had an allotment and were guaranteed profits. They worsted us on the ground that it was a contract in restraint of trade. We always kept our contracts. With the Scofield party we had two or three experiences of breaking of contracts."

MR. R. TELLS
EARLY S. O. HISTORY

Q. A bill repealing the charter of the South Improvement Co. passed the Pennsylvania legislature, March 29, 1872. On April 2, the DERRICK says: "The Standard Oil Co., of Cleveland, the successor of the South Improvement Co., are sending in their agents with soft words and plausible arguments, for the purpose of prevailing on producers to sell them oil." A.v That means that an effort was made on the part of the producers in their attack to prevent us from getting any oil to run. They had all sorts of schemes to injure us; but soon they desired us and our patronage and our cooperation, and we came into pleasant and harmonious relations.

Dec. 3, 1917.

After an intermission over Thanksgiving, Mr. Rockefeller this morning resumed work on the history. Before hearing a question he said:

"I have been reflecting upon the testimony of Hanna and Baslington. It has come back to me that they thought they saw a chance to start again in business after selling out to us, and we declined because they simply wanted us to "hold the bag." I guess it was Robert Hanna or George Baslington who came to see about it. I came back from a visit to New York, and Mr. Flagler said to me: 'They want to trade back.' I answered 'No!' without a moment's delay. There was no hesitation. I had our plan clearly in my mind. It was right. I knew it as a matter of conscience. It was right between me and my God. If I had it to do tomorrow I would do it again in the same way: do it a hundred times.

"I have been thinking it over for days, and the whole thing comes back to me. You can follow the working of their minds. They had been making no money for a year. They sold out to us. Now you can see old Mr. Hanna and Baslington and the others waiting to see what would happen to these young upstarts, these boys.

"Meantime, having been relieved by our company buying their old junk, they make some money in settling their local contracts. Very well; the business has a

future after all. Ignoring the fact that we had made their local profit possible, they think they'll buy back. They find they cannot. Immediately they have a grievance. Now you see why old Mr. Hanna and Baslington testified as they did. They ignored the fact that they had come in and made money under our shelter, and then they were dissatisfied with having sold out to us and wanted to trade back. They had had an option for three months, to take cash or Standard Oil stock -- the only case of that sort I can recall. They knew us; knew we were the most successful competitors. If they had hopes for the future of the business, would it not seem as though, eliminating their own cash contribution from the question, would they not take the stock? But perhaps that is answered by the testimony of Mr. Baslington, who afterward testified that they wanted their capital to engage in another business. Undoubtedly they had this other business in contemplation up to the time of closing out these products under our sheltering wing, after we had squandered our money in buying up their old junk they had been only too glad to sell out. A willingness to remain in -- if indeed they were willing to remain -- was dependent upon the hope that we, with our large interests, would be willing to sacrifice to an extent in controlling the business that would give shelter to them -- without any contribution on their part whatever to making the conditions better.

"It is to be remembered here that betterment in conditions which had enabled them to make a little money in closing out their stocks on hand referred purely to local trade, which was supplied very largely from Cleveland, and did not refer to the general competitive business in refining, including the export trade."

Q. Tarbell, p. 209, says: "Mr. Rockefeller had been only one of the originators of the South Improvement Co., but the fact that he had become later practically its only supporter, that he was the only one who profited by it, and that he had turned his Cleveland plant into a machine for carrying out its provisions, had caused the oil country to fix on him the entire responsibility." A. You see the falsity

of that! The Standard Oil Co. of Cleveland was not at all connected, nor did it have any share in, the proposed benefits to accrue to the South Improvement Co. It went on from time to time with such arrangements as it could make with the different railroad companies separately, not a concerted action with the railroad companies, as was to have been the case with the South Improvement Co. But there was no sharing of any plans of the South Improvement Co., nor anything to do with the South Improvement Co.

It is to be remembered that these representatives of the Standard Oil Co. who were as individuals connected with the proposed South Improvement Co. did not believe in the South Improvement Co. scheme. What does she mean? We were not making any pretence of moving under the banner of the South Improvement Co. I suppose what she has in mind and is seeking is to throw dust and make the people believe that it was the Standard Oil Co. -- I don't know what!

It is true that there was opposition to the Standard Oil Co., and the people of the oil regions might have called the Standard Oil Co. the South Improvement Co. because members of the Standard Oil Co. had been interested in the proposed South Improvement Co. scheme. Attention was naturally directed to us because after that up came another scheme, and we were interested in that. So I suppose they thought it must be Rockefeller -- he must be the head devil. (A pause, ending in a low laugh.) I shall never cease to regret that at that time we never called in the reporters. You remember Tarbell seriously complains: "The transaction by which it (the S. O.Co.) acquired this power was so stealthy that not even the best informed newspaper men of Cleveland knew what went on!"

Q. Henry D. Lloyd, p. 49, "Wealth Against Commonwealth," says: "Of the thirteen members of the South Improvement Co. which was to be given this 'complete monopoly,' ten were found later to be active members of the oil trust. They were then seeking that control of the light of the world which it has obtained." ---

A. (Interrupting) Untrue! Henry M. Flagler, William Rockefeller, Colonel O. H. Payne and myself, I guess, were members of that-- that's four out of thirteen. How many came in later? Lloyd's writing seems to indicate that they were members at that time. It is entirely false. It was three years before Mr. Warden, Mr. Lockhart or Mr. Frew came into the Standard Oil Co. I guess Orville Waring of Philadelphia came in years after. It would be less confusing to say that four members of the South Improvement Co. were in the Standard Oil Co. in its early history. Give their names --- and some years afterward some others of the South Improvement Co. came into the Standard Oil Co.

Q. Continuing quotation from Lloyd: "Among these ten were the president, vice-president, treasurer, secretary, and a majority of the directors of the oil trust into which the improvement company afterwards passed by transmigration. Any closer connection there could not be. One was the other." A. The Improvement Company never went in (meaning into the Standard Oil Co.) It was disbanded; never went into operation. That's where they both falsified -- Lloyd and Tarbell. The Improvement Co. never went in.

After luncheon Mr. Rockefeller returned to the subject. It was as if he were meditating over it -- thinking aloud. He said:

"When did Lloyd write? Published in 1894? Nearly a generation ago. That was only a little while after the original Standard Oil Co. was dissolved by the Court, and it was the fashion to throw something at it, to tell any wild story and be believed. But what followed? The constituent companies into which it was dissolved went on with their business and did better than ever. The old men who founded the company passed out of its control -- for years not one of the old men has been in control -- and the Standard Oil companies are stronger and more successful than ever. A change has come in people's minds: more and more they say, 'Surely there must have been some virtue, some merit, in the men who established such an organization as this,

or it would not be, after all these years, successful and still growing.'

"That is one reason why I believe that in writing this history we should state positive things: what the conditions were that made it necessary to found the Standard Oil Co.; what its resources were; above all, what were the principles upon which it dealt with its neighbors and did business; what the results were; without ever descending to controversy with these people who have done all the harm they could, only to find it without avail, their mud dropping off as we go on.

"I do not lose sight of the fact that we did successfully a new and unheard of thing in business, and that was enough to bring down abuse on our heads. That always happens. Who were we that we should succeed where so many others failed? Of course, there was something wrong, some dark, evil mystery, or we never should have succeeded!

"But more than a generation has passed, and what do we find? The Standard Oil Co. still going on its way, more successful than ever. Many of those who fought it bitterly, even called for the torch -- Mr. Archbold was one of those who called for the torch in his public speeches!-- joining our organization and working with us in friendship and loyalty; many of the small, weak concerns, never crushed or oppressed, but after two or three or more years' continuance as rivals finally coming in with us; and today the son of one of our bitterest foes, but a man of far finer and abler type than his father, elected to be President of the greatest Standard Oil Company.

"Even those who were most active in throwing mud at us are pretty sick of their position. Washington Gladden told Mr. Gates some time ago that he felt he had made a mistake; that he was wrong in his attack. That was not a public retraction and apology -- not to be expected of such a character, but it all goes to show that the slanders are fading away and the real character of our work growing clearer in the public mind."

Biography
Pocantico

Mr. R. TELLS
EARLY S. 9. HISTORY

Dec. 7, 1917.

Q. Following the same idea, Lloyd says: "The ablest and most pains-taking investigation which has ever been had in this country into the management of the railroads found and officially reported to the same effect: 'The controlling spirits of both organizations being the same.' (New York Assembly 'Hepburn' Report, 1879, p. 42.)" A. I don't know that there's anything new that we can say. We have spoken of the origin of the South Improvement Co. and that we of the Standard Oil Co. were not believers in that scheme and went off on a scheme of our own. It is to be remembered that we were not the originators of that scheme at all. The charter was a charter that Tom Scott or the Pennsylvania RR, owned. There were two or three of those old charters, which had been obtained years before.

Q. After the heads of the railroad companies announced the end of the South Improvement Co., Lloyd says, p. 51: "These announcements were backed up by a telegram from the future head of the oil trust (Mr. Rockefeller) then incubating, in which he said of his company: 'This company holds no contracts with the railroad companies.' (Report of the Executive Committee of the Petroleum Producers' Union, 1872, p. 23.) A. That is corroborative of what I have told you. That is there were no South Improvement Co. contracts. That I did send such a telegram I do not affirm or deny. I do not remember. Presumably it may be so -- as a part of an endeavor to satisfy the oil people that the great bugaboo was out of the way -- a "bugaboo" which they were invited to join, to get the advantages of the company that was to take to itself all that was good. They were all to be included in it.

Q. (Continuing the same paragraph of Lloyd) "But in 1879 its (meaning the oil trust's) secretary, called upon by the Ohio legislature to produce

Mr. R. TELLS
EARLY S. O. HISTORY.

the contracts the company had with the railroads, showed, among others, one covering the very date of this denial in 1872. (Testimony, Ohio House of Representatives, 1879, p. 257.)" A. We must make a distinction here between what Lloyd is probably seeking to convey, according to Tarbell, and the truths. It isn't supposable that the Standard Oil Co. did not have at all times freight arrangements for its large shipments of oil. But it was not operating at any time under any advertised and alleged-to-be-favorable contract which had been made or was proposed to be made with the South Improvement Co. No one would regard it as a crime for the Standard Oil Co., which had been going since 1870 and using the most economic methods -- nobody would suppose it to be without arrangements with the railroads, and for all things -- hoop-irons, barrels: for everything.

The effort here seems to be to make its secretary, Mr. Flagler, testify that there were no contracts with the railroads -- it isn't worthy. It is a lot of chatter. There is always a lot of gossip and chatter about every new company that is established. There was no end of gossip about the Steel Corporation, about so many others. Such stuff as this wouldn't be mentioned about other people. It wouldn't be thought worthy of a note. Mr. Flagler knew what he was testifying to, and our attorneys knew. He wouldn't testify to an untruth. The more you read of this and the more I turn it over, the stronger I am in the view I expressed to you the other morning, that these things grow smaller with every day that passes. It will be said: "Here was a force that reorganized business, and everything else followed it -- all business, even the Government itself, which legislated against it." You can say it became a national question. Those countries which followed closest the lines of concerted action got the trade, got the world trade.

Mr. R. TELLS
EARLY S. O. HISTORY.

Q. Lloyd says, p. 51, that a Cleveland manufacturer (meaning an oil refiner) told the New York Legislature (N. Y. Assembly Hepburn Report, 1879, p. 2525 et seq.) that his firm had made profits of $30,000 to $45,000 a year, but their prosperity had come to a sudden stop. Quotes him: "From the time that it was well understood in the trade that the South Improvement Co.had . . . . grappled the entire transportation from the West to the seaboard . . we were all kind of paralyzed, perfectly paralyzed; we could not operate . . . The South Improvement Co., or some one representing them, had a drawback of a dollar, sometimes seventy cents, sometimes less, and we were working against that difference." A. Now see -- what's the use of anything on that? They 'were paralyzed'? What paralyzed them? The competition that came before that -- the ruinous competition! That South Improvement contract? Never a barrel of oil was hauled under it. What harm did that do them? There we have the same thing again: meaningless.

Q. Lloyd continues: "He had to choose between selling and dying. Last of all he had an interview with the president of the all-conquering oil company. 'He was the only party that would buy. He offered me fifty cents on the dollar, on the construction account, and we sold out. He made this expression, I remember: 'I have ways of making money that you know nothing of.'" A. There you've got the Hewitt testimony. We needn't go over that again. The old Hewitt testimony, when Hewitt was venomous, afterward. We didn't negotiate with Hewitt; we negotiated with Bill Scofield. Hewitt had a small interest. Afterwards he came into our office, very cordial: "Why, John, it's very kind of you to loan me the money" -- you remember, the $20,000 which enabled him to get representation in our company. He had borrowed $20,000 on his stock in their company, and he couldn't come into our organization with

Mr. R. TELLS
EARLY S. O. HISTORY.

then until I lent him the money. If they had been making so much money, how had he fallen so far behind?

I would nail that. Note it there as I. L. Hewitt. I think it wouldn't be amiss to note that as to this particular witness it is to be remembered that a member of his family in after years came to Mr. Rockefeller, expressing great regret that her father had gone contrary to the wishes of the whole family in disposing of the stock which Mr. Rockefeller had been kind enough to advance him money to help him to buy because he was in debt to the rest of his firm. This member of his family was regretting that he had failed to accept Mr. Rockefeller's kindness, and at a time when it was entirely apparent that if he had done as Mr. Rockefeller wanted him to do, the interest would have been worth an independent fortune to the family. This same man was always in litigation. The daughter referred to it when she made the expressions as above to Mr. Rockefeller, having come to him to get him to take an iron ore property and issue stock for it when she understood that he was proceeding in the Lake Superior region to unite the ore properties the same as he had done long years before with the oil properties.

Later in the day Mr. Rockefeller was thinking over this incident, and added: "You can see why poor old Hewitt would have had a motive to testify as he is represented here. When I began to form the company he, my old employer, 25 years older than I, came to me and said: 'John, it can't be done. We tried it with the Lake ships, and it failed.' When I, who used to be his boy in the office, with a lot of other young men, persisted in going ahead and making a success of it in spite of his warning, he was glad to come in -- when I helped him. Later he lost confidence and sold out of our company. If he had held on to his stock -- it didn't grow in value very fast at first, but it

Mr. R. TELLS
EARLY S. O. HISTORY

soon began to increase -- it would have been worth sixteen hundred thousand dollars to his family. But he lost faith and sold out, and some one else than himself had to be to blame. Now you see the picture of his mental condition. And he was very litigious, too; always in litigation."

Q. (Continuing the same paragraph from Lloyd) "For the works, which were producing $30,000 to $45,000 a year profit, and which they considered worth $150,000, they received $65,000." A. I want to say, right here and now, in regard to the works we purchased, they were not worth in cash what we paid for them, and that numbers of them were ill-constructed, and it was more economical for us to avail of modern ideas of construction. Beside all this, we were forced to pay high rentals on the lands on which these refineries were located.

Mr. Rockefeller sat looking into the fire awhile, then, with a twinkle in his eye and almost boyish enthusiasm, exclaimed: "Say, I wonder if it has occurred to you? I wouldn't be able to make it up so fast if it hadn't had the foundation of truth. Your questions -- the twisted bits of history these people published -- bring the whole situation back to me, though it was forty-five years ago. I see the whole thing as clear as can be. For us to do a given amount of work it was necessary for us to have the work concentrated as much as possible; so gradually the works were dismantled, though some parts were utilized, such as good boilers, pipes, engines, etc."

Q. Lloyd, p. 53, continues: " 'That was about the figure . . . Fifty cents on the dollar.' 'It was that or nothing, was it not?' 'That or nothing.' A. I have only to call your attention to poor old Mr. Cook and Mel Hanna and William Doane and others: four or five who did not come in then; they came in afterward in the most friendly way. Furthermore, the refer-

Mr. R. TELLS
EARLY S. O. HISTORY

ence to the South Improvement Co. freight contract had to do with the export of oil. Cleveland was largely concerned in regard to a local distribution of oil, which would not have been affected had the contract of the South Improcement Co. gone into effect. It made me then very positive in my views when Robert Hanna tried to sell back. We had given Robert Hanna three months' option, and during that time they had made a profit. If we had taken that and worked it up, we would have made the profit he made. But suppose the oil yield had been exhausted then? We would have been left with that old junk. There was no certainty that the oil would continue to flow. It was a new and growing thing; you never knew what a day might bring forth. The men who had owned the old junk knew that their failure was not far off with a continuance of the competition then existing. The oil business of today cannot be considered -- when you look back; when you think of the very small production then.

Q. (Continuing same paragraph) 'I would not have sold out if I could have got a fair show with the railways. My business, instead of being an enterprise to buy and sell, became degraded into running after the railways and getting an equal chance with others.' " A. Old Hewitt! See! What were we all doing? He was doing what we were doing -- all dancing attendance to the railroads. That was the habit.

Q. Lloyd quotes Mr. Rockefeller as stating that the oil business was unproductive of profit in this period, and quotes an affidavit of Mr. Rockefeller in the suit of the Standard Oil Co. vs. W. C. Scofield et al.: "It was a well understood fact at that time among refiners that some arrangement would have to be made to economize and concentrate the business, or ruinous losses would not only occur to the refiners themselves, but ultimately Cleve-

Mr. R. TELLS
EARLY S. O. HISTORY

land, as a point of refining oil, would have to be abandoned." Then Lloyd adds: "See Chapter xxxii for 'the state of the business' 'unproductive of profit.' In Chapter xxxii Lloyd declares that the business of the Standard Oil Co. is 'the greatest commercial and financial achievement of history. Its broad foundation was laid in the years from 1872 to 1869, the severest time of panic for others the world has known.' But how does this contradict Mr. Rockefeller's assertion that the business was unproductive of profit during 1871? A. I see. Yes. Simply another bit of his trickery; trying to contradict what was by asserting what is. I am glad you called attention to that. It might have escaped otherwise. It is typical of the mental operations of Tarbell as well as Lloyd. When you have answered one of their allegations, you have answered all. Yet I am willing to go on with these points in detail.

Dec. 8, 1917.

Q. I read from Lloyd, p. 58: "Both parties to this scheme (South Improvement Co.) to give the use of the highways as a privilege to a few, and through this privilege to make the pursuit of a livelihood a privilege theirs exclusively -- the railroad officials on one side and their beneficiaries of the South Improvement Co. on the other -- were resolute in their determination to carry out their purpose. All that follows of this story is but the recital of the sleuth-like tenacity with which this trail of fabulous wealth has been followed." A. I don't see that we can add anything more to all that you have already got. The ideas of these people who believed in co-operation were the right ideas, and they were the best servants of the people. They conserved their resources instead of dividing and squandering, and the business grew and developed, and the money was wisely invested in the progressive steps of the business, and they worked out on a very large scale

Mr. R. TELLS
EARLY S. O. HISTORY

what was started on a small scale; and the advantages of such concerted action were more and more appartent with the increase of the volume of the business, , not only with respect to the quality -- for they commanded the most experienced and expert information and utilized every product with increasing economy as their capital was increased;and all this made them increasingly of greater service to all the people, not only in our country but of the whole world. By their standing for integrity, honorable dealings --- their carrying out of every contract is unsurpassed, if ever equaled, by any other business organization. I don't think we need reiterate again about this thing not being the South Improvement Co. and about this thing not having the contract which the South Improvement Co. was getting from the Pennsylvania and other railroad companies, which thing was planned for and hoping to be engaged in by every person in the refining business.

It is my belief that the oil refining people of Cleveland, or most of them, would have been only too glad to have sold their interest had there been any other -- a private buyer, you might say -- to have paid them the same price we did, independent of the chance of getting the stock.

Q. Fluctuations in values, overdoing of refining and the uncertainties of the business had made them sick? A. Yes; made them sick.

Q. I continue from Lloyd: "This . . . has been faithfully lived up to. Under the name of the South Improvement Co. the arrangement has been ostentatiously abandoned, because to persist in it meant civil war in the oil country, as the rising young anti-monopolist lawyer pointed out at the Pennsylvania Constitutional Convention." A. Referring to Mr. S. C. T. Dodd, who afterward became our head counsellor, and a more just man never lived. We heard of Mr. Dodd as an able young lawyer, afterwards. He saw what we were trying

Mr. R. TELLS
EARLY S. O. HISTORY

to do -- everybody in our building loved Dodd. Dodd came to learn -- not from a yellow journal --- who our men and what our purposes were. He was a lovable, loyal man. Was he glad to come in? He was ! . . It was lack of knowledge, lack of information. It was all new and strange. Young men were engaging in it (S. O. Co.), and young men had no right to have ideas. This unbelief led men like Hewitt to cut loose, break faith, break their contracts, reengage in the business, do all they could to injurs and overthrow the men who had shown them the greatest kindness. On the other hand, men of still greater comprehension of business affairs and more knowledge of history and with equal scepticism, were impressed with the courage, the scope, the integrity, the enterprise, of these young men of the Standard Oil Co., though comparative strangers, and decided, years later, to take stock in the company; and were convinced of the wisdom and the justice of the operations of these men. They were ever after most friendly and appreciative.

Now, think of it: I can't add anything to that. You know now as well as I could tell you by an endless talk how utterly absurd that writing is. I have repeated to you a great many times that that contract never went into effect. I have repeated a great many times that the contracts with the railroad companies were not contracts which required that the railroad companies cut down; but in reality these contracts led to an advance in all the railroads, and they came to regard us as their best friends and servants because we did "even" the business for them. And, this accomplished, the temptation to cut the rates disappeared,, because it would not help them in their business.

Our doors were always open to any of our competitors in the business to come into the Standard Oil Co. on fair and reasonable terms. Different of these delayed, and some for periods of years, before coming in, and with these

Mr. R. TELLS
EARLY S. O. HISTORY

we had during this time maintained pleasant and neighborly relations. Their old prejudices came from newspaper reports, and the prejudiced statements which were sent broadcast were overcome by our fairness and the demonstration that the earnest and hearty cooperation of energetic far-seeing, right-minded business men effected results, for themselves and the public they would serve, better than could be accomplished by the ruinous and foolish competition which had preceded and which in all cases must be compensated for later on by an increase of profits to compensate for the losses of such struggle.

Mr. Rockefeller sat musing for more than a minute. Then he said:

"This is all weaker than water. This man wanders so. He distorts or suppresses facts to suit his purpose, whatever may have inspired him. He gets nowhere, with all his writing. When the struggle was going on we paid no attention to all this chatter, for we had much more serious things to fill our minds. We let a lot of idle talk go by and merely laughed at the silliness of it. He twists everything.

"Here is one little item, a mere trifle compared with the things we were constantly busy with: Mr. Babcock of our forces had the idea that it was not necessary for us to pack our oil for export in boxes of perfect wood without a flaw. He held that we might as well put in at least two or three pieces of wood with knots in them. In case of leak in a can, the case would not save the oil. What was the use, he argued, to waste so much money on flawless wood? He convinced me, but the others held out. We had the subject up again and again, fighting hard but in a perfectly friendly way, until at last we brought the others to agree with us -- and we saved many thousands of dollars. How well I remembered then, as I remember now, the words of my dear mother: 'Wilful waste makes woeful want!'

Mr. R. TELLS
EARLY S. O. HISTORY

"The fact is, we were busy all the time developing our new organization, and we had not the time, any more than we had inclination, to oppress anybody. We had real problems to face."

Q. I quote further from Lloyd, p. 59: "Still later, before a committee of the Legislature of New York, in 1888, he (Mr. R.) was asked about the 'Southern Improvement Co.'

"There was such a company!"

"I have heard of such a company."

"Were you not in it!"

"I was not."

"So held me God!" Lloyd exclaims, thereby insinuating that the witness had violated his solemn oath. But the question he quotes was NOT about the SOUTH Improvement Co. A. I never undertake to instruct the man who asks me questions. I remember that incident as if it were this morning. My attorneys were following the examination. I conferred with them. They agreed that there was nothing to add or explain. I did not stop to correct my questioner. There is the record to stand on. Of course, I knew what I was answering.

Q. Lloyd continues: "At almost the moment of this denial in New York, an associate in this and all his kindred enterprises, asked before Congress who made up the South Improvement Co., named as among them the principal members of the great oil company, and most conspicuous among them all was the name of this denier." A. Well, now you've got it all. Just see it! You see what it's worth; the fraud of the whole accusation! I tell you that if some of these things, where the writer is so vicious, so untruthful, that if they had been uttered in respect to a certain type of Southern people there

Mr. R. TELLS
EARLY S. O. HISTORY

would have been quite a good many taken off. He has been made to say that Mr. Rockefeller swore to a falsehood. A certain type of man in the South -- oh, pshaw! I knew nothing about the affairs of the Southern Improvement Co. I did not testify like Mr. Brewster and Mr. Flagler, so hot-tempered that they would fly right into an argument with counsel. I was quiet and self-controlled. It was no part of my duty as a witness to volunteer testimony. While they thought they were leading me into a trap, I let them go into the trap themselves.

It all comes back so clearly. Joseph H. Choate was one of those consulted in regard to this very examination. Choate and Dodd and a lot of associates were talking it over before I went on. Virgil Kline told me. Choate said: 'Well, Mr. Rogers, is this the man you are going to rely upon for his testimony?' 'Yes,' said Mr. Rogers. 'Well, Mr. Rogers,' Mr. Choate said, 'he doesn't seem to know much. He's asking questions; all the time.' 'Mr. Choate, I guess he'll come out all right,' Mr. Rogers said, laughing. I had a word that day at noon while I was being examined and they had got into a wrangle about whether or not we should produce certain books. "How am I getting on, Mr. Choate?" I asked him. "Mr Rockefeller," he replied, "I don't want a better witness."

Later in the day Mr. Rockefeller came back to the subject.

"I have been thinking it over," he said. "I was on the witness stand in that investigation nine different times. Counsel, Mr. Choate and all, were consulted, after they had read the testimony, and they said it was complete: there was nothing to explain, nor anything to add."

Dec. 10, 1917.

Mr. Rockefeller was gazing into the fire before the questioning was begun for the day. "I cannot understand," he mused, "why in all these later

Mr. R. TELLS
EARLY S. O. HISTORY

years -- why this should not begin to have an influence upon them: 'A good tree bringeth forth good fruit.' 'You don't get bitter water from a good spring.' I should think the blessed influence of the good woman who went away . . . . I was so satisfied to be in such society and not gad about . . . and then my son and my other children . . . . I should think they would add to all these the fact that I had not hoarded all this alleged 'ill-gotten gain,' or squandered it in riotous living . . .

* "I should think the actual correspondence, my letters and letter s received by me which were written without any idea of publication would become a very valuable part of a history. If indeed they were not intended for publication, why would they not unfold a very correct impression of the character, the habits, the motives governing, the ideals, etc., etc.

"That is only a suggestion. I, who am not a writer of history, am not presuming to suggest to experienced writers 'what' and 'how,' etc."

"Through inadvertence I repeated today the reading of the question marked "L" (p.68) in the record of Dec. 10. I give the reply.

Question "L" (p.68) repeated. A. I have answered that . . . It seems to me, without mentioning any names, if a historian were to record an incident as typical of the make-up of this 'history' (Lloyd's) of the Standard Oil Company. Picture a somewhat reticent man; and then go on to say that on the witness stand he was asked if he had been a member of a certain company, and he said he had not been. The lawyer asking the question might not have been aware of the fact that there were three companies organized with special charters in the State of Pennsylvania, only one of which had been made use of. The name of one of the others was in some respects similar to this one. The lawyer asked the witness if he had not been a member of the company the charter

* For example, letter of Rev. O. H.L. Mason, Dec.2,1917, put on file by Mr.Keelips.

Mr. R. TELLS
EARLY S. O. HISTORY

of which had not yet been made use of, to which he replied that he had not. He made no denial of the fact that he had been a member of the other company, because he was not asked in reference to the company of which he had been a member.

On the strength of this a "historian" presents the "fact" that Mr. Rockefeller had testified falsely. Now, we have there recorded something which forms a basis for the misapprehensions, which, being magnified by jealous"historians," politicians, competitors and others, created wholly false sentiment -- and prejudicial oft-times.

So long as Mr. Rockefeller knew that he was right, however, he paid little attention to these things, knowing that eventually the record of history would be more likely to approximate the real truth.

Q. I quote Lloyd: "The efficiency with which this 'partly born" innocent lived his little hour, 'not doing a dollar's worth of business,' was told in a summary phrase by one of the managers of the Pennsylvania Railroad, describing the condition of the oil business in 1873: 'All other of our largest customers had failed.' (Testimony, Commonwealth of Pennsylvania vs. Pennsylvania R.R. Co. et al., 1879. p. 707.)" A. I think he is getting back, it may be, to the idea of the inception of the South Improvement Company. For what was true on the northern lines (Erie, Lake Shore, etc.) was true, too, of the Pennsylvania competitors, doing business on the Pennsylvania lines, namely that bankruptcy had come -- bankruptcy or great losses had come -- to the refining interests. Some of the survivors of the ruinous competition on the north were, with some of those survivors of the ruinous competition among the shippers over the Pennsylvania Railroad, were, as has been stated, the enthusiastic originators and supporters of the Tom Scott Southern Improvement Company plan.

Mr. R. TELLS
EARLY S. O. HISTORY

The cause of the Southern Improvement Company was the inability of the railroads to get profit out of the freighting of the oil and the loss and failure of the oil refining companies in the ruinous competition occasioned by the over-construction of refineries stimulated by the early and extraordinary profits.

Rea dthat testimony again. (The last Question was read,) A. Now you're speaking of the testimony of a railroad man, a manager of the Pennslyvania Railroad Company. Warden, Frew & Co., Lockhart & Frew, who, with others, were among the original supporters of the South Improvement Company plan, were the survivors of that competition -- a valuable adjunct to my testimony as to the ruinous competition resulting in the downfall of numerous competitors, or the loss of their working capital, rendering them helpless as competitors -- and very dangerous as competitors. Of course, there is much that is repetition here, but it may reinforce to some extent. I don't know how Lloyd can use that. There is that railroad man, and I don't know how he could have testified otherwise. I am assuming that he is simply stating the fact that there were few of the leading shippers left, and these leading shippers were members of the South Improvement Company in connection with Tom Scott. All the others had been unfortunate in business; and if the Pennsylvania Railroad were to hold the business of the strongest and most efficient refining business created on their lines, that's all there is to it. GET THAT TESTIMONY.

It is to be remembered that in this testimony by railroad representatives, that the railroads in each case were testifying in the face of the attacks in the legislatures, etc., and were holding themselves as much as possible free from any responsibility and letting the responsibility fall on others. They wanted to hold their charters and did not want to appear in any way as transcending their rights as controllers of transportation systems, which rights had

Mr. R. TELLS
EARLY S. O. HISTORY

been secured to them by the people of the different States.

Q. Lloyd, p. 60, says that the Congressional Sub-Committee of Commerce promised the Executive Committee of the Petroleum Producers' Union that "the throwing off the restrictions from trade will not embarrass their investigation;" that the investigation would be continued. But the committee did not continue; no official record of its discoveries exists; a few copies of the transcript published by the Producers are possessed by fortunate collectors, and; "The committee did not report, and in the archives of the national Capitol no scrap of the evidence taken is to be found. All has vanished into the bottomless darkness in which the monopoly of light loves to dwell."

Mr. Rockefeller laughed as the last syllables of this peroration reverberated through the room. "Well, that's beyond me!" he exclaimed. "I haven't any more idea of that of which he is writing than the man in the moon. I do not recall ever having had that presented. I don't know."

Q. (Reading from Lloyd all of p. 61 and three paragraphs at top of p. 62, as follows):

Notwithstanding the ceremonial treaty of equal rights on the railroads to all, which had been secured by the uprising of the people against the South Improvement Company in 1872, the independents, one after the other, continued to be side-tracked by an unseen power. Four years later, on the 20th of July, 1876, their only two important survivors in Cleveland, frightened by the high death-rate of the business, and by a deepening pressure on themselves, answered a summons to come to the palace of the President of the Light of the World. The contract which was then made was afterwards produced in court. (Exhibit A, Answer of Defendants, Case of Standard Oil Co. vs. W. C. Scofield et al., Cleveland, 1880.) It was called an "Agreement for an Adventure," in something

Mr. R. TELLS
EARLY S. O. HISTORY

like the "merry sport" in which the good Antonio gave a bond for a pound of his flesh.

A few years after this "adventure" with his competitors and his efforts to have them closed by the courts, the President was asked if his trust had sought in any way to diminish the production of refineries in competition with it.

"Oh no, sir," he replied.

"Nothing of the kind?"

"On no, sir." (Testimony, Trusts, New York Senate, 1888, p. 385.)

He was asked the question again, and again the denial was repeated.

"Done nothing of the sort?"

"Not at all."

But now he said, You must bind yourselves for ten years to refine only 85,000 barrels of oil a year. (Exhibit A, Answer of Defendants, Case of Standard Oil Company vs. W. C. Scofield et al., Cleveland, 1880, Section 7.)

They had refined 120,000 barrels the year before, and could have done 180,000, and were growing up with the country. "The prospects were much better for the future." (Affidavits of the defendants.)

But they agreed. (End of quotation.)

"Lloyd ignores the facts and takes the sentimental," was Mr. Rockefeller's first remark at the end of the reading. He is referring to this Scofield, whom we first bought out with an agreement that he would not engage in refining for ten years. He took the stock (of S. O. Co.). He didn't keep it. He reengaged in refining in violation of his covenant, and then, after he had been in competition for a period of time, we made a running arrangement with him -- he not only reengaged but took others in with him -- by which he was to limit his refining of crude oil; the fact being that the refining capacity was

Mr. R. TELLS
EARLY S. O. HISTORY

so far in excess of the production of crude oil. Having violated this contract and run in excess of the amount to which he agreed to limit himself, the court proceeding followed."

Q. (Continuing Lloyd, next paragraphs):
You must give me and my associates all the profits you make during this period above $35,000 a year, until we, too, have got $35,000 a year out of your business, and we will guarantee you $35,000 a year, if we let you run.

They had made $41,000 the year before, but they agreed. (end of quotation.)

"How did they get a chance to make anything out of this at all, don't you see?" Mr. Rockefeller exclaimed. "It was a Godsend to them: it was a guarantee that they'd get a sure profit. I don't remember that particular contract, but it was probably as he describes. But, you see, they got a sure thing and a far better thing than they could have got but for the protection which we, at great cost, had secured."

Q. (Continuing Lloyd):

You must divide with "Us", after each has got $35,000 a year, all the additional profits.

They had to put into this "adventure" all their buildings and machinery, valued at $61,760.42, all their time and attention, and $10,000 in cash, while their conquerors put in only $10,000 cash and no plant and no time. But they agreed to this demand for "half." (End of quotation.)

"But he ignored," said Mr. Rockefeller, "the fact that we must have had remaining idle a corresponding part of our plant. Oh, pshaw! It's vicious. The fact is that they came in and took a business that, by virtue of our having bought out people in the trade --- they came in and stole the business! Do you suppose we would have bought out the plants and paid for them if we thought

Mr. R. TELLS
EARLY S. O. HISTORY

these men could have come in with new and better plants and divided the business! Oh, pshaw! These men ought to have been kicked out of town. Low grade highwaymen -- that's what they were.

"And the descendants of these men rise up today and say, 'Oh, if they had kept their agreements with you and not violated them and had kept their stock (S. O. Co.), how much better off we all would have been!' And these who make such statements are not only friendly, entirely so, with us, but disgusted with, and feel the dishonor of, the violations of their ancestors.

Q. (Continuing Lloyd):

You must stop refining altogether, and let us take out our $10,000 whenever we send you notice that through competition, or a decrease or change in the production of petroleum, Cleveland can "barely compete" with other places. You must sell the kerosene you manufacture, and buy the petroleum you make it of at the prices we fix. (End of quotation.)

"I don't remember the terms of the contract," said Mr. Rockefeller; "but that was evidently a cooperative thing. The governing elements were the volume and the prices; and while he puts it as we saying this to them, they were saying it to us, too. It was a joint business arrangement . . . It is not fair. It is the 'history' of a prejudiced writer who believes that we are wrong all the time and can see nothing else. There is nothing judicial in his attitude. That contract these people were very glad to enter into. It was a bitter and trying experience for us to have anything to do with them after we knew of their crookedness."

Q. (Continuing Lloyd):

The combination could make the business unprofitable whenever it chose, and under the previous stipulation could close them up at its own

Mr. R. TELLS
EARLY S. O. HISTORY

pleasure until the ten years had rolled by. But they agreed. (End of quotation.)

"Well," laughed Mr. Rockefeller," 'they agreed!' I suppose that what he refers to is along the line of some measure of protection to us against just what they did do -- broke away."

Mr. Rockefeller reflected for some time. "They sold out to us a third time," he said. "I don't know whether to mention names . . . I don't want to blacken these men." Then he continued his reply to Lloyd:

"This same firm, after having violated for the second time their written covenants with us, continued in the business for many years, and finally, after an unsatisfactory career in the competition, were glad to sell out and discontinue -- excepting that a younger member of their association proved himself to be a broad, manly, honorable man, who regarded his covenants, became the President of this same Standard Oil Company and one of its most enthusiastic supporters."

Later this day Mr. Rockefeller remarked: "In acting as they did, these men played the part of pirates. See: the business of oil refining in Cleveland was in a bad way when we bought them out. They violated their agreement and started again -- after they saw that we had stabilized and protected the business. We made a contract with them the second time when we found they were running a refinery.

"The agreement Lloyd quotes here is, I presume, the contract we made with them in the hope of keeping them from taking an undue share of the business at a time when crude oil was scarce. This was not a one-sided agreement, as Lloyd pretends, It was a contract, with promises made by each side and

Mr. R. TELLS
EARLY S. O. HISTORY

advantages to each side. They broke this, too, and went on in business for years before we bought them out the third time. Originally they sold out to us, stood by and did nothing when they thought the oil refining business in Cleveland was wrecked. And then, when we had saved it, came aboard the ship again and looted it. They were a lot of pirates. You can call them that with justice. I think this is all you need say about this incident. The history I have given you really disposes of the whole thing."

Mr. R. TELLS
EARLY S. O. HISTORY

Dec. 19, 1917.

Q. Lloyd, p. 63, declares, that the Standard Oil Co. dictated to Scofield and his partners: "You must keep this adventure secret. Our name must not appear, and even if you all die, you must agree that we may continue the business in your name, or any other name we choose." A. I can't say whether we did that or not. But, supposing we did, it was simply for business reasons. I don't see that there's anything in it, one way or the other. I don't doubt that we wanted not to publish our business affairs. I guess this was the thought; they were competitors, but we had a common interest too. I don't see any advantage to them or to us to publish to the world that we had a partnership relation. I don't see any crime if we did not publish that to the world: I don't see any crime if we did publish it to the world. Good business men are not giving away their business secrets or publishing their advantages in any way.

Q. Lloyd, p. 63, continues: "You are to be tied up for ten years, limited at the best to half the profit on half your capacity, with a right in us to close you up altogether, or to close and resume whenever we choose, with no right in you to start or stop or withdraw. But we are to be left free, in our own refineries, to refine all the oil the market will take, and keep all

Mr. R. TELLS
EARLY S. O. HISTORY

the profit, and enlarge our works and extend our business.

A. It's another case of "holding the bag." Why did they make such a contract, then? They were not children. They made a contract they thought would be to their advantage. It was to their advantage. We were making a guaranty to them of a profit, for which we should have some consideration. They were not in the position that we were in. We had taken the allotments by purchase of their competitors and ours, and paid for them in the purchase of the works. They had not bought anybody's allotments. It became a matter of agreement between them and us as to what their allotment should be, and they made a bargain that they were entirely satisfied with at the time they made it. But it was not their habit to keep their contracts, and they went on in violation of their contract and exceeded their allotment and broke their contract because they thought they could make more money by entirely ignoring the obligation.

Q. Lloyd makes this charge: "This 'free contract' two of the three men who made it knew nothing of until their consent was demanded. One of the partners had been secretly won over. Through him all preliminary negotiations had been conducted. (Affidavits of the defendants.)"

A. The firm made this contract, and we knew nothing about that. That's a matter among themselves that we had nothing to do with. If the firm came forward and made a contract with us, we assumed that this was what they wanted to do.

Q. Lloyd quotes one partner as testifying that most of the negotiations were with the President (Mr. R.), who supplemented the written document with oral instructions: "You must not seem to be prosperous. You must not put on style, he cautioned them; above all, you must not drive fast horses or have

Mr. R. TELLS
EARLY S. O. HISTORY

fine rigs; you must not even let your wives know of this arrangement." (Affidavits of the defendants.)

A. (Laughing heartily) Oh, ho, ho! Well, I can't say. I can't remember anything like that. It is too trivial to deal with. I haven't the most remote recollection of any such talk as that. Scofield was a very rich man, my senior by twenty-five years, a very conservative, hard-headed, plain man. And I cannot understand how such anutterance could have been made by me to such a man. The fact is, those men saw what they thought was a chance to make money by breaking their contract, and they did it. When we brought them into court they made all sorts of affidavits -- would say anything . . . . This book seems to me more ridiculous than ever.

Q. Lloyd, p. 64, makes this accusation: "A false account was opened on the books to conceal the nature and origin of this transaction from their own book-keepers. In the name of that account false and fictitious checks were drawn, bills made out, balances struck. A box was taken out at the Cleveland post-office -- box 125 -- in the name of an imaginary "Mr. G. A. Mason,' and through this box the correspondence of the 'adventure' was carried on. Each of the three parties to the 'adventure' continued to march and fight under its own flag as before. All possible pains were taken to conceal the fact that they had ceased competition with each other. They kept up every appearance to the public of being actively engaged in competitive business. The inevitable spy appears in this scene as in every other in the play."

A. That we've touched upon in the beginning. I don't suppose it was advertised that we had this contract. But I don't know anything about any such business. It must have been of their own doing. I don't knwo anything about that. When they wanted to break this contract they had a lot of de-

Mr. R. TELLS
EARLY S. O. HISTORY

positions, some of them probably truthful. But they had depositions for the purpose of breaking the contract. A crooked lot they were. I'm so glad that the son of one of them is now President of our principal company . . . . After we had cleared the field of competitors; paid our money to buy up their refineries; they made their profit under our sheltering arms. Presently they see an opportunity to make money quickly by throwing over their contract; then their avarice quickly overbalances their integrity. They are sued, and then come these statements without any character. You wouldn't get any such statement from their son. He was straight and clean --- Poor Mr. Archbold died. At his funeral my son had a word with the young man I speak of. My son said: "Everything is in more or less confusion now. What will you do?" Instantly the young man replied: "I will do anything you say -- anywhere." There was loyalty, the spirit of team work.

Q. Lloyd, pp. 64 and 65, makes this accusation: "A year or two after this contract had been broken by the help of the courts, the then secretary of the great oil company, through an intermediary, approached the book-keeper of the firm which had been freed from the trust.

"'Would you not like to make some money?'

"'He inclined to let him believe he did want to make some money,' his employer afterwards told Congress. 'He came and told me about it. I requested that he continue and find out what information they wanted. He was to have had so much per year, but he was to have been paid a down payment; he got $25.'

"'What service was he to render for that?'

"'I have a memorandum. There were so many things he was to do that I cannot carry it in my head.'

Mr. R. Tells
EARLY S. O. HISTORY

"One of the questions was, 'What was the result of last year's business?' The other was, 'A transcript of the daily shipments, with net prices received from the same; what is the cost for manufacturing outside of the crude; the kind of gasoline and naphtha made, and the net prices received for the same; what they do with the tar and the percentages of the same; what per cent. of water white and what per cent. of Michigan water white; how much oil exported last year?' This information, as fast as received, to be mailed to box 164, Cleveland post-office . . . He (the book-keeper) made an affidavit of it, and I took the money back personally.' (Testimony, Trusts, Congress, p. 547.)

A. That is something I know nothing whatever about -- nothing whatever. It may be stated here that the United States Steel Company know pretty well what other companies are doing in this country, and that other companies know pretty well what the United States Steel Company is doing, and in what direction their export, wholesale, retail trades are moving. Each railroad knows about the competitors' shipments, and generally has information to guide it in the construction of new feeders to its property; and business men generally seek to have as much information as possible that would have a bearing on the chances of enlarging their business in any direction. There is nothing now or strange in this business at all, or applicable to one concern more than another. Do you suppose, for instance, that A. T. Stewart would be likely to import twice as much linen or thread as from the data well verified he was assured he would be able to find a market for? He knew what the volume of his own business was. He knew approximately what the volume of his competitors' business was; he also knew what was the amount he would have to reduce the price of what he might have, in order to dispose of it and relieve his surplus.

Mr. R. TELLS
EARLY S. O. HISTORY

Q. Lloyd says, p. 65: "When orders came in for more oil than the limit put upon them, the 'reconcilees.' asserting their commercial manhood, went on refining to supply the demands of the public instead of the commands of the clique."

A. (Interrupting) What comment do you need? What did they agree to do with us, for a valuable consideration? Did they not positively agree that they would not do beyond a certain amount of business when they had our guarantee that they should make at least a certain net profit? The contract did not contemplate ignoring this feature, and if they could exceed one per cent, they could exceed one hundred per cent, and the contract would amount to nothing. The whole thing reminds me of the Prussians when they violated their treaty and stated that it was only a 'scrap of paper.'

Q. Lloyd continues: "They contended that they were not bound by the limitation, and in this were afterwards upheld by the court"---

A. It was a contract in restraint of trade: we all knew that. We had to depend on the honor of the men, and there was none there to depend on: they had broken contracts before. I'd just as soon you'd put that all down. And now their descendants are cursing them because they hadn't been square, as it would have resulted in their making much better returns and having a much better reputation as honorable business men.

This ended the questioning for the day. Mr. Rockefeller was still thinking of the subject as he started to walk.

"I heard about them later, through my brother," he said. "They kept on in business for fifteen or twenty years, squabbling and fighting all the time; a cat and dog life. They made money, too. Bill Scofield was supposed to be worth $15,000,000 or $20,000,000. Yet they were never satisfied, al-

Mr. R. TELLS
EARLY S. O. HISTORY

ways squabbling, he and Maurice Clark. They acted like the Merritts in the ore business, who would have made millions if they had kept faith with us; but they sold out their stock and attacked us in the courts; so, naturally, we no longer supported them. Mr. Gates has a book about that which you ought to see.

"This Scofield firm was quite content to make a contract with us when they saw it was to their advantage. Just as soon as they saw they could make money by violating it, they threw us overboard and went ahead. There was no honor among them. Lloyd says, 'They went on refining to supply the demands of the public instead of the commands of the clique.' Commands of the devil! That's what they were obeying. It irritates me to go over all these things as Lloyd has written them, but I suppose it is best to answer them although they are so silly. Of course, none of this will ever be published."

December 21, 1917.

At breakfast Mr. Rockefeller said:

"That talk in Lloyd's book about Scofield & Company 'disobeying the commands of the clique and supplying the demands of the people' by refining more oil than their allotment under the agreement with us, is a lot of chatter uttered with intent to deceive, trying to put a good face on a bad action. Those men knew they had violated their contract in order to make more money, and they used this fine talk and buncombe in an effort to excuse themselves. Their affidavits and depositions before the court were for that purpose. They made a certain impression upon the people. Nothing is easier than to start a popular clamor against a new thing. Then writers of a certain kind, dabblers, or perhaps with a prejudice, took it up. What Dr. Cuppy says about Lloyd, whom he knew well, is interesting -- that he was intensely in earnest, but so far as

Mr. R. TELLS
EARLY S. O. HISTORY

he knew had never done any real work in the world, had not the ability to make a success in any walk in life, I should pay no heed to anything such a man as that might say or write. It is chatter, throwing dust in the air till you can't tell whether you're afoot or on horseback.

"I think I've told you about Lloyd's cousin, Malcolm Lloyd. He was a Philadelphia refiner. I did not deal with him personally. Mr. Warden did; invited him to come in with us. But Lloyd said No, and Mr. Warden said: 'All right; no hurry; take your time.'(Some years afterward Malcolm Lloyd found that he was not doing so well as he would have done with us; so he said he was ready to come in. All right; the appraisers were sent; he came in; the transfer was made. He was appointed an officer with us. He prospered; became President of the Atlantic Refining Company. I suppose this was after Henry D. Lloyd wrote.

"I have mentioned other cases to you before, but I suppose the best illustration of the real situation was the election of young Mr. Teagle to be President of the Standard Oil Co. of New Jersey. His people were among these who ranged themselves against us; but he is of different stuff, an honorable, upright man.

"My son has been apprehensive that this state of the public mind would persist. I have never felt that apprehension. Perhaps much of what has been uttered against me was put forth because I never said a word in the way of defence; though it has been very hard at times to keep silent when accusations were made against me of having done things for which I had no responsibility at all. Yet I kept silent because it would not have been statesmanlike to speak.

"But little by little, as time has gone on, all this clamor has died

Mr. R. TELLS
EARLY S. O. HISTORY

away, and these people are no longer heard of. The principles of centralization, savings and service have operated, as we always believed they would, for the benefit of the whole people, and these detractors have faded away, grown smaller and smaller until you can't find them with a glass.

"After all, it was a repetition of the same opposition that met the spinning-jenny and the machines for weaving; great popular indignation, clamor, even rioting, at first, and then, as people learned the real advantages of the new methods, the whole world used them for its service;

"Some years ago Colonel John J. McCook was making an address at Princeton University on a subject which brought up this matter. They asked him -- the students -- "What about John D. Rockefeller?" He replied: 'I know him. He is my next-door neighbor. I know him and his family. I know what he has done and how he lives. The time will come when you men will be putting in ten cents apiece in a great popular movement to build a monument to that man.'"

Dec. 26, 1917.

Q. (Continuing Lloyd p. 65): but meanwhile they (Scofield et al.) were called to account and frightened into another "reconciliation." He was present, the chief reconciler told the court, at the interview in which they "agreed to diminish their manufacture . . . . to bring the entire amount within the terms" of the contract.

But again they began to refine to supply the needs of the people evidenced by the market demand. Then their supply of crude was shut off. Their suzerain owned the pipe line to Cleveland. When its escaping victims got around that difficulty, it took its "contract" to the courts.

A. (With a gesture of impatience) They wanted to break their contract; there was money in it for them to break their contract. They thought there

Mr. R. TELLS
EARLY S. O. HISTORY

was more money in it for them to break their contract than to go on with it as honest men. This question about the "demand of the public," or of religious or conscientious duty to supply that "demand" is all nonsense. There was a certain amount of oil consumed. They had agreed to supply a certain amount. They saw an opportunity and had stolen in, and thought they could make more money than by doing as agreed -- that's all.

Q. Lloyd p.66: Such contracts as these, its counsel said, were made with refiners all over the country. The chief profit of the adventure lay, not in the divided profits of the picayune business it let the vassals do, but in the undivided profits of the empire kept for itself. Why should the reconciler hurry with expensive lawyers into court for a summary injunction to prevent a "reconcilee" from making more oil, when the reconciler who toiled not nor spun, was to get half of the gain of $2.05 on every barrel of it? Why, but that every "co-operative" barrel so made would in the markets displace a barrel all the profits of which went to it.

A. Just a part of this virtuous academic presentation that doesn't mean anything at all. The whole thing means that these people, for a good consideration, made that contract. We had kept our part; they had a good business. If we had done as they did, had stolen in and spoiled the prices, we would have spoiled the market. We might have been "virtuous" by breaking faith. It's a matter of rhetoric.

Q. Lloyd p. 66: The immediate effect of this "equalization" was an advance in the rates of profit. The year before the independent refiners had made a profit of only 34 cents a barrel. The first year of the "adventure" the profits jumped up to $2.52 a barrel. . For the four years the average profit was $2.05 a barrel . . . While a world-compelling decline not only of

Mr. R. TELLS
EARLY S. O. HISTORY

prices but of profits, was in progress, the authors of this arrangement kept up kerosene to a point at which $630,691 was made in four years out of an investment of $84,000. half of which went to those who put in $10,000 and their power over freight agents.

A. "Their power over freight agents!" I don't know about the question of profits that were made. But I would rather do less business at a little better profit than do four times as much as I was to do and make no profit. This whole thing was doing away with that cut-throat policy of making no profit. But it is to be noted that the public had no occasion to complain of the quality of the service and the prices; the public has always been talking about the other thing. This speech here is just a repetition of what he said about that contract. I repeat again that if we, after spending these hundreds of thousands of dollars to acquire the allotment of the competitors who were doing a losing business, were in a position to make these contracts and carry them out, contracts, too, that made a profit for the people entering in and who thus made a better profit, ... But, seeing that there was a profit, and being dishonorable men, they were not content to make their proportion. They hoped that we would wink at their violating the agreement, would allow them to increase the amount of manufacture and get the profit.

The whole plan was a limiting of the amount made, due to the excessive refining capacity when compared with the consumption of the product. Suppose we had given them all the profit on whatever their allotment was instead of allowing them to do the larger volume, thus curtailing their expenses pro rata, how much better it would have been for us to have taken our half of that allotment and manufactured it and merchandized it ourselves in connection

Mr. R. TELLS
EARLY S. O. HISTORY

with our other business! The fact is that they were dissatisfied to have us get our share of the profit of this adventure, which we would have had, and more than as though they had refused the whole allotment if we had been permitted to refine our share as we could have manufactured and sold at less cost. It's really too trivial to take time on; but they make up this pious rhetoric to throw dust. . And, following this, they went on in the competition for long years, having a constant wrangle among themselves, and when at last an opportunity presented itself to get out of the business they were not only glad to do it but embraced the opportunity to get rid of each other. The thieves had fallen out. You can wite that all down -- though it is not to go into the history.

Q. Lloyd p. 67: By reducing the volume of business one half, by increasing the profit from 34 cents a barrel to $2.05, the reconcilers pocketed $315,345.58 in four years, on an investment of $10,000, with no work. This was the fact.

A. Do you not see that this was not the fact, as we had already expended hundreds of thousands of dollars, much of which was of no practical value, it being old and superannuated construction. And we were constantly destroying such and introducing new and improved machinery and methods of manufacture.

Q. (Continuing Lloyd, same paragraph): The theory with which this fact was hidden from the people is given to the New York Legislature in 1888. The principle on which the trust did business, its president said, was:

"At a limited profit; a very small profit on an extremely large volume of business." (Testimony, Trusts, New York Senate, 1888. p. 422)

Mr. R. TELLS
EARLY S. O. HISTORY

A. Before figuring profits we've got to eliminate or wipe out these investments above referred to; so the general public or these prejudiced and uninformed writers are not giving the public a just idea of what the net profits were.

Later in the day Mr. Rockefeller said to Inglis: "You find that we are going over the same ground again and again."

"Yes," was the reply; "but Lloyd parades what purport to be new facts, though your analysis, the facts you give, show them to be variations of the same theme."

"I wonder," Mr. Rockefeller mused, "whether it is worth while to continue with Lloyd?"

It was answered that the idea is to quote the statements of Lloyd and Tarbell in detail and get Mr. Rockefeller's answers to what they set forth.

"I am willing to answer them," said Mr. Rockefeller, "but Lloyd keeps going over the same ground. This is the first time I have ever taken up Lloyd and Tarbell in detail, and I find that considering them in detail confirms the opinion I formed of them in bulk, years ago. They either did not know or would not know the facts. The truth is that at the period when we began there was a necessitous situation. It was time for some bold man or a number of bold men to step in and save the business from the chaos into which it was sinking. We went in and were joined by others and worked out a plan, the plan that relieved the situation, saved the business. Most of those

Mr. R. TELLS
EARLY S. O. HISTORY

who came in with us kept faith. These men of whom we have been talking did not keep faith, could not keep faith. They were sharpers. It was not in them to go through with any plan based upon good faith. Having lost by their sharp practice, they tried to gain sympathy by posing as martyrs, when they were really victims of their own crooked schemes. These writers lent themselves to publishing that kind of stuff to please and appeal to people who had already formed opinions from reading the yellow newspapers. The sort of 'information' they got was as if some one should speak to a private in the ranks and he would say, 'I can tell you what General Soandso is doing and going to do and what he ought to do.' That is, when they were honestly mistaken.

"But I believe the people will judge -- have judged -- the tree by its fruits and the results of its fruitage. They have seen how this organization has always kept faith and steadily has gone ahead and prospered.

"Really, I don't believe it is worth while to go through Lloyd and Tarbell in detail. For the purposes of the history I should think it best to tell in a complete way what the conditions were when the organization was established, what we did, and how it developed and progressed."

Q. (Continuing Lloyd from p. 90 of this record) When its secretary was before Congress, he was asked about the operations of himself and his associates in these years, 1876, 1877, of wonderful profits. He had been participating during that time in not only this profit of $2.05 a barrel, but in divided profits rising to $3,000,000 a year on $3,000,000 of capital, and in undivided profits which rolled up $3,500,000 of capital into $70,000,000 in five years. But he said: "The business was so close as to leave scarcely any margin of profit under the most advantageous circumstances." (Testimony, Trusts, Congress, 1888, p. 772.)

A. It is to be remembered that we were constantly taking in properties worth millions and millions of dollars. It was not by the accumulations of the business currently alone that we grew. In some of these cases of the larger properties taken in there was contribution of working capital as well as plant and large properties running into millions of dollars which were not at the moment absolutely required for the refining business. But we had to take them in in order to consummate the negotiations with these large concerns. One of these which might be mentioned was a property at Com-munipaw which in after years was disposed of for some $6,000,000 or $8,000,000, more or less.

This increase of value also came naturally by the increase of the intrinsic value of realty which we utilized and operated for the business, including large dock properties and smaller properties throughout this country and Europe for tank steamships, et cetera, et cetera. In the case of dock properties we made large purchases of unimproved land, and as the years went by built docks and filled in, and from this source alone the increase of value, I should say, easily would run into many millions of dollars. These proper-

ties are now being used, most of them, and they represent hundreds of acres of land in and about the harbor of New York and in the different cities -- New York, Philadelphia and Baltimore, I would say -- and the different cities of the country; our country not only, but of the world, where the conduct of our large and regular business has naturally built up and increased the value of property.

I dare say that many of these properties have been increased in value ten- or twenty-fold -- and even more -- and the history of the increase of value is the history of the increase in value of railroad terminals the world over and of dock facilities, to say nothing of the innumerable places where our stations have been built in the smaller cities and villages and uniformly have bettered conditions and advanced the prices of the property. I am glad that question has been asked. It shows how little Lloyd knew, or at least took into consideration, while writing his book. There could not be a more graphic illustration of his ignorance or malicious prejudice.

Q. Lloyd p. 68: One of the best-known producers in the oil regions, one intimately associated with the members of the combination (no hint discoverable as to his identity -- W. O. I.), showed that oil which was selling at twenty cents a gallon retail could be sold at a large profit at twelve cents a gallon.

A. (Smiling) This being the case, where was all the capital and enterprise of the country that wanted a chance to make a profit of eight cents a gallon?

This questioning and answering was being carried on as Mr. Rockefeller was walking the length of the verandas of Golf House, where snowfall and zero

weather held him away from golf.

"Oh," he exclaimed, "it's too ridiculous. That answer is like an elephant kicking at a flea.... Made money! Of course we made money. Everybody knew that. Everybody was jealous because they didn't know how we made it. They thought we stole it.

"But the same men were so conceited and jealous that when we proposed to them that we would furnish the same quality -- guaranteed by rigorous test -- and quantity of oil that they produced subject to the most rigid inspection, they refused.

"We knew what we were doing and what they were doing. As one concern after another came in, didn't we have their manufacturing cost sheets?

"It is to be remembered also in this connection that in the issuance of this large amount of stock it was perfectly proper to take into account the good will of this wonderfully organized and remarkably successful combination of business. It is a very difficult thing to estimate the value of the good will of such a business. There is nothing new or strange in these questions as to the value of the good will. That follows in all business. In this case it was distinguished by four features:

"I. Taking in new properties, some of which contributed working capital;

"2. The fact that we were obliged to take in some large properties which were not absolutely necessary for the refining business;

"3. The great advance in value of the realty by reason of our occupancy, and

"4. The question of the good will of the business."

Q. Lloyd, p. 68: As to the effect on the working-man, the demand for labor declined, wages went down, and the number of unemployed increased.

A. We were one industry out of hundreds in the United States, and certainly our small fractional part of the industry of the country could not be chargeable if there was such a result. The refining industry and the producing industry as such were not using fewer men, but we steadily increased the number of men and paid our men so well that we went for thirty or forty years without any strikes.

Q. Lloyd p. 68: There was no pretence that the design of this contract (with Scofield et al. -- W. O. I.) was not to make oil scarce -- i. e., dear.

A. There was no pretence that there was that or anything else, was there? What had the question of pretence to do with it?

The walk along the verandas was resumed. Mr. Rockefeller again expressed his amazement at the stupidity or malice of Lloyd.

"Think of what we were doing in those days!" he exclaimed. "We were making vital improvements in every department of the business of producing, transporting and refining and selling oil. We had the capital, and we were able to build pipe lines and beat the railroads out of their boots. We didn't have to worry about their rates. We bought out producers who were deluging the world with oil. You will remember that the business in its early years was a sort of gold-field rush. Great fortunes were made by some of the first adventurers, and everything was carried on in a sort of helter-skelter way. All kinds of men were going into oil production as well as refining. So many wells were flowing that the price of oil kept falling, yet they went right on drilling. We had capital, and we built tanks to store many thousands of gallons of crude oil and thus partly save the situation. Prominent men among the producers came to us -- Mr. O'Day, Mr. Archbold and

others -- and asked us if we would take in the producers and stop the deluge. That's how we went into producing.

"It was the same way in other branches of the industry. We went into transportation by water. We began to use tank ships to carry oil in bulk. Just look at that one item out of many -- our ships to-day are worth more than $100,000,000!

"Providence favored us. Our organization was like a rolling snowball, growing every moment. They couldn't stop it. It was the struggle of competition and the survival of the fittest that made these men scared and anxious and desperate. And then -- then they found us doing the Big Brother act; helping them hold their crude oil and in anything they wanted to do. And we did help them a lot."

After luncheon this day Mr. Rockefeller reverted to the talk of the morning.

"I am very glad we had this work to do to-day," he said. "Lloyd's foolish assertions brought out a lot of valuable facts. I don't think we have ever had a better day. It is interesting to recall the beginnings of the oil business. You remember that the whale fisheries were running far behind, couldn't begin to supply the oil needed for illumination. They were making coal oil from shale, but it was difficult work; there was not a great deal of the oil, and it was costly. At the moment of greatest need petroleum was discovered and the ease with which it could be refined. Men from everywhere rushed to the oil fields or into the oil refining business. You spoke of a rush to the gold fields. It was like that. I remember barbers, saloon-keepers, tailors, all sorts and conditions of men, dashing into the business. If they had enough money to lease a bit of ground and set up a still, they

were oil refiners."

"You have mentioned Brother Mix, a Methodist clergyman," I suggested.

"Yes," Mr. Rockefeller agreed; "he was a refiner for awhile -- and was grateful to be bought out. And you remember Mr. Halle, with whom you spoke in Cleveland: went into oil refining from the notions business (in which he had accumulated money) because his health was poor and the doctor recommended out-door life. He was glad to be helped out of it; is glad to this day.

"There they all were, running helter-skelter. At first many of them made fortunes. You saw poor Dr. Egbert in Cleveland. His plea now is that he made a million in oil before I was ever heard of: therefore, I ought to lend him a million dollars, now that he has thrown it away. Some of them had sense enough to get out of the business before the boom days passed. The business had to settle down on a steady basis. And when it did, the men who took the lead were those who had business training, vision and imagination to see its possibilities, business ability to organize it and rescue it from its chaotic condition. And, very naturally, the men who made the success in the oil industry were those who had these qualities and the courage to throw into the business all their capital and energy and all that they could borrow.

January 2, 1918.

Mr. Rockefeller was walking along the verandas when I arrived at 12:30 P. M. from a storm-bound train.

"I have been thinking of these matters while you were away," he said. "There were two more reasons for the increase of our capital. Four I gave you the other day. The two were:

"1. We kept our profits in the business.

"2. We bought U. S. Government bonds. Bought them at a low price which was soon followed by a great raise. I remember so well my brother going with me when I bought them.

"You already know of the wild rush men made into the oil business. Many of them made money at first. It was the fashion to declare big dividends. We made large profits from the beginning, but we kept them in the business. Mr. Andrews sold out, left us, because we would not declare dividends to the full extent of our profits. Previous to this time oil manufacturers had paid full dividends. They were disappointed if they did not make one hundred per cent profit in a year -- sometimes in six months. We put the profits back in our business and rolled them up constantly -- always keeping the bulk of them in the business, declaring meantime a small profit, such as a bank or some such conservative concern would declare. And yet these people talk about rebates and drawbacks, as if that was all there was in our growth. It is so foolish to stop to argue with them. My son quite agrees with me that, while it is right to have these facts on record to confute them, it would be folly to take them up in the written history. The slanderers have all disappeared long ago.

"We soon saw that there was little to be hoped for in our dealings with the producers. We attended one of their big meetings, a convention. We

were making then from $2.50 to $5 profit a barrel on the oil we handled. The producers -- not unnaturally, perhaps -- wanted to make all the profits in the business. They told us they were willing to allow us one-tenth of a cent profit per gallon -- five cents profit on a barrel of fifty gallons! We said nothing but went on our way. We did not tell them what we had in our minds, but we knew we could have nothing to do with that kind of people.

"We were making profits not on one line alone, as the producers and the refiners were. We had vision, saw the vast possibilities of the oil industry, stood at the centre of it and brought our knowledge and imagination and business experience to bear in a dozen -- twenty, thirty directions. I am tempted to say countless directions. As I have told you before, I did not need anyone to do my figuring for me; to tell me correctly what there was in any proposition. There was no branch of the business in which we did not make money.

"Take barrels. They cost other refiners from $2.50 to $5 apiece. The coopers were Irish; there were many agitators among them; we never could be sure how long we could get the barrels we needed. We built our own barrel-factory, our own cooper shop. We bought forests. We lent money to men who had no capital and wanted to cut wood for us. We built kilns to dry the wood, built warehouses to store the wood, and as we needed staves hauled out the dry, well seasoned staves, instead of wasting so much transportation on green wood -- hauling out so much sap that was of no use to us in our business. We eliminated waste everywhere.

"Hoop iron. Refiners had to pay high prices for barrels because hoop iron was high. We bought it wholesale, at far less than the individual barrel-maker would have to pay. 'Come now. What's the very lowest figure

you can sell hoop iron for -- in the largest quantities, of course.

"Paint. Glue. We bought ours far lower than anyone else could, since ours was a steady demand for the largest quantities.

"Sulphuric acid, for refining the oil. We made our own. How could a refiner, buying his in the open market, compete with us?

"Coal. We made a tremendous saving on coal. What is the name of the fine stuff, refuse from the mines, that they have standing in mountains around the coal breakers? Culm. It was for many years a drug on their hands. The miners could not get rid of it. We found a way to use it. The coal men were glad to let us have the stuff at any figure, to get it out of their way. We bought that by the millions of tons -- I mean that literally -- and made a great saving. See the advantage that gave us over men who used ordinary furnace coal.

"Pipe lines. What did we care for the railroads, their rates or their rebates, when we could carry our crude oil to be refined or the refined oil to market in our own pipes?

"Then the tank ships. We began to use them to carry our products to foreign lands. Think of the saving in that! No barreling, no leakage, no handling by stevedores, no dunnage to wedge the barrels so that they would carry in safety, no labor to unload the oil. Simply let it run into the tank ships on this side of the ocean and pumped it out into our tanks on the other side. We saw big business in that and went right after it.

"There were brokers, freight brokers and oil brokers, all sorts of men who had to do with shipping oil. We eliminated them from our business. More expenses lopped off. The best of these men we took in with us. They prospered. Many of them bought stock; did well.

"The matter of exchange -- foreign exchange. We did our own exchange, and made a lot of money on that.

"There was the matter of cans for shipping oil to tropical countries. We investigated the process of making the cans, found that we could make them far cheaper than we could buy them; so we took up that business as a branch of our industry.

"Distribution added a lot to the retail price of oil. We found that wholesale grocers made their profit in selling oil to the retailers, and that the retailers sometimes added as much as five cents a gallon to their price in order to make their profit. We bought land, put up our storage tanks, cut out the cost of barreling and freight, made tank wagons and delivered the oil at the doors of the consumers, eliminating all those intermediate profits on the way. We made a fine crop of enemies by it, too; but we made oil far lower in price than it had ever been before. It was the natural growth of business, the law of economy at work. In all these operations we followed our rule -- to give constantly better service, and at a price that was lowered as much as we could.

"As for Lloyd stating that I testified falsely about our profits and how we made them, his accusation is not only false but foolish. I testified with the most scrupulous regard for accuracy. I was surrounded by able counsel, the best attorneys, such men as Mr. Dodd. I would ask them at the end of the day whether I had left anything obscure or had failed to answer anything. They always assured me that there was nothing lacking. Many a time I would awake at night and ask myself if I had failed in any way to answer the questions put to me.

"These things I have just told you were, of course, in my mind as I testified. But I was under no obligation to open my mind and tell these men

all about our business, all our ways of making money. I was there to answer questions, not to instruct."

January 3, 1918.

Mr. Rockefeller returned to the subject at breakfast.

"I have thought," he said, "of some other things we made -- chewing gum, candles and other forms of paraffin. There was vaseline, a valuable by-product. That made a big business by itself. Albolene, very good for treating colds, etc. There was another by-product, for which druggists paid sixty cents a gallon and sold for a much higher price in small quantities. I cannot recall its name at the moment. But every one of these articles I have named to you represents a separate industry founded on crude petroleum. And we made a good profit from each industry. Yet this 'historian,' Lloyd, cannot see that we did anything but make kerosene and get rebates and 'oppress' somebody.

"Here were these refiners, who bought crude oil, distilled it, purified it with sulphuric acid, and sold the kerosene. We did that, too; but we did fifty -- yes, fifty -- other things beside, and made a profit from each one. I am glad you questioned me about this part of his book. The answer is so overwhelming. The facts sweep him away; show how blind he was, or worse than blind."

Walking along the verandas later in the day, Mr. Rockefeller returned to the subject.

"My thought would be," he said, "to make a memorandum to add to what I gave this morning:

"It has been a well known fact that the Standard Oil Company has steadily prospered, owing to its perfect mastery of the business in every

detail of all its many parts. And it only required the comparatively small profit on each of these subdivisions of its business to make the gratifying returns which it has always enjoyed.

"It is to be remembered also that in the original business of oil refining the profit was estimated on one of these many subdivisions of the business, namely the distillation of the crude oil and cleansing of the distillate with sulphuric acid.

"It is not surprising that historians have erred in assuming that the profit per barrel which the Standard Oil Company made on the oil was to be credited to the oil refining department, whereas this was only one of probably fifty subdivisions of the same, more or less; and they naturally fell into this error from a lack of the knowledge with which the public were not so conversant, but which accounts for the marvelous success of this wonderful administration -- yes; we may call it that -- which was contented for long years to accept the abuse which was heaped upon it by ignorant and jealous competitors and politicians and others, rather than divulge the secrets of its growing power and successful administration, as wise and prudent men. But in this, however, this group of men did no differently from successful business men generally, who prefer to keep their own counsels and attend to their own business rather than to be diverted by the senseless prattle of their jealous and unsuccessful competitors.

"<u>There</u> is a way in which the truth can be made known without stooping to controversy with these writers who have attacked us unjustly.

"It is to be remembered, too, and it would be surprising if it were otherwise, that some of these writers might have been more or less influenced by the jealousies of friends, the colored statements of their friends who

failed to succeed in competition with this organization.

"I have thought that Lloyd might have been inspired by his cousin, Malcolm Lloyd, who had a refinery in the Philadelphia district. But I feel sure, on reflection, that this could not have been the case. I had no personal contact with Malcolm Lloyd. He was a neighbor of our associate, Mr. Warden, who invited him to join us. Lloyd declined. There was no oppression or even hurrying. Mr. Warden said to him, as we did to all our competitors: 'Take your time. Think it over. Whenever you feel that you would like to come in, let us know, and we will talk it over together.' Malcolm Lloyd went on alone for three years, I think; then came in. He was made a minor official in one of our companies. As the years went on and different men died or retired, he was made President of a company. I never heard, now can I believe, that he harbored any feeling against us. I do not know how to account for Henry D. Lloyd. Perhaps he was an extreme theorist, possessed by the belief that no man could accumulate great wealth fairly, and picked on the most prominent case he could find to prove his theory. Perhaps his obsession and his pride of authorship drove him to twist everything he saw into a 'proof' of his proposition, regardless of the actual facts. He is so oratorical -- I could almost call him hysterical -- in his methods that he defeats his own purpose in the mind of anyone who considers him seriously. Tarbell is much more dangerous. She makes a pretence of fairness, of the judicial attitude, and beneath that pretence she slips into her 'history' all sorts of evil and prejudicial stuff, calling it 'the record of the court,' where it is only a statement by a party at interest, and she hides the other side. She is very adroit and cunning; but even she has defeated herself. She has over-reached herself, and anyone who reads her book with care can see

that she is dishonest, prejudiced, untruthful."

Q. (Resuming Lloyd p. 69) The appalling mortality among the independents showed that something was seriously wrong. There was something in this "Agreement for an Adventure" which pointed straight to it. That was the clause which guaranteed those who became vassals that they should have the same freight rates and get back the same rebates as the monopoly. (Exhibit A, Answer of Defendants, Case of Standard Oil Co., vs. W. C. Scofield et al., Cleveland, 1880; section 12.) . . . . The facts were hidden in secret contracts with the railroads. As regards Cleveland they did not come out until five years later, in 1885. It then became an adjudicated fact that in 1875, the year before this "Agreement for an Adventure," the Lake Shore Railroad had made a contract with the oil combination to drive these very competitors and all others out of business, just as the same road had done for the South Improvement Co. in 1872. When they (meaning the competitors? W. O. I.) escaped from their "reconciler," they brought this railroad and the contract into court. The case was fought up to the Supreme Court. That tribunal found that the Lake Shore road had contracted with this company to carry its products ten cents a barrel cheaper than for any other customers. - - -

A. (Interrupting and laughing) Ha! Ha! Will you think of that? I'm glad he put in a silly thing like that. Ten cents on a barrel of oil! As though that ten cents was going to determine the question of life or death. I'm surprised that it is not a great deal more, and I'm repeating to you again what I might have said a number of times already, that if I owned that railroad I'd have taken that business every time rather than the other business even at a much greater difference, on account of the large, regular volume of shipments, the facilities for loading and unloading, and other consider-

ations making a part of any such contract, which was of far greater value to the railroad company than the paltry ten cents a barrel of an allowance.

I am not prepared to state at this time that the railroad company did make a contract with the Standard Oil Company giving an advantage of ten cents -- you'd better get your Lake Shore road and get your time --; but I repeat that in many other cases where it was supposed that the railroad companies made a lower rate to this Company than to the small individual shippers, it was found long years afterwards, through litigation, etc., that the small companies got substantially the same rate of freight.

It was quite a number of years after this period before the railroads were prohibited by law from entering into contracts which gave a preference to shippers of large and regular shipments over shippers of small and irregular shipments.

Q. (Continuing same paragraph of Lloyd): It (the tribunal) showed that this made a difference to the victims of the "Adventure" equal to more than 21 per cent a year on their capital. The court said:. . . ."the inevitable tendency and effect of this contract was to enable the Standard Oil Company to establish and maintain an overshadowing monopoly, to ruin all other operators, and drive them out of business."

A. I call your particular attention to the fact that this particular concern under consideration had a guarantee of $35,000 a year profit on their allotment. And this ten cents, on their allotment, would not amount to more than ten or twelve per cent on the entire profit. So that the eminent Judge must have been sadly misled. It is to be remembered that we have just been talking in this book of a profit of $2.05 a barrel. If that were so, you take off that ten cents a barrel and the concern would not yet be bankrupt. I think this

shows the shallowness of the decision.

Q. (Lloyd p 70): When the President of the trust was asked afterwards by the New York Legislature if there had been no arrangement by which it got its transportation cheaper than others could, he replied, "No, sir." And later he reiterated that in their arrangements for freight there was "Nothing peculiar." (Testimony, Trusts, New York Senate, 1888, pp.388, 421.)

A. There was a question you asked me another day. I don't understand that. In 1887 that was, perhaps 1888. This might be it: My information on this subject must have come from Mr. Flagler, who had the freight matters from 1873, and I judge that when this legislative inquiry was made that the laws had been made to prevent the railroad companies' making any special rate. And after the law was passed we observed that law.

Q. Lloyd, p. 71, refers to the appearance before the Committee of Commerce of the House of Representatives at Washington of a "Cleveland refiner, . . . the brother of an organizer of the oil combination. He, too, had been a member of it, but for some reasons was now 'out,' and was one of the swimmers who felt themselves being drawn down."

A. (Interrupting) My poor brother!

Q. (Continuing Lloyd): When he began talking in this free way to the public authorities, his former associates saw that they had underestimated his abilities as a refiner . . . some concessions . . . . The investigation was summarily suspended, and his testimony was spirited away. With the only power that could have interfered thus silenced, the surviving independents were corralled as we have described.

A. I haven't any recollection of that. This brother of mine bobbed up every time. I took him up four times after his failures -- he speculated and lost his money - though that cannot be allowed to creep into the history. That is a pronounced style, Lloyd's writing; would make it appear he had been spirited

away. We finally took his business off his hands and gave him a salary after he lost all his money -- in speculations. That must not creep into the history. My dear brother! I did all I could. There was nothing I could do: bobbing up and down; fighting Scofield one day, and fighting us the next.

Walking along the verandas this afternoon Mr. Rockefeller said:

"I want to repeat now that I did not testify under the direction of my attorneys. I testified entirely of my own motion. I did not fail to consult them, but my testimony was my own. Afterward, I read the testimony with the utmost care, and took pains to verify my statements before signing my name to the deposition."

Later in the walk Mr. Rockefeller said:

"I want to repeat here that there was one policy that was most important to us, without which we might have failed, and that was the policy of fortifying. By fortifying I mean accumulating a reserve, putting our earnings away, either as cash or in United States bonds, so that when we wanted to make an improvement or develop a new branch of the business we did not need to go to a banker for the money to do it.

"My brother was a banker. He was an able banker. He was in the United States Trust Company in New York with Mr. Astor and others. He made money. They asked me to come in, but I declined. I had other aims.

"My brother and Mr. Stillman wanted me to go into the National City Bank. I did not go in; have never taken an active part in its affairs. I bought perhaps two or three hundred dollars' worth of stock. It is worth now, I suppose, about $500,000."

January 4, 1918.

At breakfast Mr. Rockefeller said he would speak later about two points:

"1. We were producers of oil, and made a profit on that.

"2. The mistake of the 'historian' in picking Scofield, Shurmer & Teagle as an example of a firm that was 'crushed' or was liable to be 'crushed' out of business by the Standard Oil Company."

Walking on the verandas later Mr. Rockefeller took up the latter topic first.

"Scofield, Shurmer & Teagle," he said, "ran on for ten or fifteen years after the time Lloyd speaks of. The real surprise is that they should have done a prosperous business and lasted so long. They refined oil, utilized only a few of the many legitimate advantages which we availed of in our conduct of the business in the larger way, not being willing or able, in connection with other competitors, to risk the large amount of capital necessary to supplement the business with all the collateral industries to the extent we did; and which industries, as aforesaid, contributed so largely to make our position invulnerable as against all competitors.

"That profit of $2.05 a barrel which Lloyd mentions I know nothing about. I do not remember at this time what the profit was then; but at all events it is silly for him to cite a freight rebate of ten cents a barrel as ruining a firm making $2.05 profit per barrel. Besides, under the contract they violated, we guaranteed them $35,000 a year profit on the business allotted to them. It would have been far more profitable for us to have done the business in that allotment, for we had far better methods and facilities in every department. But you see how Lloyd's argument is destroyed by his own statements. I never knew before how silly his stuff is. We knew at the time that

the book was published, and when Tarbell's book was published, that they attacked us, but I never examined the books. We were all busy with other things, much bigger things.

"See. When we were shipping oil in packages it had to be re-examined in New York; the barrels re-coopered. Imagine the reduction of expenses when one man inspected a 10,000 gallon tank of oil, as against a squad of men examining and re-coopering two hundred barrels containing the same amount of oil.

"We used to ship oil to Europe and then ship the barrels back to be used over again. Soon we gave that up, for the empty barrels took up in a ship the space which could have been filled with profitable cargo. We shipped to Europe our staves and hoops and heads, and had the barrels put together by cheap European labor. Another big saving.

"Now I am sure you have seen what a great success our company was making, growing constantly stronger and venturing into new activities. We made money, and kept putting it back in improvements, or fortified ourselves by saving either the cash or U. S. Government bonds, upon which cash could be realized instantly by sale or loan. Some of our associates made trouble by insisting upon immediate dividends, but we continued our policy. No matter what the condition of the money market, even in time of panic, when we wanted to make improvements, whether they cost one million or several millions of dollars, we had the money ready.

"And you see this industry was growing and making good profits along not one branch but along many branches. What chance had the casual tailor or clergyman or saloon-keeper or anyone else who dropped into the business of refining oil to compete with our organization, which operated fifty departments

of business and made a profit on each?

"It was the law of nature, the survival of the fittest, that they could not last against such a competitor. Undoubtedly people who had been able to make at the beginning $4 to $5 a barrel profit refining oil felt badly when they saw the business growing away from them. Some of them were very bitter. But there was no band of greedy men plundering them. An able, intelligent, far-seeing organization simply outstripped men in the casual, haphazard way of doing business. That was inevitable. Yet we made provision for all these men who chose to come in. The wise exchanged their plants for Standard Oil stock. Those who kept the stock were made men; their future and their families' future was assured. I cannot repeat too often that there was no compulsion, no pressure, to force competitors into coming in. Remember the case of Malcolm Lloyd, Lloyd's own cousin.

"Now, as to the crude oil. Mention should be made of the fact that the oil producers were always claiming that their business was unprofitable and warring against the refiners, which seemed to be chronic. They claimed that the refiners as a class got too much profit. It was true of the producing as of the refining, that in the beginning it was very profitable. And this it was which led so many adventurous people from all the walks of life to invest, and in many cases their all, in this venture. As the years went by, notably in the older producing territory, as the wells became smaller, many of the producers found themselves to an extent in the same case as the oil refiners who had built works in excess of the requirements to refine all the crude which was produced. Many of these producers under these circumstances, finding that they could not furnish the capital and were not willing to risk the capital necessary to fortify themselves in producing as the Standard Oil

Company had done in its business, having had pleasant and satisfactory contact for years with the Standard Oil Company in business relations and having lost the fears which they entertained before this better acquaintance with the Company; of their own volition opened negotiations with the Company to buy their producing properties, and theywere pleased to accept the stock of the Company in exchange and to join their energetic efforts in conducting the producing and refining business together.

"With this experience on the part of the Company, it became apparent that the exercise of the same business ability in the producing department would produce the same gratifying results which had followed their endeavors in the refining department, including the collateral industries which they had compassed in this connection. Their experiences confirmed these earlier impressions, and the producing department of the Standard Oil Company proved to be one of its large sources of revenue. And in the conduct of this department of the business the Company were of much service to their competitors in the producing business in co-operating in various ways for the general well-being, in practicing the economies, and in preventing the wastes which had so characterized the haphazard methods of the former conduct of this business, which, as previously stated, were quite inevitable, as it partook so largely of the characteristics of mining operations generally in new and unexplored regions.

"It is not to be overlooked that when the estimates were made of the profits per barrel on the oil manufactured and marketed by the Standard Oil Company, that the profits from every source, including the producing of the oil, the transporting of the oil by pipes and bulk cars, of which the Company owned many thousands of miles of pipe and many thousands of cars -- to say

nothing of all the other collateral industries hitherto briefly referred to -- were all included in showing the profit per barrel which was derived."

There was time in the afternoon for one question and answer:

Q. Lloyd p. 72: From the beginning to the end the language used by the founders of the combination proves scarcity to have been their object . . . . in 1872 there were more refineries than were needed for the oil; in 1887 there was too much oil. The progression is significant.

A. I'd like to say a word about that condition in '87. It is true that, against the protests constantly made to the producing interests, they persisted in developments resulting in over-production from time to time, and as we review it it is not so surprising, as they represented so large a body of adventurers and often reckless men, each one of whom expected to meet with a great success in developing a large well, and as these multitudes of men were not organized and working together, and each jealous of the other, it was impossible to hold them to any concerted action or to keep their agreements among themselves or with the refiners with the view to save the waste incident to bringing such excessive quantities of oil from the ground before the refiners, with all their capital and all their enterprise, could find a market for the same, notwithstanding their superhuman efforts in every part of the world to stimulate its consumption, and their apparently reckless large expenditures of money in new and untried methods of transportation, etc. Now, notwithstanding all this, the producers were constantly charging a decline in prices of the crude oil to the operation of their brethren engaged in the refining who had succeeded better in concentrating and centralizing their business. The refiners always made answer to such charges that if the

producers would co-operate with them and keep back the oil not required for use they would obtain much more remunerative prices.

The producers, and generally historians and people influenced by their false writings, seem to ignore the laws of trade referring to any other production; namely, that the excess of production must necessarily be accompanied with a lessening of price . . . . There, that lets them down easy: not accusing them of wilful distortion.

Q. This is the end of the chapter.

A. I think we have answered this man's statements and attacks pretty thoroughly. You can see why we did not bother with them at the time nor with any other of the early attacks. We were growing all the time, extending into new fields, building up our business. I had worn out the knees of my pants in the early years, begging bankers to advance money for us to use in extending our business. Now we had our profits in hand, ready to put into every new opportunity that offered. But we knew that we had not a patent on our many methods of saving, eliminating waste, in every department of our business. And we were not beating a gong to call those bankers or anyone else into this field; we were not calling to them: "Come on, gentlemen! Here is the gold mine waiting for you! The way to make money is thus and so!"

Mr. Flagler used to say to me, "John, you have a hide like a rhinoceros!" But that wasn't it. In the first place, a man cannot concentrate his faculties at the same time on two opposite things; and I was concentrated upon extending and developing and perfecting our business, rather than to stop by the wayside and squabble with slanderers.

In the second place, we could tell by the nature of the attacks made upon us that these people did not suspect the ways by which we really were

making profits in every branch of our business. We saw that not only our enemies but everyone else were away up in the air in their guesses as to how we were making money, and we were not going to call them down and point out the sources of our profits. We poor country boys, brought up amid hardships and taught to be self-reliant, knew enough to mind our own business and let the others chatter.

Mr. Rockefeller, being pressed with other matters, said he could give fifteen minutes this morning to the history. Inglis had prepared a series of questions on the Backus case, to which Lloyd devotes all of Chapter VII of his book. Mr. Rockefeller said:

"Let me say in respect to all of that matter, I think you've got your answer in a paper that's in existence accompanied with depositions. The letter from the brother of Mr. Backus to me and his depositions in regard to our fair treatment of his brother's business representing a confession from him which he made on his conscience, without solicitation or knowledge on my part -- this confession was made early one morning, before he had breakfast, and in it he stated in substance he could not longer remain a party to the great injustice which had been done to me in regard to this transaction including the testimony of Mrs. Backus, and so forth and so forth.

"There is somewhere in existence a writing which includes his testimony on this question and his letter to me of confession. I cannot at this writing state where these papers are or exactly in what form they are presented, but I think they may be on my personal files or in charge of Mr. E. V. Cary at my New York office."

(Mr. Rockefeller asked Mr. Keelips to ask Mr. Cary,
Mr. Mitchell and others for the writing.)

"You do not need," he continued to Inglis, "to waste any time on this thing. Only I would like to say here: For a long period of years I rested under the imputation of having done something wrong in this case. The truth was just the opposite. I desired to show the utmost of kindly consideration, and so instructed the men who had to do with the transaction, and I know that my instructions were carried out, and there was no ground whatever for the complaint of the widow Backus.

MR. R. TELLS
BACKUS CASE

I was particularly desirous that no cause of complaint should be found against us in this case for the general reason governing us in doing the right thing in each and every case not only, but in this case particularly I was moved by kindly consideration to an old employee, Fred Backus, who had been a book-keeper in my office, who had been for years a consumptive, and who had been a mission Sunday school teacher with me in our boyhood days.

"Having waited patiently for long years under the imputation of an injustice to Fred Backus and his widow in connection with this transaction and making no public answer to the same, I still continued to wait -- and, I think, for some years -- after having this confession in my hands before making use of it. When I did make use of it, it was with the cordial consent of the brother of Mr. Backus who made the confession and was himself a partner in the firm. I have to say for this Mr. Backus, he showed himself a very manly man, of a high type, and it was refreshing to contemplate his course, in contrast with the false statements and affidavits of his brother's widow.

"On reflection since writing the above, it occurs to me that the information in regard to this transaction may be found in papers in some way connected with some historical presentation by the Standard Oil Company or from some magazine or other publications; but of this I cannot more definitely speak at this moment. Make it your business to follow Mr. Keelips, Mr. Mitchell and Mr. Cary, now while this business is up. You will be refreshed; you will be delighted.

"I think it possible that the publications respecting this Backus case may have come out in connection with the publication in reference to the Merritts by Mr. F. T. Gates. Let me ask if there are not some publications within a few years that will enable us to find these papers.

MR. R. TEILS
BACKUS CASE

"The confession of Fred Backus came without any suggestion or solicitation on my part. I pulled no wires, directly or indirectly, did nothing in any way to cause it. He simply could not keep silent any longer about the wretched behavior of his brother's widow and the part he had played in the transaction.

"The uncle of Fred Backus was a great lawyer, of the firm of Ranney, Backus & Noble, in Cleveland; and either Mr. Backus or his wife in after years stated to friends that which indicated their appreciation and approval of all that the Standard Oil Company had done in connection with this transaction.

"Think of the accumulative evidence I am giving you of the character of the writing you are presenting to me! And what I say of Lloyd is true in some respects of Miss Tar-barrel."

The questioning now reverts to Tarbell's "History," in order to follow the plan of exhausting both writers simultaneously as to any given period. Here begins her "Oil War of 1872," following the South Improvement Company incident.

Q. T.,p. 99: "If Mr. Rockefeller had been an ordinary man the outburst of popular contempt and suspicion which suddenly poured on his head would have thwarted and crushed him. But he was no ordinary man. He had the powerful imgginationto see what might be done with the oil business if it could be centered in his hands -- the intelligence to analyze the problem into its elements and to find the key to control. He had the essential element of all great achievement, a steadfastness to a purpose once conceived which nothing can crush . . . Even if his nature had not been such as to forbid him to abandon an enterprise in which he saw promise of vast profits, even if he had not had a mind which, stopped by a wall, burrows under or creeps around, he would have been forced to desperate efforts to keep up his business."

A. Nothing of consequence there, one way or the other. It's a high compliment she pays me really. "Burrows or creeps around!" But would not any person of intelligence, finding his way obstructed, go ahead in the best way possible? Her slurs do no permanent harm.

Q. T p. 100: "What did he do? He got a rebate. Seven years later Mr. Rockefeller's partner, H. M. Flagler, was called before a commission of the Ohio State Legislature appointed to investigate railroads . . . He presented a contract showing that from 'the first of April until the middle of November, 1872,' their East-bound rate was $1.25, twenty-five cents less than that set by the agreement of March 25th, between the oil men and the railroads. The discrepancy between the date Mr. Flagler gives for this contract and that of

Mr. Vanderbilt's telegram to Mr. Hasson stating that his road had no contract with the Standard Oil Company, April 6, and of Mr. Rockefeller's own telegram stating that he had no contracts with the railroads, April 8, the writer is unable to explain."

A. I can't recall about that; but Mr. Flagler if he gave testimony knew what he was testifying about. About freight matters, that was in Mr. Flagler's charge.

Q. T p. 100, refers thus to the testimony of Mr. Flagler, before a committee appointed by the Legislature of Ohio, March, 1879; pp. 331 & 332:

"Q. What inducement does your company offer to the railroads or what propositions are made by the railroads to your company? Now, I refer to the testimony given by Mr. Hills in regard to the carrying of oils, etc., what inducements do the railroad companies give whereby they lower your rate of freight? A. They do not give us lower rates of freight for any consideration of that kind. They pay us for the use of our property, if we furnish them with terminal facilities, cars in which to haul the goods, they pay us a compensation for the use of the property. Perhaps I can give it so you can understand it; we keep a separate account with each refinery and if we spend $50,000, or $100,000 to create what we term terminal facilities, warehouses, loading places, etc., we make an arrangement whereby they pay us a fair compensation for the property that is created by our money. That consideration is credited to that investment and has nothing whatever to do with freight. The refinery making the oil is charged with the freight just as anybody else pays, and the compensation for the use of tank cars and terminal facilities at the shipping and receiving ends of the line is given for the use of these ends. I will say that in the contracts we have made, the railroad companies have expressly

reserved the right to give to other parties the same privilege if they furnish the same conveniences."

A. I wish Mr. Flagler were back. His head was clear on these questions of freight and such matters as that; and, as you know, if a man has a thing in charge as a specialty and the others go about their particular work, they cannot so well remember every little detail. This which you now mention about considerations of terminals, etc., would explain differences referred to in other places; but there is nothing of importance to be attached to it.

I think that is beautiful testimony (of Mr. Flagler's.) In each of my associates there were special gifts. This was true in almost every case. I turned from one to the other to take up different features and different aspects of the same features with refreshment as to the details of the particular things to which their minds were more particularly directed.

Q. I read the last extract from Tarbell as an illustration of how her mind works. Notwithstanding the explanation Mr. Flagler gave, she continues, p. 101: "Mr. Rockefeller must have known that the railroad was a common carrier, and that the common law forbade discrimination. But he knew that the railroads had not obeyed the laws governing them, that they had regularly granted special rates and rebates to those who had large amounts of freight. That is, you were able to bargain with the railroads as you did with a man carrying on a strictly private business depending in no way on a public franchise. Moreover, Mr. Rockefeller probably believed that, in spite of the agreements, if he did not get rebates somebody else would; that they were for the wariest, the shrewdest, the most persistent. If somebody was to get rebates, why not he? This point of view was no uncommon one. Many men held it, and felt a sort of scorn, as practical men always do for theorists, when it was contended that the shipper was as wrong in taking the rates as the rail-

roads in granting them. . . This lack of comprehension by many men of what seems to other men to be the obvious principles of justice is not rare. Many men who are widely known as good, share it."

A. She seems to be writing on our side. I suppose she puts in that type of writing over against some of her most severe arraignments, in order to catch the popular reader and create the appearance of fairness.

Q. t p. 102: Mr. Rockefeller was "good." . . "Yet he was willing to strain every nerve to obtain for himself special and unjust privileges from the railroads which were bound to ruin every man in the oil business not sharing them with him. ____

A. Right there. Doesn't this seem very --- what is the word -- "puerile?" What does she mean by "good"? Is she using the quotation marks to convey a sneer? Let me see if I can express it? He is "good," but good as he may be, he does business on business principles, just the same as any able, high-minded business man; no more, no less. But let us see. You need not put this down. I tell you merely that you may have clearly in mind an idea as to how my character had developed up to this time.

The writer took no notes, but within a quarter of an hour, after the session was ended, wrote down from memory what Mr. Rockefeller said.

"As boys," he began, "we had endured self-denial and adversity -- not poverty. But we had to exercise the strictest economy. You have seen that we lived well, though very carefully. I was kept at school until I was sixteen; had instruction on the piano, too. But economy had been the rule in our family for generations. I had been brought up in that atmosphere. My youngest uncle, Egbert Rockefeller, spent twenty-five cents to go to a circus. He walked miles to it and back. But it cost him twenty-five cents to get in. When he got home his mother whipped him for wasting that money, although he

was seventeen years old. He gently told her that was the last time he would take a whipping.

"We lived well, but economized on everything. I did not complain when my brother and I slept in a room not ceiled, where in winter's storms we could see the snow working through the shingles. I did not complain: I knew no other life. But in that severe school we learned to work and to save. I don't suppose I liked to weed a garden better than any other boy, but I had to do it, and I did it. I was never regarded as a brilliant boy, but I was reliable. Work was always a part of my daily life. I remember I dug potatoes for George Smith at three shillings a day -- 37 1/2 cents -- near Owego. My brother worked now and then for Marcellus La Monte. I remember that at one time I husked corn for my uncle, but I don't remember whether I was paid or not. But hard work and economy were the rule with me, and I took to it naturally. I never knew any other life.

"I always had money and saved money from childhood. I can still see, up on the mantel, the little box with the lattice top that I kept my money in, silver and gold. It was safe there, I had loaned out money and got interest on it before I was fourteen years old. And I knew well how to make out a note. My father taught me these things. He loaned me money, too, which I could loan again. Often my father would try to catch me with my guard down -- "I must have that money back!" Did it to try my powers of self-reliance. I'd always get it somehow and pay him back; then he would soon lend it to me again.

"What a bright smile my father had! Everybody liked him. 'Uncle Billy' they called him. He would hire men to work for him; after a time tell them, with a smile, "I don't need you any longer;' then in a few days hire them again. His'policy of firing and hiring over,' he called it. It kept the men up on tip-toe; no stagnation among them.

MR. R. VS. TARBELL
OIL WAR OF 1872

"As my brother came along I helped him learn the same lessons as well as I could. He became an excellent book-keeper; got a job at $1,000 a year, a far better salary than I had received. That was about the second or third year I was in business.

"Soon after I got my first job I was working in the office side by side with my employer, working in the place of his late partner, who had been the book-keeper. I soon became known as reliable in business. That was how Maurice Clark, ten years older than I, heard of me and asked me to go in as partner with him, each to have half of the profits. And if I had been unreliable or unscrupulous, as Tarbell would have you believe, hou could I ever, have enjoyed the confidence of all who have been associated with me in business and the friendships that have lasted through life? I wish you could see some of the letters I have received from friends and the children of friends of the early days expressing their sympathy and friendship in the loss of Forest Hill! (Have recently burned.)

"While it is true that my employment as book-keeper was a gentlemam's position -- I never had to sell papers or do any of that sort of thing -- yet I never ceased to practise the most rigid economy. By the time I was a man -- long before it -- I had learned the underlying principles of business and the rules of business as well as many men acquire them by the time they are forty. I needed no one to advise me about the nature of transactions which I had been carrying on since childhood. How well I remember one incident that happened when Maurice Clark and I were partners in the commission business. We began in April, and in June the crops were ruined, and that gave an entirely new aspect to the situation in our business, the commission business. We bought a lot of beans from a farmer, and when we received them

found they were mixed with dirt and rubbish. When we were not needed in the office we used to go out to the ware-house, my partner and I, and sort out those beans. That is only one instance. The point is, that the practice of strict economy was an everyday matter. And experience of the ups and down of business was an everyday matter, and had been since boyhood.

"What if the president of a bank refused to make me a loan? That was nothing. He might even lecture me on the folly of making a loan for the purpose for which I was seeking it. That made no difference to me: simply meant that I must look elsewhere until I got what I wanted.

"So you see that when we were making our business arrangements, at the time Tarbell speaks of, 1872, and at all other times, we looked carefully to each detail and got every advantage to which we were rightly entitled."

Later in the day Mr. Rockefeller had time to take up the subject again. The questioning was resumed in the middle of the paragraph of Tarbell, where Mr. Rockefeller had interrupted:

Q. "He (Mr. Rockefeller) was willing to array himself against the combined better sentiment of a whole industry, to oppose a popular movement aimed at righting an injustice, so revolting to one's sense of fair play as that of railroad discriminations."- - -

A. (Interrupting) "A whole industry!" What does she mean? In other words, she would say: "He was willing to make the best freight arrangement he could, although the others did not want him to make a specially good freight arrangement for himself." Under the conditions, what would Miss Tarbell have done? I don't know that there's anything --- (laughing). Oh, she covers a good deal of rhetorical ground there, to express nothing when she gets through.

Read it again. (So done.) I don't think we need give any more attention to that; because, although she uses all those words, she doesn't change

the mind of sensible people of affairs. The idea that each man would naturally not get the best freight rates he could! It was not then in violation of the law, I think, to get rates. It was at this time, as we learned long afterward, that others were getting the same rates as we were. And it is to be remembered, too, that the railroad officials were desirous to be in good favor with each and every one of the shippers, and the effort naturally was to have each one feel that he was getting the very best rates going.

Q. (Finishing the Tarbell paragraph) "Religious emotion and sentiments of charity, propriety and self-denial seem to have taken the place in him of notions of justice and regard for the rights of others."

A. Well, I don't myself see very well how those could be so prominent and continuous in the existence of an individual who should not have a sense of justice and regard for the rights of others. (Laughing) "Propriety!" Is that not a sense of what is proper, what is right? What a lot of folderol it is! What would she have, when everybody was getting rates, and rates were not forbidden by law? The same as if a man should go into a store and say, "I want a thousand cases of such an article -- with fifteen per cent. off because I'm taking a thousand cases." She deceives no one.

This sweetness that she tries to bring in, referring to these good qualities, and this praise that she brings in as to ability and perseverance and whatever traits which she concedes bring success, is simply covering up her wrath and her jealousy which were all the time present, but which she did not show all the time and which she thought she could bring out all the better by weaving this in as a silken thread.

There's nothing in this. Every time we read it I am satisfied it has less and less of what will convince people who have taken in the subsequent history and who are familiar with the careers of the competitors and also the

prime fact -- the success of the business -- and the opportunity to participate in these benefits, in the whole success, on equitable terms, as well as the company's most efficient service to the public. Then, too, it has become more and more apparent that this great development had back of it real merit in its conception and in the ability with which it was carried out.

Q. T p. 102 & 103: "Unhampered, then, by any ethical consideration, undismayed by the clamour of the Oil Regions, believing firmly as ever that relief for the disorders in the oil business lay in combining and controlling the entire refining interest, this man of vast patience and foresight took up his work."

A. There's nothing there.

Q. T p. 104: "Mr. Rockefeller and several other members of the South Improvement Company appeared in the Oil Regions. They had come, they explained, to present a new plan of co-operation, and to show the oil men that it was to their interest to go into it."

A. Well, (laughing) she ignores the fact that the South Improvement Company went out of existence and that we were not representing it at all. I never went to the oil regions to represent the South Improvement Company. Her writing seems to indicate that it was a group of South Improvement Co. men.

Q. That is her contention, all through her book; Lloyd's contention, too; that the concept which was realized in the organization of the Standard Oil Company was first attempted to be realized in the formation of the South Improvement Company.

A. But, as you know, the South Improvement Company, as I previously said, was not a creature of the Standard Oil Company people. They did not believe in it. We did not wish to break with our friends who were the originators of the South Improvement scheme. We had worked with these same friends in other

methods of improving the condition of the oil business, and they had failed. So we patiently waited along until they might have a better vision, and thus much time was lost in carrying out the ideas of centralization and co-operation which seemed to our Cleveland party rather to be preferred, and which ideas finally prevailed. However, not with the assent and co-operation of our friends of the South Improvement Company, who delayed year after year to adopt our views, but finally decided that our scheme was more conservative, businesslike and substantial after we had made the demonstrations which we were enabled to make by our persistent and courageous course in moving forward independently of them and along the lines which we all the time had favored.

It was in 1870, say, when we were moving forward with positiveness in carrying out our particular views for the benefit of the business, buying up other concerns, etc.; but these friends of the South Improvement Company ideas were yet unwilling to adopt our views, and although we did from time to time seek to persuade them to join with us they delayed for some three years more or less before doing so, and then they brought in with them a little group of men who had been among the most desperate opponents of our scheme -- until they came to be well acquainted with us, and their judgment of our motives and aims was entirely changed. And they undoubtedly regretted that they had not been with us cordially from the first. This would include Mr. Archbold, who afterward became President of the Standard Oil Company, and so remained up to his decease. He was with us forty years. And had been a bitter opponent -- you may put that in.

Q. T p. 104: "The feeling of outrage and resentment against the Standard Oil Company, general in the oil regions . . . was intensified by the knowledge that Mr. Rockefeller had so enormously benefited by the short-lived concern. . . . . This feeling was still keen when Mr. Rockefeller and several

of his colleagues in the South Improvement scheme suddenly, in May, 1873, appeared on the streets of Titusville. The men who had fought him so desperately now stared at the smiling, unruffled countenance with which he greeted them."

A. Read on.

Q. T. p. 105: "Not less of a shock was given the country by the knowledge that Mr. Rockefeller, Mr. Flagler, Mr. Waring and the other gentlemen in the party were pressing a new alliance, and that they claimed that their new scheme had none of the obnoxious features of the defunct South Improvement Company, though it was equally adapted to work out the "good of the oil business."

"For several days the visiting gentlemen slipped around, bland and smiling, from street corner to street corner, from office to office, explaining, expostulating, mollifying. 'You misunderstand our intention,' they told the refiners. 'It is to save the business, not to destroy it, that we are come. You see the disorders competition has wrought in the oil industry. Let us see what combination will do. Let us make an experiment -- that is all. If it does not work, then we can go back to the old method.'"

A. She is stating the truth: that's all.

Q. But she phrases it so, makes such a picture of cunning and stealth: "the visiting gentlemen slipped around," etc.

A. She can't help that.

It is to be noticed that our mission was to a class of men, the oil refiners. We were not seeking at that time presumably to meet and confer with other classes of men interested in the oil business, and we were addressing ourselves more particularly to our brethren who, with ourselves, had been suffering from the destructive competition which had prostrated the oil

Q. T p. 106: Explains the "Pittsburg plan." Then adds:

"As in the case of the South Improvement scheme, a company was to be formed to run the refining business of the whole country, but this company was to be an open instead of a secret organization, and all refiners were to be allowed to become stockholders in it. The owners of the refineries who went into the combination were then to run them in certain particulars according to the direction of the board of the parent company; that is, they were to refine only such an amount of oil as the board allowed, and they were to keep up the price for their output as the board indicated. The buying of crude oil and the arrangements for transportation were also to remain with the directors. Each stockholder was to receive dividends whether his plant operated or not."

A. Simply that there was a common ownership of all the refining properties; that's all; and the recognition of the desire of each locality to continue doing its share of the business so as not to defraud any place of previous manufacture of the benefits of the continuation of the industry at that point.

Q. T p. 107: Says Mr. Rockefeller and his friends had made converts, and adds:

"They had not entered these open meetings until they had secured the assurance of co-operation in any plan of consolidation . . . from some of the ablest refiners and business men of the creek, notably from J. J. Vandergrift of Oil City, and from certain firms of Titusville with which John D. Archbold was connected. All of these persons had fought the South Improvement Company, and they all declared now that if the proposed organization copied that piratical scheme they would have nothing to do with it, - - -

A. Now, see here what she's acknowledging! She's been trying to make it appear -- and Lloyd, too -- that it was the same old South Improvement Co.;

and yet, what's she acknowledging here?

Q. (Resuming at the point of interruption) "that their allegiance to the plan was based on their conviction that it was fair to all who went in!"--

A. (Interrupting) Ah! Ah! "To all who went in!" Then the ark which Noah built was rather more favorable to those who went in. There are some people whom the Lord Almighty cannot save. They don't want to be saved. They want to go on and serve the devil and keep on in their wicked ways. (No harm in a little running commentary!)

The organization of the Standard Oil Company was certainly a safe and benevolent institution for all competitors who in good faith and loyal devotion joined their interests with it. This has never been questioned, after a trial of nearly fifty years. No man who thus acted has ever had occasion to complain, and his widows and orphans to this day continue to benefit by the safe and sane administration, the foundations of which were laid in these uncertain and discouraging times for oil refiners, who were, in the late '60's and early '70's, reaping the folly of over-production and reckless competition.

Q. (Resuming T at point of interruption) "and that it was made necessary by over-refining, underselling, and by the certainty that the railroads could not be trusted to keep their contracts. It was evident that the possible profits and power to be gained by a successful combination had wiped out their resentment against the leaders of the South Improvement Co.,"--

A. (Interrupting) Well, my conscience! Is she writing this book for me? The writer seems to be a convert to the idea of unifying the refining business and also begins to have her eyes open to the fact that so soon as these former competitors were made to clearly understand the motives of the originators of the scheme they unhesitatingly and promptly declared that if, in-

deed, it could be possible that these were the motives, they surely wanted to join.

Join they did, and kept their interests for a lifetime, and, in some cases, almost outdid the original promotors of the scheme in their enthusiastic support of it. We've already said somewhere that Mr. Archbold became President. And different instances are presented wherein some of these who earnestly and honestly opposed the scheme -- before they were well informed as to its merits -- came to occupy the highest and most influential positions in its gift. So much for all the capital that was sought to be made by the producers and politicians and jealous competitors and others who were misled by the false information which was so industriously disseminated in those days.

Q. (Resuming at point of interruption.) "and that if they had the assurance, as they must have had, that rebates were a part of the game, they justified themselves with the reflection that somebody was sure to get them, and that it might as well be they as anybody."

A You can say in regard to that that the people referred to as coming into the Standard Oil Company were not influenced to come in on assurances of rebates and drawbacks. While they might have hoped that this large and growing combination of interests would be able by its weight to protect itself against the unjust discriminations which had in some cases been given to small refining interests; an assurance that it would receive rates and drawbacks was not the motive that led the competitors to join hands with the Standard Oil Company. There were other considerations, of economy, progressive steps which were made apparent to them, and more and more as time went on, in the actual practical carrying out of the scheme, that made it as attractive, and more attractive, than it was originally represented to them by the most ardent represen-

tatives of the Standard Oil Company. The people of the Standard Oil Company themselves didn't dream in the beginning of the many steps of progress that could be made by all refining interests working together, combining their capital and their talent, spending their time in building up the industry rather than in reckless competition, cutting each other's throats. The organization was constructive and only so, first, last and always.

Q. T p. 107: "The knowledge that a considerable body of the creek refiners had gone over to Mr. Rockefeller awakened a general bitterness among those who remained independent . . . . (wranglings) . . . . One important refiner, M. N. Allen " . . .

A. (Interrupting) Now, wait a minute. M. N. Allen was a little bit of a refiner -- a little bit of a refiner: it will do no harm to put that down twice,- - and had a newspaper, and was relying upon his newspaper influence rather than his ability to administer the business of refining oil.

Q. (Resuming) "M. N. Allen, who was also the editor of the Titusville Courier, one of the best papers of the region, took his hat and left. Before the end of the convention the supporters of combination ought to have felt, if they did not, that they had been a little too eager in pressing an alliance on the Oil Regions so soon after outraging its moral sentiment."

A. Read right on, because there's no merit -- Oh, that's the end of a paragraph? You might say: In the light of subsequent history, how silly the writing reads today that those who did not ally themselves with the Standard Oil Company, were congratulating themselves, before they saw their mistake, on their wisdom! Among these was brother Allen, and, however, much he knew about running a newspaper and working up political infduence and Hiring people to

burn tanks and commit other depredations, it would have been far better for him if he had had more business sense and less conceit. -- There's no harm in characterizing him here: that is the fact about him. -- He had occasion oft-times in after years to kick himself in his discontent that he had been so unwise as to spend his time criticizing the organization and staying out of it with his tiny refinery, rather than getting a just sense of its real intent and over coming his deep-seated prejudices to progress and coming in to enjoy the benefits which he saw continually flowing to those who, though they might not be able to run a country newspaper, could understand the necessities of the refinery situation for deliverance from the deplorable condition into which it was plunged at this time. As he afterward saw the workings of it, what a great debt was due to the men of foresight and business ability who, without a precedent in history, took up this over-burdened and, indeed, ruined industry and fanned it into life and made it one of the most important industries, if not the most important, industry, in our country!

As for this attempt to belittle the beneficent influence: it is to be noted that this same man, Allen, though his time was given to running his newspaper, could have had representation equal to his neighbors with a similar plant who had been devoting their whole time and attention to this particular business. But in behind the opposition to an imaginary foe which he had built up in his mind, he actually threw away the opportunity of a lifetime . . . Later it was found that a man could hardly expect to meet the competitions of the oil business and run a newspaper and attend to many other branches of business at the same time. It is not surprising, therefore, that one of our competitors who was known better as an agitator through his newspaper connection did not make a success of oil refining, and was pleased indeed to have the

opportunity to convert his worthless old junk and inferior merchandizing and manufacturing organization into hard cash.

What in the world would they have done if they had not had a chance to sell out? Their machinery was like a radiator thrown out of here -- so much worthless property.

January 10, 1918.

Q. T p. 108: "' What are you going to do with the men who prefer to run their own business?' asked a representative of the Oil City Derrick of one of the advocates of the plan. 'Go through them,' was his laconic reply. 'But how?' 'By the co-operation of transportation'--- that is, by rebates." (Here ends her quotation from the Derrick.) Now, the Oil Region had been too recently convicted of the sin of the rebate, and had taken too firm a determination to uproot the iniquitous practice to be willing to ally itself with any combination which it suspected of accepting privileges which its neighbors could not get or would not take."

A. I know nothing about any such expression. It never proceeded with my knowledge or consent, and I must believe it represents simply the false impression created by those who sought to inflame the public mind and to place barriers in the way of the progress of the unification of the refining oil business.

It is to be remembered that many of the allegations of our famous book writers and magazine writers are from people who are giving hearsay evidence. I have no idea that representatives of the Standard Oil Company would make remarks such as some of these writers allege them to have made to induce people to join the Standard Oil Company, but these are rather the expressions of prejudiced representatives of the producing and other interests.

Referring again to the question: the anonymous interview is the favorite method of attack by unscrupulous newspapers, and we cannot be expected to give serious consideration to these, representing a large element in the sensational reports of the day.

In each step of the progress of the consolidation, in the Standard Oil Company, it was found more and more difficult for others to compete because of the rapid strides made by this Company, availing as it did of the advanced ideas of any and all who came into relations with it not only, but in the liberal expenditures of money to acquire the best skill among the chemists and all progressive workers.

Q. How does this virtuous attitude of "the Oil Region" compare with Miss Tarbell's own description of these "virtuous" producers, who wore their black coats and shiny top hats on Sunday, stealing out to catch their associates pumping a little more oil on the sly, violating their solemn agreement because they could sell more oil at a high price?

A. Very fine! We want not to fall into the error of this woman, and not to slur the producers and their acts. We want to go forward in frank, manly fashion until the world sees the realization of our dream and recognizes that the progress of this step which we initiated has been for the benefit of mankind.

Q. T p. 109: "The upshot of the negotiations was that again the advocates of combination had to retire from the Oil Regions defeated."

A. (After reviewing the previous questions, which had been somewhat lost to mind in disposing of intervening business.) First she concedes that the leading people did go in, and then she says that the newspaper man Allen did not go in. The virtuous men, Allen and others who were opposed to take the best freight rates they could. In making a freight rate - virtuous people like Allen and Miss Tarbell - the first thing would be to find out whether any

person had paid a freight rate higher, and if so insist on paying that themselves. This seems probably in view of what we know of poor human nature and good business methods.

It is true that the oil refiners did not accept the plan on first hearing of it necessarily, but that there was no occasion for haste in reaching the decisions, and these decisions came slowly and one by one as the days and weeks and months went by. And this note is made to correct the false impression that the advocates of the centralization plan in the Standard Oil Company took the arbitrary position that those who were solicited to join them must act immediately or be crushed out and ruined. The fact is that before the inception of this idea they were all or nearly all of them practically ruined by their own folly and lack of business ability and judgment in the foolish competition which had been in vogue for a long period.

Q. T p. 109: "A great idea was at work in the commercial world. It had come to them saddled with crime. They now saw in it nothing but the crime. The man who had brought it to them was not only endowed with far vision, he was endowed with an indomitable purpose. He meant to control the oil business. By one manoeuvre, and that a discredited one, he had obtained control of one-fifth of the entire refining output of the United States. He meant to secure the other four-fifths. He might retire now, but the Oil Region would hear of him again. It did. Three months later, in August, 1872, it was learned that the scheme of consolidation which had been presented in vain at Titusville in May had been quietly carried out, that four-fifths of the refining interest of the United States, including the creek refiners, had gone into a National Refiners' Association, of which Mr. Rockefeller was president, and one of their own men, J. J. Vandergrift, was vice-president. The news aroused much indignation in the Oil Regions."

A. It seems that the struggle for the deliverance of the refining business was persisted in in different ways, all of which included a better acquaintance among the refiners of all sections of the country and the dissipation of many of the prejudices consequent upon the dreadful and ruinous competition so long prevailing among them. Now it was the desire and the purpose of those leading in this movement to have the views of all parties concerned as to the best methods to pursue for the protection of the industry. After considering all the various methods, including the Refiners' Association, etc., etc., it was still apparent that the one common ownership of the interest by the refiners of every section would safeguard the general interest not only, but tend to preserve for each of the different refining points a portion of the business, so that these different localities would not be harmed by a discontinuance of the industry but benefited by placing it upon a more stable basis. These ideas were very carefully adhered to, and they controlled in the councils, even in reference to the smallest refining localities. So that each retained its share and on a much more satisfactory basis for each locality.

"It is not unpleasant," said Mr. Rockefeller later; "I am glad to go over these 'histories' while my memory is so clear as to the details and in conjunction with a man of your experience in such matters. You can see how their elaborate composition of errors or spite or jealousy falls to pieces when it meets the actual facts. How miserable and petty all these writings appear today, read in the light of what has actually happened during the years. We should not publish what we are writing now; but it is good to be fortified with this record."

MR. R. VS TARBELL
AN UNHOLY ALLIANCE

January 11, 1918.

Q. T. p. 110 tells of the formation of the Petroleum Producers' Association; president, Capt. William Hasson. His task was helped by dissatisfaction over the price of oil -- $.47½ a barrel for crude, as against $.42½ the year before, and with $3. oil threatened. A. The price of crude oil was constantly fluctuating; however, high the price the producer was never satisfied if he could recall higher prices. And the real cause for low prices was not usually conceded by the producer, although among the more intelligent and business-like it was entirely clear that low prices were caused by over-production and higher prices were stimulated by corresponding of production; so that from time to time efforts were made by the producers at concerted action.

Q. I read from Tarbell p. 112 et seq. : "If he had been contented to economize and accept small gains, even the small producer could live on a much smaller price than three dollars; but nobody in the Oil regions in 1872 looked with favor on economy, and everybody despised small things. The oil men as a class had been brought up to enormous profits, and held an entirely false standard of values. As the Derrick told them once in a sensible editorial, 'their business was born in a ballon going up, and spent all its early years in the sky.' They had seen nothing but the extreme of fortune. One hundred per cent. per annum on an investment was in their judgment only a fair profit. If their oil property had not paid for itself entirely in six months, and begun to yield a good percentage, they were inclined to think it a failure. Nothing but five-dollar oil would do this, so great were the risks in business; and so it was for five-dollar oil, regardless of the laws of supply and demand, that they struggled. They

were notoriously extravagant in the management of their business. Rarely did an oil man write a letter if he could help it. He used the telegraph instead. Whole sets of drilling tools were sometimes sent by express. It was no uncommon thing to see near a derrick broken tools which could easily have been mended, but which the owner had replaced by new ones. It was anything to save bother with him. Frequently wells were abandoned which might have been pumped on a small but sure profit. In those days there were men who looked on a ten-barrel (net) well as hardly worth taking care of. And yet even at fifty cents a barrel such a well would have paid the owner $1,800 a year. The simple fact was that the profits which men in trades all over the country were glad enough to get, the oil producer despised. The one great thing which the Oil regions did not understand in 1872 was economy. As a matter of fact the oil-producing business was going through a stage in its natural development similar to oil refining. Both, under the stimulus of the enormous profits in the years immediately following the discovery of oil, had been pushed until they outstripped consumption."

A. Simply confirms what I'm telling you.

Q. T. p. 113 says production one year earlier than this was 12,000 barrels a day: is at this period 16,000. The demand for refined had not increased in proportion . . . The Petroleum Producers' Association pledged themselves individually <u>not to drill or lease any new lands for the next six months.</u> She adds, p. 115; "There was nothing but public opinion to hold the producers to their pledge." They carried out a thirty days' shut-down: wells ceased pumping for a month: (Sept., 1872). A. It is a confirmation and more strongly put than I have already put it respecting the producing interest. Any movement of producers for control of the product was

accompanied by abuse of somebody else than themselves, and that somebody was ordinarily the Standard Oil Co. The explanation of this was that this red flag was for the time being -- and following all the exciting experiences in the recent past -- this best served the purpose of the leaders of the movement, and it was used as politicans and competitors of the Standard Oil Co. used it until it failed,,by reason of the better information the public and the smaller producers themselves, to succeed as formerly as a war-cry.

Q. T. p. 116: Captain Hasson and the committee presented the Petroleum Producers' Agency, an incorporated company with a capital of $1,000,000., "This agency was to purchase all the oil of members of the Association at at least five dollars a barrel . . . . . By thus controlling all the oil, the agency expected to protect the weakest as well as the strongest producer, to equalize the interest of different localities, to prevent refiners and exporters from accumulating stocks and to prevent gambling in oil . . . . . I t was to oppose monopolies and encourage competition." A. I ask you, sir; if the English language means anything, what does that mean? -- "Thus controlling all the oil . . . to oppose monopolies and encourage competition."

A. You can make your own comment on that. I'll go take a walk! (Laughing heartily). How silly that is! It had more force then than at any other time since, because these leaders were enabled to keep the smaller operators whom they were seeking to dominate at white heat with some inaginary enemy, such as the Standard Oil Co., which was indeed their best friend; and this fact was becoming more patent to them every day; so that in time these efforts ceased. The Standard Oil Co. was their best friend because it was constantly expending its money in its enterprising endeavor to find new markets for the

product in every part of the world.

"I don't know," said Mr. Rockefeller, as he started for a walk on the verandas, "whether she says anything about the refining business in the beginning -- the way it was overdone when it was found that anybody who could distil the oil and cleanse the oil with sulphuric acid made money. Later experiences demonstrated that the best of business skill placed certain refiners and producers in the lead; but it did not take away the jealousy of those in both departments of the business who found themselves increasingly at a disadvantage in the competition with these leaders who were also able to secure adequate capital to carry out and take advantage of their progressive views.

"But it is easy to be understood how these dissatisfied and unsuccessful ones were seeking to justify themselves in the competitive struggle by false assertions respecting the reasons for the success of their more fortunate rivals, including the old and hackneyed cry of 'rebates and drawbacks' long years after these were also abandoned in compliance with laws which in these later years were enacted.

"The reason the small producers could not compete with the large producers who had capital was simply that as a rule these men had not sufficient of practical experience or business ability or capital to secure appliances and carry out methods so easily controlled by their abler and stronger competitors."

Q. T. p. 339, gives Article XVIII of the Petroleum Producers' Agency, as follows: "The agency shall not at any time sell to, or contract with, or make any arrangement whatever, with any individual, organization, combination, or association, by which they may have a monopoly, inside rate, advantage or preference over, or to the prejudice of, any present or future competitor for the purchase of the crude oil coming into or passing through its hands; provided

MR. R. VS TARBELL
UNHOLY ALLIANCE

that nothing in this section shall be so construed as to prevent the agency, with the sanction of the Council, from making such temporary discrimination as may be necessary for the purpose of protecting or prompting the interests of producers by securing higher prices for crude oil, increased consumption of refined oil, or decreased margins between the price of crude and refined oil." Does the latter half of this article nullify all of the protestations of superior morality and altruism?

A. Now you see! You remember Samuel Downer and what he said to Mr. Flagler: 'Mr. Flagler, I don't believe in these rebates or drawbacks --- without I'm in it!' These articles of the virtuous Producers' Association remind us of the remark of Samuel Downer when he stated that he was opposed to the whole system -- without he was in it. They were like a lot of silly children. They had to keep up a big hullabaloo all the time in order to make people believe black was white. They got tired after awhile. One after another of the men engaged in producing, refining, piping the oil, as they came to know our motives and our organization were glad to unite their interests with ours, and the opportunity was lessening each day for the agitators and the alarmists to deceive the people on the old war-cry against the Standard .

Q. T pp 118 and 119, says that at the same time the refiners (August 1872) sought certain of the big producers and privately proposed a two-headed combination which should handle the whole business, offering $4. a barrel for crude and guaranteeing an additional 25 cents a barrel of crude for every cent a gallon advance in the price of refined oil.

"How", asked the producer, "can you do this?" "We expect, by means of our combination, to get a rebate of seventy-five cents a barrel," was the answer. "But the railroads have signed an agreement to give no rebates," objected

the producers.

"As if the railroads ever kept an agreement," answered the worldly wise refiners. "Somebody will get the rebates. It is the way the railroads do business. If it is to be anybody, we propose it shall be our combination." . . .

A. Well, that simply meant we'll all work together, and we hope we'll get something.

Q. T. continuing: "'We don't want all the producers. We only want the big ones. The small producer under our arrangement must die, as the small refiner must.' The proposition never got beyond the conference chamber. It was too cynical."

A. I never heard of such a proposal. Oh, she's quoting an anonymous conversation, a talk between persons she does not name. No use wasting time on that.

Q. T. p 119: "The two associations were kept apart by the natural antagonism of their ideals and their policy. Captain Hasson and his followers were working on an organization which aimed to protect the weakest as well as the strongest; which welcomed everybody who cared to come into the business; which encouraged competition and discountenanced any sort of special privilege. Mr. Rockefeller and his associates proposed to save the strong and eliminate the weak, to limit the membership to those who came in now, to prevent competition by securing exclusive privileges. Their program was cold-blooded, but it must be confessed that it showed a much firmer grasp on the commercial practices of the day, and a much deeper knowledge of human nature as it operates in business, than that of the producers."

A. I have already and repeatedly referred to the fact that the doors were always open to the refiners to come in and secure to themselves all the advantages

that accrued to the centralization of business, with its consequent addition of capital and brains -- business talent.

Q. T. p 120: "On November 8, immediately after it was announced that the entire million dollars' worth of stock was taken, an agent of the Standard Oil Co. in Oil City was ordered to buy oil from the agency -- 6,000 barrels of oil at $4.75 a barrel -- and the order was followed by this telegram from Mr. Rockefeller:

'It has been represented to us that if we would buy of the producers' agent at Oil City and pay $4.75 a barrel, they would maintain the price. We are willing to go farther and buy only of the producers' agent, hence the order we have given you. See Hasson and the others and let there be a fair understanding on this point. We will do all in our power to maintain prices, and to continue to buy, provided our position is fully understood. We do this to convince the producers of our sincerity, and to assist in establishing the market.'"

A. That was an awful death-blow to them, wasn't it? That wasn't a bad message; a perfectly safe message, too, for us to write. (Laughing.)

Q. T. p. 122: "Overwhelmed by the length and severity of the struggle . . . the council finally agreed to a plan of union which the Derrick dubbed the 'Treaty of Titusville.' A terrible hubbub followed .. . On December 12, the proposed treaty was laid before the producers at Oil City. It aroused a debate so acrimonious that even the Derrick suppressed it. Capt. Hasson led the opposition . . . . If they had followed his advice the whole history of the Oil Regions would have been different. But they did not follow it. The treaty was ratified by a vote of twenty-seven to seven."

A. Nothing in that at all.

January 12, 1918.

Q. T. p. 125: "The excitement and personalities the association indulged in at their meeting augured ill for its future, but when a week later

a committee sent to see the refiners came back from New York with a contract signed by Mr. Rockefeller, the president, and bearing with them an order for 200,000 barrels of oil at $3.25, there was a general feeling that, after all, an alliance might not be so bad a thing. ---

A. (Interrupting) Say, I'm amazed at her writing, all the time! There's so much in it favorable to the Standard Oil Co. What with all her prejudices, on account of the connection of her father and perhaps her brother with the producing and other oil interests which had been antagonistic and the tendency which has been so apparent in her writings, it is really a surprise that she would be willing to speak so favorably and give so much credit to the Standard Oil Co. and its leaders. But probably before she had completed her writings she had, in common with the general public, been obliged to acknowledge that there was great good to be accomplished by this concentrated effort of sane, conservative and trained business men, and that if indeed they were doing what they promised in a most liberal way in the outset to do, namely, to give all the refiners an equal chance to join them, and if indeed they had continued to leave the opportunities open day after day, week after week, month after month, year after year, so that those refiners, including in the number those who were weakest and least able to compete, should have the same opportunity to participate in the benefits of consolidation which had been shared by their strong and more favored competitors.

It now became apparent that among those who had been the strongest opponents of the Standard Oil Co. in its inception were to be found some of its most efficient leaders -- it was always prompt to advance the best and most competent men and to give them full recognition for the value of their services. Meanwhile,

too, the leading producers who had been among the most severe in their criticisms of the Standard Oil Co. coming to realize that it was so fair and reasonable and so wise and efficient as an agency for finding markets for the petroleum products, that their views steadily changed to a favorable consideration and a kindly and cordial cooperation with the company for presenting to the world this great young industry in a much more favorable light than it had been presented during the chaotic period of waste and wild speculation. Indeed, the business began to assume a more conservative phase, such as was manifested by old and established businesses in other departments, rendering it more certain every day of success, and making it more difficult for the adventurous and unlearned --- shoemakers, saloonkeepers, tailors and men of all the walks of life who had rushed in when oil was first discovered -- to compete. But these naturally were to be found among the grumblers who had not the inclination or the training to compete with these who had now gone through years of careful business management and were constantly adding improvements at a pace which the untaught and adventurous wild people could not keep up with.

There: I may have run on with a good many words; but you can cut some of it out later. What I am trying to define is that during this period the oil business was beginning to 'find itself,' to settle down in business form, and that those who rushed in pell-mell had less and less chance to compete with trained and experienced business men.

**

I quote here from page 41 of "Wealth Against Commonwealth," by Henry D. Lloyd, the testimony he cites as given by Simon Bernheimer, New York Assembly, "Hepburn" Report, 1879, p. 3549, and following: "There is no handsomer business than this is. You

can buy the (crude) oil one week, and sell it the next refined and you can imagine the quantity of business to be done. Men who understood the business, if they had not the capital could get all of the money they wanted."

"Q. (Continuing same T. paragraph) 200,000 barrels was a big order and would do much to relieve their distress. Their <u>formal sense</u> was quieted, too by the assurances that the producers before signing the contract had insisted that the Refiners' Combination enter into an agreement to take no rebates as long as the alliance lasted.

A. That's the merest balderdash! And of a political type, to make headlines in the newspapers and parade the virtue of many people who were strangers to it. Nevertheless, it tickled the fancy of these wild people.

Q. T. p. 123: "The main points of the agreement decided upon were that the Refiners' Association should admit all <u>existing</u> refiners to its society, and the Producers' Association all producers present or to come -- that the former company should buy only of the latter, the latter sell only to the former, and that the agency should bind all producers enjoying its privileges to handle their oil through it."

A. Now let me say to you, that looks to me now to have been a double combination and conspiracy. These virtuous producers were allying themselves with the refiners to make indeed a very close corporation, and we may suspect that their motives were to advance prices. And how dreadful this seems when we consider the past history of this great multitude of men who were doing business not so much to make money in a regular legitimate way, but above all things to exploit these remarkable virtues that so many of them did not possess -- and to such an extent that their associate producers never would trust them

to get out of their sight, as is recorded by one of the distinguished "historians" of the day who lived among them and observed their conduct. You might quote her.

Tarbell's "History of the S. O. Co.", p. 115:

"There was nothing but public opinion to hold the producers to their pledge. But public opinion in those days in the Oil Regions was fearless and active and asserted itself in the daily newspapers and in every meeting of the association. The whole body of oil men became a vigilance committee intent on keeping one another loyal to the pledge. Men who appeared at church on Sunday in silk hats, carrying gold-headed cans -- there were such in the Oil Region in 1872 -- now stole out at night to remote localities to hunt down rumours of drilling wells. If they found them true, their dignity did not prevent their cutting the tools loose or carrying off a band wheel."

*

January 16, 1918.

Q. T. p. 124: "The producers, before signing the contract, insisted that the Refiners' Combination sign an agreement to take no rebates as long as the alliance lasted. This agreement in regard to rebates read as follows:

> "'Whereas, it is deemed desirable to execute a contract of even date herewith between the Petroleum Producers' Association and the Petroleum Refiners' Association for the purpose of securing a co-operation for mutual protection, it is agreed by the Refiners' Association that sections one and three of a contract made the 25th of March 1872, between certain trunk lines of railroads and a committee of producers and refiners shall be and remain in full force.
>
> 'Petroleum Refiners' Association,
> 'John D. Rockefeller, President.'

MR. R. VS. TARBELL
UNHOLY ALLIANCE.

"The sections . . . agreed that no rebates or contracts or other arrangements should be made which would give any party the slightest difference in rates, and that the rates should not be changed either for increase or decrease without first giving Mr. Hasson, the president of the Producers' Union, at least ninety days' notice in writing. As we now know, Mr. Rockefeller himself was receiving rebates when he signed this agreement."

A. Here is a specific contract which represents a joint action of the producers and the refiners which on their request is not to have any rebates or drawbacks. I do not see how it follows that it is a statement or a concession that the Standard Oil Co. did or did not receive rebates or drawbacks in any other contract.

Q. T. p. 124: Tells of more or less dissatisfaction as the agency apportioned the 200,000 barrels the refiners had bought among the different districts. "They had shipped about 50,000 barrels when, on January 14, it was suddenly announced that the refiners refused to take any more of the contract oil!

"There was a hurried call of the Producers' Council and a demand for an explanation. A plausible one was ready from Mr. Rockefeller. 'You have not kept your part of the contract -- you have not limited the supply of oil --- there is more being pumped today than ever before in the history of the region. We can buy all we want at $2.50, and oil has sold within the week at two dollars. If you will not, or cannot, stop over-production, can you expect us to pay your price? We keep down the output of refined, and so keep up the price. If you will not do the same, you must not expect high prices.'"

A. Well, I don't see what else could be said if they didn't keep their

contract; flooding the market; and other people could buy at $1. or $1.50 less. Anyhow, it was a contract based on their doing certain things which they had failed to do. The wonder to me is that we continued taking so long at the higher price in view of the fact that they failed to restrict in accordance with their covenant. It is not possible that this writer is putting this forth with the expectation of making capital against the Standard Oil Co. because they required the other parties to the contract to keep their covenant as a condition to holding the contract.

Q. That is what she does, by imputation. On page 125 she says in a footnote: "The agency was pledged by its constitution to limit the supply of crude, but this stipulation did not appear in the contract signed by the two associations. It was a verbal understanding."

A. Oh, yes; she pleads the contract. They wanted to keep from the public the fact that they were restricting production, because the general claim was that that would be in violation of the rights of the producers; at the same time they knew full well they could not over-produce without taking the consequences of lowering the price. They were acting somewhat like the Irishman who claimed that he was very temperate, but admitted that he did sometimes take a drop "unbeknownst to himself."

Q. T. p. 125: "What could the producers reply? In spite of their heroic measures, they had not been able to curtail their output. It seemed as if Nature, outraged that her generosity should be so manipulated as to benefit only the few, had opened her veins to flood the earth with oil, so that all men might know that here was a light cheap enough for the poorest of them. Her lavish outpouring now swept away all of the artificial restraints the producers and refiners had been trying to build. The Producers' Association seemed

MR. R. VS. TARBELL
UNHOLY ALLIANCE

suddenly to comprehend their folly in supposing that when 5,000 barrels more of oil was produced each day than the market demanded any combination could long keep the contract the refiners had made with them; and their unhappy session, made more unhappy by the reading of the bitter and accusing letters from all over the discontented region, ended in a complete stampede from the refiners, the vote for dissolving the alliance having but one dissenting voice."

A. The eloquent reference of a writer of this kind about the over-production of oil which prevented the producers from carrying out their agreement with the refiners is but another confirmation of the oft-repeated statements of refiners to producers that, while they were willing to pay them the highest prices for the crude oil, yet if competitive refiners were able to buy the same for less prices it would be impossible for them to disregard the law of supply and demand. The writer finds that, "nature, outraged that her generosity should be so manipulated as to benefit only the few, had opened her veins to flood the earth with oil,", Etc. It is to be remembered that Nature would not have "opened her veins" if the driller had not compelled her to do so.

The balderdash used by so many silly and sensational writers of the time mystified and disturbed the people and led many of the less intelligent of them to believe a lie and to seek an excuse for their unjust course of procedure toward the refiners and others who were putting forth superhuman efforts to place the oil business upon a firm and creditable basis. But oh! how difficult this was in those times of excitement, when these wild, reckless adventurous people were seeking any other than the real source of their troubles, which was over-production and not the acts of the refiners, who were doing everything in their power to improve the quality of the oil and to make it acceptable to the world as an illuminant. So the struggle went on, but the wonder is as we read

the pages of the history of those days that any thinking person should have given heed to one of the different books, periodicals and newspapers which caused so much stir and excitement, and were the real source of many of the alleged difficulties in the relations of producer and refiner.

Q. T. p. 126: "The breaking of the alliance proved the death of the agency and the association. . . Most of the producers felt that, as oil was so low, their only safety was in getting as large a production as they could, and a perfect fever of development followed. The Producers' Association . . . was snuffed out almost in a day. It was to be five years before the oil men recovered sufficiently from this collapse to make another united effort. If Mr. Rockefeller felt in the fall of 1872 that the "good of the oil business' required the dissolution of the Producers' Agency, he could not have acted with more acumen than he did in leading them into an alliance, and at the psychological moment throwing up the contract."

A. It is to be remembered that the throwing up of the contract on the part of the refiners was no fault of the refiners, but of the utter inability of the producers to carry out their covenants; and that the refiners continued to take up to 50,000 barrels, even when other refiners not included in this contract were able to undersell them with crude oil pprchased from other and competitive producers who were very willing to sell at much lower prices, as it was entirely apparent to them that the action of the producers in entering into the contract with the Refiners' Association would not in the nature of the case be carried out in good faith. But this assumption of a writer of this time, who sought to place the responsibility of the non-fulfilment of the contract upon the Standard Oil Co. is quite in keeping with the balance of this writer's information to the public not only, but that of most of the

others which represented so much of woman's sentimentality and so little of good, honest, practical common sense in the conduct of business affairs.

Q. T. p. 126: shows that exports of oil fell off from 132,178,843 gallons in 1871 to 118,259,832 in 1872. She adds: "There was a general outcry from all over the country that Mr. Rockefeller was running (misprint for ruining) the oil business by keeping up the price of refined oil beyond what the price of crude justified. The producers, eager for a scape-goat, argued that the low price of crude was due to decreased consumption as well as over-production, and their ill-will against Mr. Rockefeller flared up anew."

A. The price of refined oil after the organization of the Standard Oil Co. did not result in the curtailing of the demand. As a matter of fact, refined oil was the cheapest illuminant in the world, and its quality was made more and more reliable; and as proof of its safety and reliability was made more and more apparent to the peoples of the world by the indomitable efforts of the Standard Oil Co. there could be no other than an increase of consumption, while, as we have just remarked, its price remained below that of the competitive illuminants. The effect of the operations of the Standard Oil Co. was to increase the consumption of refined oil, not alone in our own country but in every part of the world, and in the accomplishment of this desired object the Company made expenditures of many millions of dollars, which could not have been and would not have been done had the enterprise been conducted by the class of unskilled people who had hitherto conducted so large a part of the business, and in addition to other reasons, because these had neither the capital nor the courage/nor the enterprize to push on over land and sea to the very uttermost parts of the [illegible] in the effort to introduce this new and wonderful light to the world.

Q. T. p. 127, tells of trouble in the Refiners' Association: "it was

MR. R. VS. TARBELL
UNHOLY ALLIANCE

discovered every now and then that a refinery was making more oil than Mr. Rockefeller had directed. - - - members sometimes sold at a lower price than that set by Mr. Rockefeller . . . members were called together at Saratoga in June, 1873, and after a long session the association was dissolved."

A. There were among the refiners connected with the Association men of the same type as those in the Producers' Association, who did not keep their contracts, and these people lost their standing and were deemed unworthy of the Association in which they had been honored with the highest type of men engaged in the refining business; and the examples of bad faith on the part of these men in the breaking of their contracts was but another evidence to the men who were struggling to place the business upon a firm and reliable basis that nothing short of a common ownership in the business would ensure a real concert of action. Hence, the Standard Oil Co. proceeded steadily, week by week, month by month, year by year, to welcome the refiners who accepted this view and gladly joined the Standard Oil Co., and thereafter directed their energies to its upbuilding.

Mr. Rockefeller said later: "I am aware that I have made use of expressions that are harsh, but they can't do any harm because the notes are held in such a way."

January 17, 1918.

Q. T. p. 127, estimates that in 1873 Mr. Rockefeller made profits of $1,050,000. and adds: "Little wonder that the Cleveland refiners who had been snuffed out the year before, and who saw their plants run at such advantages, grew bitter, or that gossip said the daily mail of the president of the Standard Oil Co. was enlivened by so many threats of revenge that he

took extraordinary precautions about appearing unguarded in public."

A. There is no truth whatever in the writing of the "historian" that in respect to my daily mail bringing threats of revenge in the year of 1873 because of the profits of the Standard Oil Co. from people who had sold their refineries; neither is there any truth in what she states as to the profits. My profits could have been only a small fraction of the amount alleged to have been made. I am not aware that any person engaged in the refining business whom the Standard Oil Co. bought out either for cash or stock, made any such threats against me or the officers of the Standard Oil Co. Furthermore, if threats were made in the oil regions as to the destruction of oil in tanks or other oil properties, such threats were the result of the misinformation through false publications as well as by word of mouth with a view to incite laborers and others to enable the producers to carry out a big bluff to compel the refiners by means of their threats of taking the oil away from them and leaving no work for the refineries, &c. &c.

Q. T. p. 128, notes that these great profits, "were going almost solidly into the extension and solidification of the business. . . He was putting his plants into the most perfect condition. . . In short, Mr. Rockefeller was strengthening his line at every point, and to no part of it was he giving closer attention than to transportation."

A. What higher commendation could there be for a business organization, especially in the infancy of a great industry like the oil producing and refining, than that the owners reinvested the income, or nearly all of it, which they earned to make the business more stable and to enable them to conduct the same at a lower cost? This could not have been done if the money had been divided. Furthermore, it is to be noted when we speak of the profits of a business that in the general acceptation of that term these profits are reckoned

to be something that can be divided. Note on the one hand, large profits were said to have been made by one of these writers, who might not have known as much about the business of the Standard Oil Co. as the Standard Oil officials knew. However, this would not be regarded by such writers as a real reason for not making the statement. It is conceded, on the other hand, that though these profits were large they were nevertheless put back into improvements. While other statements of this and other writers along these lines were, to say the least, very faulty, this one to the effect that the profits were reinvested in improvements of the business is quite true. It is also quite true that in case the oil had ceased to flow from the ground that these investments of the said profits which had been made from the business of oil refining would have proven of little or no value, as they could not have been utilized for any other purpose. And this was the condition of things which faced the oil refiners of the country when they had awakened to the consciousness that more refineries had been constructed than could be kept at work with the entire product of crude oil being produced, and the fact also that in most cases these constructions were very faulty when compared with those which the Standard Oil Co. introduced to take their places, and the added fact that the business of refining oil had come to be so unprofitable. It is not to be wondered at that a strong, able, independent, manly fellow like Joseph Stanley of Cleveland, for example, was led to make the remark when he was asked after having sold out his works if he intended to reengage, stated to Mr. Rockefeller, "Maister Rockefeller,if the Lord'll forgive me this time, I'll never go in again!"

It is true that men who were urged to take stock for their works instead of cash and who failed to accept the advice of the representatives of the

MR. R. VS. TARBELL
UNHOLY ALLIANCE

Standard Oil Co. because they had lost faith in the refining business from their sad experiences and losses in the bitter competition preceding 1870 and were only too glad to get out of the business and took cash instead of stock, finding afterward that the Standard Oil Co. were right and by their good and conservative management, returning their profits into the business, husbanding their resources, were making the concentrated effort a success and the stock of increasing value - some of these same men of the less manly type were chagrined and disgruntled and sought to find some one else to blame for their lack of confidence that the refining business could be made to succeed even when consolidated, and these same men sought to lay the blame on some one else instead of acknowledging that it was their own fault that they were not sharing in the good results that came to the business by reason of the marvelous reformation that had been brought about by a few courageous, enterprising, plucky business men who had struck out in a new direction without a precedent and succeeded in saving a great industry from wreck and ruin and in bringing prosperity to get multitudes of workmen and fair returns to the owners and employers. But for these returns the owners and employers, in pursuance of the very conservative policy of returning the money to benefit and upbuild the business, they waited for many years before sharing to any extent by actual divisions the profits so acquired.

There certainly was no occasion for complaint on the part of the men who took pay for their plants in the stock of the Standard Oil Co. The faith which they showed in this new enterprise on the strength of the integrity and ability of the men projecting the same was fully justified, and certainly we would not expect from these anything but the most cordial manifestations.

I think we have taken up the "historian's" statement, examined it on every side and given an answer that has simply overwhelmed it.

Q. T p. 129; says that during 1872 the public supposed the railroads were keeping the agreement of March 25, 1872, prohibiting rebates and drawbacks. She quotes Mr. Flagler as stating that the Standard Oil Company from April 1 to November 15, 1872, received a rebate of 25 cents a barrel from the New York Central and the Lake Shore and Michigan Southern.

A. I cannot explain it. I assume, though, that it is one of those cases like many others which this historian has put up, which would be just as clear as those with which I happen to be more familiar, if the real facts were known. The presumption is that an agreement pertaining to freights or anything else would be binding upon the Standard Oil Company only so long as the compact was in force between all the parties to such agreement, and it appears that in a very short time this compact was broken by the producers. It seems that Mr. Flagler frankly testifies as to freight rates without any reservation, from which I must conclude that any obligation of the Standard Oil Company in the compact could not have been binding.

How easy it is for a writer like the one in question to present history in such a way as to confuse those who are not expert in the realm, trusting to assertions, vague rumors, which the uninformed, not being able to rebut, if they had confidence in the writer, would give full credence to the erroneous impression which was sought to be created as to the real facts in the case.

Q. T p. 130, continues as to the Standard having a rebate: "Consider what Mr. Rockefeller could offer the road -- sixty car-loads of oil a day, over 4,000 barrels. General Devereux points out in the affidavit already mentioned (already quoted in these pages: W. O. I.) what this meant. It permitted them to make up a solid oil train and run it out every day. By running nothing else they reduced the average time of a freight car from Cleveland to

New York and return from thirty days to ten days. The investment for cars to handle their freight was reduced by this arrangement to about one-third what it would have been if several persons were shipping the same amount every day. Promptness was insured in forwarding and returning (a drawback of from fifty dollars to $150 a day accrued if it was late, so that the Standard was bound to ship promptly), and all the inconvenience of dealing with many shippers each with his peculiar whim or demand was avoided. It was certainly worth a rebate to the Central, and the Central not having any prejudices in favour of keeping agreements because they were agreements naturally conceded what Mr. Rockefeller wanted. There was another point. If the Central did not concede to Mr. Rockefeller's terms it undoubtedly would lose the freight. There was the lake and the canal and there was the Erie!"

A. What better argument could the "historian" present for the justification of the Standard Oil Company in respect of transportation than what she says there! The writer seems to forget for the moment her real motive in writing the book: in this as well as in other instances, by inadvertence, she shows the weakness of her whole scheme.

Q. T p. 131: "W. T. Scheide, a member of the oil men's committee making this contract, the agent of one of the largest oil shippers in the country, Adnah Neyhart, in some frank and suggestive testimony given to the Hepburn Committee in 1879, said that at the time the arrangement was made he did not think anybody connected with the business expected it would last. 'My reason for that was that it was an impossible agreement," said Mr. Scheide. 'The immediate effect of it would have been to have utterly destroyed fifty-five per cent. of the refining interest of the country; that is to say, Cleveland and Pittsburg, which during the previous four years had shipped

fifty-five per cent. of all the oil out of the Oil Regions -- they, in addition to paying the rates of freights which all other refiners would have had to pay, were required to pay fifty cents a barrel on their crude oil to their works.' The refiners in Cleveland and Pittsburg had of course always paid to get crude oil to their works," - - -

A. You might add that extract to what you read first. It is true that arrangements such as the Refiners' Association, and many arrangements as between producers and refiners, while cheerfully acceded to for the time being by the refiners, were made in large part so that it might be apparent to those less well informed on the general question that there was something more vital and far-reaching necessary as a cohesive power, and that something was a common ownership, which was the goal to which the Standard Oil Company leaders were constantly striving . . .

Here comes a rabble before your hotel. They don't know exactly what their grievance is; but they want to shoot somebody, to hang somebody, to burn a building. A man steps out upon the veranda and says: 'Fellow citizens: If there are any real differences here, let us calmly see what they are and see whether we cannot adjust them. Fellow citizens, please sit down -- and refreshments will be served.'

But the notions of such a mob were not clearly defined, and they could not be relied upon to outline any settled policy. And nothing but the steady, persevering, studious methods of the men in the Standard Oil Company could bring order out of the chaotic conditions in the business. These efforts were persisted in with great patience and carefulness, and necessarily progress was much slower than it could and would have been had they been dealing with trained and careful business men.

She quotes Scheide, shipping agent for Adnah Neyhart. He was a Swedenborgian, a fine, Christian gentleman. They got the best rates they could -- were villains, I suppose, in the mind of this writer. They were business men of honor and ability. We never had any trouble with them. They shipped their own oil and were agents for many other shippers. We had the friendliest relations. I have often met Mr. Neyhart and his sons since. Mr. Scheide afterward came over with us. That is the sort of able, honorable, experienced men we were looking for, rather than the wild type, like Hasson. There was and there is nothing mysterious about this whole history: nothing you would not find today in the record of transactions in the world of business.

I believe I am justified in saying that this author is unfair, very unfair.

At breakfast today Mr. Rockefeller said:

"Here is a picture. The man and his associates sell out their old junk. We give them money for it. If they had only been able to believe in us, as many others did, and take at least part of their payment in stock in the Standard Oil Company they would have been well off. But they, in the unsettled condition of the oil refining business, could not believe in us, or that success could be achieved. They got our hard cash for their old junk. They also made a covenant that they would not re-engage in the oil refining business.

"The man and his associates presently buy new and modern, improved machinery in place of the junk they sold to us, and, utterly disregarding their solemn covenant, again engage in refining oil. These are the virtuous, innocent, model men our author of 'history' holds up to the admiration of

mankind. These altruists -- who broke their solemn word -- are the virtuous martyrs who hated rebates and drawbacks, who would not take the best freight rates they could get, who tried their utmost to give all the advantages in the business to their rivals because they so loved competition! Who will believe such a tale as that?"

(This refers undoubtedly to William C. Scofield and partners.)

January 19, 1918.

Q. T p. 131, implies that W. T. Scheide got a rate of $1.05 a barrel on his oil from the Pennsylvania Railroad.

A. It seems that the testimony of Mr. William T. Scheide, a well known and very reputable gentleman representing Adnah Neyhart, one of the leading producers, directly and in connection with some family connections, shows clearly that this large producer did receive rebates. The "historian" quotes the report of the Special Committee on Railroads, New York Assembly, 1879, to show that during 1873 A. Neyhart received rebates amounting to $188,127.78 from the New York, Lake Erie and Western Railroad.

From this record it would seem that possibly the impression which was apparently sought to be conveyed in this valuable historic record of this "historian," who had been reared in the Oil Regions and nourished on bitter prejudices against the Standard Oil Company from her girlhood, on account, in part, of the connection of her family in competitive business, might be the impression that the virtuous producers, in marked contrast with the business-like refiners, could not be seduced into doing such a wicked thing, under any circumstances, as taking a drawback or rebate. But this is only one of the many accumulated utterances which go to make up a "history," the which

when the people came to know of the motive prompting it, was, to say the least, taken with many grains of allowance. Then, too, when read in the light of subsequent events and the history of the onward and upward and progressive movements of the Standard Oil Company and the good wrought by its magnificent endeavors in the business world, these efforts to discredit it by misrepresentations apparently destroy themselves, in one instance not only but in many instances all the way through the book.

The Standard Oil Company still survives, and its most bitter enemies, of producers and refiners, became and for years have been its most ardent admirers and able assistants, and from among this number the highest offices in the gift of this company have been filled and are today filled.

Q. T p. 132 says that George R. Blanchard, who in October, 1872, became general freight agent of the Erie, testified before the Hepburn Committee, 1879, that he found on taking office that $7,000 in rebates had been paid to Mr. Scheide for Mr. Neyhart in the month of September, 1872, on his refined. Mr. Blanchard was convinced that the agreement of March 25th did not last two weeks with the Pennsylvania amd New York Central roads. He and the Atlantic and Great Western decided to continue to pay the 24 cents per barrel drawback then allowed on the rate of $1.35 under the producers' agreement of March 25, 1872.

A. Simply that Mr. Blanchard's testimony is confirmatory of the notes we have recorded above. I really am a little surprised that she dares to keep putting down these records of history which show the opposite of what she is trying to impress upon the people in her book. I cannot explain it, unless it may be in view later on of making some more dreadful and startling announcement which she will hope to have favorably received by virtue of this apparent

fairness.

Q. T p. 132, states that J. D. Archbold and Messrs. Bennett, Porter and Osborn, of Titusville, partners, contracted with Mr. Blanchard to ship their entire product for one year at a rate considerably below that agreed upon on March 25, 1872. They made the contract March 29, 1873, but they went to the Erie in November. In July, 1873, Agent Scheide took Adnah Neyhart's oil shipments from the Pennsylvania to the Erie(as he testified before the Hepburn Committee) because the Pennsylvania people would not give him the preference in cars but insisted on carrying out the agreement of March 25, 1872, that cars should be furnished equally to all. He said he was "their shipper," and this was unfair treatment. She declares, p. 133: "These details, all drawn from sworn testimony, show how, before a year had passed after the end of the Oil War, all the roads were practising discrimination," etc.

A. We further note that this "historian" states what was true -- that all the railroads practised discriminations, and that all the shippers, whether producers, refiners or dealers, were seeking as a matter of course in this department of business, as well as in all the others, to make the best freight arrangements they could. And they would have been academicians, or theorists -- or fools -- if they hadn't: like so many of the writers who exploited business methods of these years, notably pertaining to the oil interests. But as time went on it was found that those who proceeded upon mere schoolboy theories and not upon sound business principles, were left behind in the business competition and relegated to the role of discontented grumblers and had-beens and might-have-beens.

MR. R. VS. TARBELL
CHAPTER V

January 29, 1918.

Beginning a stay at Ormond Beach, Florida.

Q. T. p. 133 et seq.: General Devereux, in June, 1873, became president of the Atlantic and Great Western railroad. He and Peter H. Watson, former President of the South Improvement Co., now president of the Erie, sought part of the Standard Oil Company's seaboard shipments from Cleveland. She adds: "Mr. Rockefeller was willing to give them shipments if they would make the rates as low as were given to any of his competitors on any of the roads, and if they would deliver his oil at Hunter's Point, Brooklyn, where he had oil yards, and where the Central delivered, or if they would not do that if they would lease their own oil yards to him."
A.- I guess that's true. I think I remember something like that. Hunter's Point had a lighterage. I presume this was to make the Erie railroad and the Atlantic and Great Western render to us the same service which the Lake Shore and New York Central could render with their possibly more favorable situation for the same.

Q. T. p. 134, quotes testimony of George R. Blanchard, general freight agent of the Erie. I quote: "The Standard," said Mr. Blanchard, "had a force of men, real estate, houses, tanks and other facilities at Hunter's Point for receiving and coopering the oil; and they had their cooperage materials delivered over there. The arrangement prior to that time was that the Erie Company performed this service for its outside refiners at Weehawken, for which the Erie Company made specific charges and added them to their rates for freight. The Standard Company said to us: 'We do the business at low cost at Hunter's Point because we are expert oil men and know how to handle it; we pay nobody a profit, and cannot and

ought not to pay you a profit for a service that is not transportation any more than inspecting flour or cotton; and the New York Central delivers our oil at that point. Now if you will deliver our oil at Hunter's Point and permit us to do this business, you may do so; we want to do that business, and we cannot pay to the Erie Railway Company at Weehawken a profit on all of those staves, heads, cooperage, filling, refilling and inspection, for we have our own forces of men and our own yards necessary for this work in another part of the harbour of New York; and it is not a part of your business as a carrier, anyway .'

"In lieu thereof and for the profits that we could have made from the aggregate of these charges, we said to them: 'If you will pay us a fixed profit upon each one of these barrels of oil arriving here, you may take the yards and run them subject to certain limitations as to what you shall do for other people who continue to ship oil to the same yards.' They were only able to make this arrangement with us because of their controlling such a large percentage of shipment, and because of permanent facilities in Brooklyn; if the larger percentage of shipments had belonged to outside parties, and they had had no yards of their own, we would probably have retained the yards ourselves."

A. This is but another illustration of the careful and economical methods of the Standard Oil Company,which was seeking all the time to do its work a little better and if possible at a reduction of cost over its competitors -- a perfectly legitimate and highly to be commended endeavor. She has to put words in in order to make a book. But to confirm our original impression that there was not enough in her writings to warrant us to stoop to argument with her, let us look at the progress that was made under these arrangements and which for long years have resulted in profit not only to the Standard Oil Company but to its patrons.

MR. R. VS. TARBELL
CHAPTER V

Q. T. p. 135: "A contract was signed on April 17, 1874. By it the Standard agreed to ship fifty per cent. of the products of its refineries by the Erie at rates "no higher than is paid by the competitors of the Standard Oil Company from competing Western refineries to New York by all rail lines, " and to give all oil patrons of the Erie system a uniform price and fair and equal facilities at the Weehawken yards. It was a very wise business deal for both parties. It made Mr. Rockefeller the favored shipper of a second trunk line (the Central system was already his) and it gave him the control of that road's oil terminal so that he could know exactly what other oil patrons of the road were doing -- one of the advantages the South Improvement contract looked out for, it will be remembered. As for the Erie, it tied up to them an important trade and again put them into a position to have something to say about the division of the oil traffic, the bulk of which outside of the Standard Oil Company the Pennsylvania was handling. In connection with the Central the Erie now said to the Pennsylvania that henceforth they proposed to maintain their position as oil shippers."

A. She is simply confirming the statements which I think have been made hither-to, that the Standard Oil Company was of great value in enabling the railroads to secure, not a ruinous rate of freight for its advantage, but good and satis-factory rates by reason of securing to the railroads their agreed upon proportion of the oil traffic.

Q. T. p. 136, says that the determination of the Central and the Erie to get from the Pennsylvania a percentage of its freight was, of course, in-creased cutting, and it looked as if a rate war was inevitable. Colonel Potts of the Empire Transportation Company, handling all of the Pennsylvania freight, suggested that the three trunk lines pool their seaboard oil freight. "The

agents found it intricate enough. Throughout the summer of 1874 they worked on it, holding meetings at Long Branch and Saratoga and calling to their counsels a few of the leading refiners, pipe-line men and producers whom they could trust to keep quiet about the project."

A. That's of no special importance. It was simply the necessary preliminary work to the accomplishment of an important purpose, which purpose was the conserving of the best interests of railway transportation.

Q. T. p. 136: "By the first of September they had an agreement worked out by which each of the three roads was to have a fixed percentage of Eastern shipments. The rates to the seaboard were to amount to the same for all refiners wherever located . . . "

A. Now, do you see how just that is! Observe how just were the arrangements between the railroads and the refiners, and that, too, to the Standard Oil Company's competitors who could not present the advantages which they were enabled to give to the railroads for the services which were rendered to them!

This might have been said to be an unbusinesslike proceeding on the part of the Standard Oil Company, but it must be noted that this is the record of our "historian" and does not correspond with the general trend of the accusation brought against the Standard Oil Company -- that its progress was made by strewing the way with its unfortunate competitive victims. It would have saved, if possible, all these from their own folly as well as benefited the transporters and the producers and every locality where this industry had been in vogue before the incoming of the endeavor at centralizing the business which was led by the Standard Oil Company.

Q. (Continuing to quote Tarbell): "This really amounted to charging nothing for getting the crude oil to a refinery wherever it was situated, as the following clause in the agreement shows: 'The roads transporting the refined oil

shall refund to the refiners as a drawback the charges paid by them upon the crude oil reaching their refineries by rail.' This paragraph provided for this crude rebate contained a second clause, which read: 'And the roads transporting through crude oil to the Eastern seaboard shall refund to the shippers twenty-two cents per barrel; both of said drawbacks to be paid only on oil reaching the initial points of rail shipment, through pipes, the owners of which maintain agreed rates of pipage.'"

A. I don't know that there's anything to say but this: that this is an agreement which was very satisfactory generally to all parties and afforded an opportunity to haul the oil over the railroads at remunerative rates and gave an opportunity to all the refining points to work out their own destinies with equal protection from the transportation interests, and was indeed a most gratifying result, after the long struggle on the part of the transporters as well as the refiners, to secure their share of the business, and in some instances, a little more than what could be allowed to them, and preserve the peace among the parties interested.

This meeting at Saratoga must have afforded great relief to the transporters who were wearied with the long, profitless struggle for business, and was the beginning, possibly, of an era in the freight business generally. It fitted in with the purposes of the Standard Oil Company, among other reasons, because it did help secure to each locality the opportunity for doing its proportion of business, and, further, that some of the localities less favorably related to the transportation were fearful that the business would be taken away from them in case the views of the Standard Oil Company prevailed. But they had occasion to fear that they could not continue the business also because of the fact that they were disadvantageously located, and every consideration, however small, was grasped eagerly by the refiners, who found themselves doing business on very

small margins of profit or a loss in the late years before the efforts of the Standard Oil Company to reorganize and improve the conditions in the refining as well as in the producing and the transporting.

Q. T. p. 137: "The paragraph announced two new and startling intentions on the part of the oil-carrying roads: first, that they intended to strip the Oil Regions of the advantage of geographical position at the wells by sending oil free to Cleveland and Pittsburg, New York and Philadelphia, at the same time leaving these cities the advantages accruing from their positions as manufacturing centres and close to domestic markets; second, that they had entered into a combination with certain pipe-lines to drive certain others out of existence."

A. I don't know what that means -- "a combination with certain pipe-lines to drive certain others out of existence." The earlier pipe-lines were connected with the Pennsylvania Railroads but very soon after the Standard Oil Company's effort at centralization began they (Standard Oil Company) naturally acquired pipe-line interests so as to provide their refineries with oil and surely secure oil to refine in competition with those refineries located along the Pennsylvania lines. They were thus enabled also to make it more certain that the Lake Shore and New York Central and the Atlantic and Great Western and the Erie, with their co-operation, could maintain such a position as would render it desirable for the Pennsylvania road and its connections to keep faith -- not leaving ourselves at the mercy of Tom Scott or any other man -- and thus progress was made in the direction of bringing order and producing a little profit out of the business of producing, refining and transporting, which hitherto had been so uncertain and unsatisfactory.

The thing that touches her there is that the oil regions, in order to bring about a recognition of the investments made at all points for refining

and the outlays made by the railroad companies for cars, terminals, etc., for the transportation part assigned to them -- this "historian", you observe, being in the oil regions, was not willing to concede the right to the people outside the oil regions to refine the oil. That's where the shoe pinched; that's where it might have affected her father and her brother, on whose behalf the "history" was written. But the history of manufacturing, transporting and merchandising was gone into by the organizers of this business, and it was found that large manufacturing points in England had remained in business long after they were established, notwithstanding that some other places more favorably located in the matter of transportation alone had been established. It is to be remembered that in cities where men have permanent homes and advantages for their families and all the attractions to hold them there for their occupations, will pursue these occupations in what might be considered -- as in the case of Cleveland -- places more remote or unfavorably situated; and some of the disadvantages were overcome. And it was found impracticable to insist on the part of the oil regions that all the refining business should be centered in that country. Among other reasons because while today the oil was being produced there, new fields were being developed in other sections of the country, and it was evident that the refiners could not keep their refining establishments on wheels and roll them around to all the producing points, but that adjustments and arrangements would have to be made, so that wherever these industries had been well established in order to have peace and any degree of prosperity there must come a recognition of the rights of these points to do a fair part of the business. Then, too, while they were not so advantageously located as possibly at the seaboard, and especially for the export,and possibly as in the Oil region for a certain trade yet the vast West was opening up, and to an extent was being supplied with oil

as it naturally passed through Cleveland. So, taking all things into account, the courageous men of Cleveland who had been threatened with extermination by Tom Scott and some of his patrons among the shippers of oil -- these persevering business men of Cleveland, rather than sacrifice the large investments they had already made in the refining business, fought on bravely, and by uniting their capital and their efforts and reaching out with pipe-lines, tank cars, and other facilities, and also by becoming interested to an extent in some of the more favored localities, they were enabled to exert an influence with the producers, refiners, transporters, etc., to exert a great and favorable influence to the lasting good.

Mr. Rockefeller reflected a few moments; then added:

The oil regions: they wanted it refined there; but that was impossible after it once got root elsewhere.

Birmingham in England retained its supremacy for long years as a great manufacturing centre against some odds of transportation, etc. The cotton industry in New England has held its supremacy long years. Their skilled men were a valuable asset. Their homes and their family ties were there; and home, kindred and associations of the past were not lightly to be thrown aside, especially as they had been prosperous and happy in their work, to go into new and untried fields, especially where they could not be guaranteed a permanent relationship.

The fact is that, scattered as those people were in the oil regions they could not have maintained the supremacy, and, naturally enough, you will understand that able men in business affairs would hesitate very much in making expenditures in an out-of-the-way place like that, based on a product which came today and went tomorrow, which could be taken to business centres where property had some value and would have value after the oil died out.

You have seen Pithole and Petroleum Center -- the places where once stood big, prosperous cities in which men made millions of dollars out of oil. Now they are bits of wilderness, overgrown with weeds, and with nothing left to tell of their greatness but a few scattered parts of old houses and the memory of a few aged men. Prudent men did not want to put all their capital into business in such places when they could do as well immediately in the places where they were, and probably do much better in the future after the oil boom had passed. Time justified them.

- -

We were going to breakfast presently, and Mr. Rockefeller began to talk again about the Tarbell book. I mentioned the curious circumstances that Miss Tarbell should have included in her book so many facts which, when viewed apart from her partisan interpretation, seemed to prove to the satisfaction of any fair-minded person the truth of Mr. Rockefeller's assertion that the Standard Oil Company was formed to save the oil business, to steady it, to stop the waste and to give to all who were in the business the opportunity to thrive.

"I wish," said Mr. Rockefeller to Inglis, "that you would tell that to my son, if you see it so clearly, as I have no doubt you do, how often this woman puts in her book the facts which utterly destroy her contention. I have never told him these things -- merely an incident here and there. I may say that I have never had time to become really acquainted with my son. He has been very busy always. I know he is getting together this record out of his devotion to me, which I deeply appreciate. But I wish you would tell him -- and I am sure he will be glad to know -- that the Tarbell book carries within itself many facts which flatly contradict her charges of oppression and corruption and all manner of wrongdoing which she alleges against the Standard Oil Company."

MR. R. VS. TARBELL
CHAPTER V

January 30, 1918.

Q. T. p.138, gives Mr. Blanchard's explanation to the Hepburn Committee that it "was urgently represented to the trunk lines by some refiners at the West as well as by others at the seaboard, and also by crude shippers and receivers and by owners of pipe-lines that it was in every way desirable that the refiners of Cleveland and Pittsburg and those at the seaboard be put upon a basis of equalization in the gross rates of transportation to and from the refineries." She adds: "Now to do this the element of distance had to be disregarded. Cleveland was 150 miles west of the Oil Regions, but she must be treated as if she were at the same distance from the seaboard. As soon as the proposition was made certain of the refiners and producers objected unless the railroads went further and equalized rates on coal, acids, cooperage, &c. This, however, the roads declined to do."

A. That was answered yesterday.

Q. T. p. 138, says Henry Harley urged upon the railroad men the rebate on all oil coming from pipes which kept up a fixed pipage, saying that he did not believe the scheme of equalization could be carried out unless some kind of an alliance was made with the pipe lines. There was perhaps twice the pipe capacity needed for gathering all the oil produced. . . . under a dozen different managements . . . rebates, special secret arrangements, confusion and loss . . . . Like the overgrowth of refining and of production, it was something only time and solidifaction of business could remedy. (The italics are mine; W.O.I.)

A. I quite agree with the "historian" that the time had fully come for the reformation in the oil business in all its departments which was inaugurated by the Standard Oil Company, and which some of the people being unable to understand, were willing to attribute motives to this company and others which they would surely be ashamed to express after all the long years of the demonstration

of good results following.

T. p. 139, says that up to this time the railroad had had nothing to do with pipe-line charges. Henry Harley said: "Here we are, representatives of the nine most important lines in the Oil Regions."

Tarbell adds: "Now the United Pipe Lines proposed to the railroads a through rate from the wells to the seaboard as low as they currently made from the receiving points on the railway, the pipes to get twenty per cent. of this through rate. The railroads were to agree not to receive the oil from buyers except at as high a rate as the pipes charged; and to allow no pipe-line outside of the alliance a through rate from the wells. The memorandum said squarely that the intent and purpose of this was to make the United Pipes the sole feeders of the railroads. It was a plan not unlike the South Improvement Company in design -- to put everybody but yourself out of business, and it had the merit of stating its intent and purpose with perfect candour."

A. Well, it seems to have been a plan giving recognition to all existing interests where money had been expended to transport by rail and pipe and to produce and refine oil. In order to make any such plan work, all the interests involved had to be fairly recognized, and these interests joined together for mutual protection in a rational way, with a willingness to include all comers who would adopt the view of the necessity for concerted action. Anything less than this, which tended to allow each individual to have <u>its</u> own way regardless of the interests of others would tend to reproduce the old chaotic and very unsatisfactory conditions from which those most experienced and capable and businesslike men were seeking to extricate themselves.

Q. But Tarbell charges that there were pipe-lines under a dozen different managements and that only nine were taken in.

A. I am not able to speak as to the exact number of lines there were. A false

impression might be obtained from the prhase that there were a dozen pipe-lines. There might have been even more pipe-lines than this, and probably there were more; but many of these were undoubtedly for conveying the oil of individual producers for comparatively small distances, and not entering into an approach even to the larger or trunk line schemes. I suppose I have to say something on these points. Others who have gone could say them better. If we had old Captain Vandergrift here, who fought us bitterly and then became one of our warmest, staunchest supporters, and so remained up to the time of his death; or Mr. Scheide: he knew all the facts. . . . If we had some of them . . . But I think my statement fairly represents the underlying principles.

Q. T. p. 354, gives the agreement of 1874 between the railroads and the pipe-lines. Its substance is about as she summarizes it, except that she seems to have ignored this important preamble: "Whereas, The pipelines owned and controlled by the parties hereto have a joint capacity for transportation more than twice as great as the total volume of petroleum produced in the district traversed by said lines; and whereas, the separate and discordant relations now prevailing among the parties hereto, lead to a needless multiplication of extensions, branches, and other matters involving heavy cost, which ultimately becomes in some shape a charge upon the business transported, "---

A. (Interrupting) There you've got the pith of this whole question of creating agencies to accomplish work in the world that are not needed. Somebody must necessarily pay for those agencies if the agencies survive. Somebody must pay the toll. We of the Standard Oil and allied interests strove to overcome this waste, and the benefit of the same accrued to its patrons. But from the fact that the advantages thus secured proved to be somewhat in accordance with the hopes of the leaders of the Standard Oil Company, it was disappointing to some

people, as is always the case, to find that the views of others rather than their own proved to be the correct ones; and, coupling this with their failure in some instances to join in with the Standard Oil Company, on account of their fears and their short-sightedness, and on account of the fact that they could not read in the books a precedent for this new and forward movement, they were ever after nursing their dissatisfaction, especially their dissatisfaction with themselves, which they sought to cover by throwing dust in the air and crying "Wolf! Wolf! The Standard Oil Company!" etc. Such people are found, however, in all walks of life, and the Standard Oil Company interests did not treasure toward these men unkindly feelings because of their misrepresentations and harsh treatment, but were always ready to lend a helping hand, with gratitude for their own success and sympathy for their short-sighted brethren.

- -

Mr. Rockefeller mused awhile; then said: You need not put this down. We think about Hades. What more can punish a man than to sit and groan as he contemplates what might have been! Our reader can perhaps understand from this recital some of the reasons why the representatives of the Standard Oil Company were content to go quietly forward, attending to their own business, without making answer to the many allegations of complainers represented largely by this class of disappointed people; but it is also to be remembered as a general proposition that success in any realm must naturally bring complaints from those who found themselves unequal to the competitive struggle. . . . I guess you may as well put this in the record.

Q.- (Continuing the quotation from Tarbell) "and also leads to the offering of open or secret inducements of an illegitimate nature, such as rebates, special rates, selling oil for less than its cost and full pipage rates, and in other ways whereby to attract an undue share of traffic to the

respective lines represented herein; and

Whereas, it is believed to be desirable both for the interests of the parties hereto and those of the public whom they serve, that all needless expenditure and all illegitimate inducements should cease; now, "etc.," etc.

A. Mr. Rockefeller nodded assent, having answered the question (see preceding page.)

T. p. 139: "The railroad men seem not to have objected to the purpose, only to the terms of the proposed arrangement. Mr. Blanchard told the pipe committee that he regarded it as the most violent attempt on the part of the tail to wag the dog that he had ever seen, and the representatives of the other roads agreed. They saw at once, however, how much more solid their own position would be if they could be sure that no pipe-line delivering to them would cut its rate, if there could be in effect a through rate from the wells, and after some discussion they proposed to the pipe-lines to add twenty-two cents a barrel to the rail charges; . . . . Of course this arrangement did not change the pipe-lines' methods of collecting in the least. It simply forced a uniform charge, and this charge was to be, it should be noticed, regardless of distance. The charge for collecting and delivering oil was to be thirty cents a barrel whether it was carried one or ten miles -- a practice which prevails today."

A. What's the date of her writing? 1903-1904? As to the matter of pipe-line charges, I am not and have not been for long years familiar; but presumably all pipe lines were not of the same length.

> Mr. Rockefeller said this without a smile or any other visible or audible evidence that he was making game of Miss Tarbell's solemn contention that here was another proof of the Standard Oil villainy. Anyone who is familiar with the oil regions of Pennsylvania knows that the pipe-lines are of varying lengths, and that the charge for piping oil to a depot is uniform within the limits she mentions. It would be as reasonable to criticise a milk dealer in New York for making a uniform

> charge for delivering milk whether one mile or ten miles from his depot. But he seemed to enjoy giving another puncture to the "historian's" creed that whatever the Standard Oil Company did was wrong.

The answer quoted last ended the session for the day. But Mr. Rockefeller had his last answer re-read; then added: "This, however, would not constitute a reason for recognizing a general principle which would seem to render the fairest and most just recognition to all parties concerned." Then he began to talk at ease about the subject -- both as to the immediate feature under discussion and the general plan of the Standard Oil organization. What he said gives such a striking picture of the methods governing the formation and extension of the Company that I immediately requested and got his permission to write down what he had said while it was hot in my memory. This I did, as follows:

"It was necessary, first of all, for us to nave a nucleus around which we could build. We could not ask everybody to come in, in an associational way. We had tried that at first -- in the producers' and the refiners' associations -- and proved that that was a rope of sand. It was necessary to form one organization under a common ownership if we were to succeed and stay alive. Here it was -- the Standard Oil Company of Ohio, good for one hundred cents on the dollar. And we could not accept each one who came to us at the face value of his business as it appeared to him -- 'I make a peculiarly fine oil,' or 'I have exceptional selling ability,' or 'My case is peculiar. No other is like it.' It was quite natural that each man should think that his own was exceptionally worthy. 'It is naught, it is naught, saith the buyer, but when he goeth on his way he boasteth.' The same principle operates in the mind of the seller.

"There were exceptional cases, and they were recognized. There was Charles R. Pratt in Brooklyn, who made Pratt's Astral Oil, a fine oil, widely advertised

refining industry.

Ha! I'll never forget old man Culver (laughing). C. V. Culver. He was a banker and a kite-flyer, had a chain of banks in the oil regions, and some influence in some way with the producers. He made the suggestion that they would like us to refine the crude oil for them and market it, and they would allow us one-eighth, or one-tenth, of a cent a gallon for our services, we furnishing the capital to build the refineries, etc. No; I did not meet him. We got his suggestion. Probably he came to some of our representatives.

Information of this kind was of good assistance to us as well as to our friends whom we were trying to persuade to move in connection with us, as indicating what we might expect if we were subject to the control of producers as such, and that if the refining interest was to be protected, it must secure protection by a concerted action among the refiners, and that this concerted action must be preceded by mutual confidence, all of which required the better acquaintance and the contact which we were seeking with those with whom we had not previously had close and intimate acquaintance.

Now You've got the gist. That's what we were traveling around for, to know who and what they were and what they were good for: Mr. Warden and I. There was no reason in the world why we should publish to the world what we were there for.

I have shown here a motive -- no skulking business. We had a specific business with particular individuals, and we were seeking such opportunities as we could conveniently secure for making acquaintance and progress in cementing this interest.

This ended the session. Mr. Rockefeller while walking about soon reverted

to the subject.

"We were not children," he said, "The proposition Mr. Culver made opened our eyes as to how we would fare in the hands of the producers. The trouble with them was that they had no power of cohesion. When it came to getting rates from Tom Scott or this one or that one, they were ready; but when it came to putting down the cold cash they were not ready. They had not the cold cash to put down. We had the cash, and as the business grew we were able to bring in more.

"Why, it seems like a fairy tale; the idea, the concept, of a company which should make the oil business safe and profitable. A few of us going to work on the plans and making a beginning; the treachery we had to overcome, as in the cases of Scofield and others; our willingness to go on with our Pennsylvania friends who had the South Improvement scheme. We remained friendly with them after it failed, though they waited three years before they were ready to join us, were convinced that our plan was right. What was it Mr. Thaw said -- 'That young man will make a great success: or a dismal failure.' He was right. We put everything we had into it. Then we got Mr. Warden, Mr. Brewster, Mr. Jennings and others.

"Here's something to add. There was a worse case of treachery to obligations and covenant than Scofield's. Down on Oil Creek was a German named Tieg. He sold out to us his little refinery, started another and sold it, etc. Finally Mr. Archbold, who had made the contracts with him, asked him one day if he thought it was fair to take advantage of us by beginning over and over again in violation of his contracts. Tieg was a good-natured German. He grinned.

"'Ach, Misder Archbolt,' he said; 'dere iss more as one Tieg!'

There were, too."

and sold. There was in that case a special question as to the value of the good-will, something which demanded special recognition and got it. There were other cases of exceptional product or of exceptional selling ability, and they were all recognized.

"But in forming our company we could not take in hundreds of individuals with hundreds of extraordinary ideas as to their business, any more than these pipe-lines could have charged one cent a barrel more or less in cases of varying lengths of pipage. The confusion would have been endless. There had to be a standard of measurement of value --- what the business was worth to us in the open market.

"When we had formed our nucleus men came to us. We did not say to them, 'Your business is worth so much, or so mych.' Not at all. We said: 'Brother, we are on a sinking ship. We are all lost unless we help one another. Will you not join us and get ashore?' If they agreed, we asked them to let their men go over their plant and their books, giving the value they claimed, with our men at their side. 'Let them discuss, argue, wrangle, if you like. Let them arrive at a fair valuation, and we will take you in at that.'

"We did this over and over again without causing dissatisfaction. The question was not, 'What is this business worth as compared with Soandso or Soandso its neighbors?' but, 'What is it worth to us as it can be used in the open market?' That is the method of appraisement adopted years afterward by the interests forming the U. S. Steel Corporation and the modern companies generally. There had to be a standard of valuation. It was fair. It was just. We never took into our company an owner who was dissatisfied, who was nursing a grievance. What co-operation, what enthusiastic support could we expect from such a man? We would have been building a rotten plank into our ship, ready to give way

at the first strain. What we did was to bring into a just and equitable partnership all those oil men who had faith in us and in the future of the oil business."

- - - - - - - - - - - - - - - - - -

January 31, 1918.

Q. T. p. 140: "While these negotiations were going on, the Oil Regions as a whole was troubled by a vague rumour that freight rates were to be advanced. In the two years since the Oil War the region, as a whole, had adjusted itself to the tariff schedule of March 25, 1872, and was doing very wll though working on a very much smaller margin of profits than ever before. . . . Thus, in the summer of 1874 an editor of the Oil City Derrick made a tour of the creek refineries and reported all ofthe larger ones in Titusville and Oil City as propperous and growing, and the small ones in the little towns between these two points as 'jogging along pleasantly.' The keen competition between the different refining points made it necessary to do business with economy, and a rumour of a raise of freight rates naturally was looked on with dread."

A. It is to be remembered that the Standard Oil Company had been at work with the centralizing idea for several years, and yet we note that our "historian" chronicles, not that the competitive refiners large and small had all been crushed out, but they were in a prosperous condition. It is well to keep this in mind in view of the previous insinuations that some years before, when this process of centralization began, under the leadership of the Standard Oil Company of Ohio, it was alleged that the purpose was to "crush out" all rivals who would not immediately comply with whatever terms the Standard Oil Company proposed. We are unable to harmonize these two statements, and it is a little surprising that our unprejudiced "historian" has not at least made a note of the fact that whereas it was understood generally in the beginning that the Standard Oil Company was unjust and unreasonable in its dealings with

its competitors in respect to the questions of consolidation, we now find that they were not "crushed" but that whereas at the time its first efforts were made for consolidation the business was in a very chaotic state, the "historian" is obliged to record the fact that after a review of the refining interests in the oil regions -- the place where most was said about the crushing out by the Standard Oil Company in the earlier experience -- the "historian" is frank enough to record that they are prosperous; though, as previously stated, she fails to note the fact that it was widely advertised that they would be "crushed" by this monster if they did not submit to any terms -- and that immediately.

As to the last line of the question: It is to be remembered that the Standard Oil Company were not clamoring for the railroad companies or the producers to do the work of transporting or producing without a fair and sufficient return, and this was their attitude toward the railroads and the producers and the refiners so long as each refining point was fairly recognized as having a right to exist: the Standard Oil Company were always ready to take the chances for success on the merits of their administration, and as they gradually became interested in refining at different refining points, whether the refiners at those different points saw fit to join their interests with them or not, the conditions were improved, the service was improved, and those who had pursued the business formerly with haphazard methods were obliged in the nature of the case to introduce reforms in reducing costs and preventing waste, and the whole industry was made more serviceable to all parties concerned, including production, refining and transportation.

Q. T. p. 141: " The general freight agent of the New York Central road, James H. Rutter, sent out on September 9 a private circular announcing the new arrangement, an advance of fifty cents a barrel on refined oil shipped to the seaboard, no corresponding advance for Cleveland and Pittsburg, a rebate

of the cost of getting oil to the refineries and a rebate of twenty-two cents to those who patronized certain pipe-lines. And to this new schedule was appended this consoling paragraph: 'You will observe that under this system the rate is even and fair to all parties, preventing one locality taking advantage of its neighbor by reason of some alleged or real facility it may possess. Oil refiners and shippers have asked the roads from time to time to make all rates even and they would be satisfied. This scheme does it and we trust will work satisfactorily to all.'"

A. The statement of Mr. Rutter is simply confirmatory of what I have hitherto stated, and our willingness that such a method as this should prevail was not confined to the time when we were interested in the refining business at Cleveland only; but we held to this principle when we were interested in refining at all the different refining points. And this had always been our purpose; as we had often stated -- to take this industry, prostrated as it was, unproductive as it was, and lift it out of the slough of despond. This, of course, was done by new and heroic methods, involving great risk and pluck and enterprise as well as superhuman efforts on the part of the Company to finance a scheme new and untried in a business so young, so hazardous, where there was no guarantee of a continous supply of oil; but this is the history of the beginning of a change for the better in the business which was brought about by these men who did what had not been done before in the history of business enterprises.

- - - - - - - - - - - - - - - -

Mr. Rockefeller paused a few moments; then continued:

"I am really glad to get this record put down for my son, Mr. Murphy, Mr. Gates, and others close to me who may not have had from me so explicitly the references to this trying and most interesting period in my business career.

MR. R. VS. TARBELL
CHAPTER V

As I look back upon it I am full of gratitude that I did not give up as I was often influenced to do in one way and another, and even by some wh o were closely associated, but who, with their conservative training in business matters, felt that we were risking too much in this new and untried field. And this was true to such an extent that some who continued on as holders of the stock -- and probably are to this day -- were so fearful that there might be some slip and that we would find ourselves engulfed and overborne with this great load of old refineries and collateral investments; and being so influenced, not a few took the conservative course and sold a part of their holdings to save themselves from what they feared might come to pass if disaster should overtake us.

"I am pleased to record that as I studied the business carefully, step by step, as we proceeded, and observed the opportunities for savings and improvements, my faith in the enterprise steadily increased, and as a consequence, there being very few buyers of the stock, I was made what might possibly be termed the dumping ground for all weak-kneed associates who, while willing to retain some interest, were also anxious to have an anchor out to windward, and this is one of the explanations of the great business success that has attended my efforts."

666 - - - - - - - - - - - - - - -

Q. T. p. 141: "M. N. Allen of Titusville, the editor of an aggressive and lively newspaper, the Courier . . . . He saw at once the cloven foot in the Rutter circular and hastened to denounce it in a strong editorial."
I quote from the editorial: "Again, 1,000 barrels of crude oil are to be carried to the seaboard for the same amount of money that will be required for carrying there 715 barrels of refined, notwithstanding that crude oil is a much more hazardous article of freight, from fire, than refined. If this is not a very

large discrimination in favor of seaboard refiners, for which there is no compensation given to refiners in the Oil Region, our perceptions are utterly weak."

A. The editorial by our little newspaper editor to which much attention is given, as he was a neighbor of our "historian" and, fortunately for our "historian's" purpose, dwelt in the oil regions and could see things only from the standpoint of the people who could not take the broader view of a business which was now quite well established at many other points, is only a repetition of much of that same sort of talk that prevented more rapid progress in resurrecting the business, placing it on a basis more satisfactory to all interests concerned as the men, producers and refiners, engaged in it, as has been previously noted, were not as a class trained business men, but coming from all walks of life, and many of them of a type of the adventurous miners, they gave heed to an extent and to their great disadvantage, to this sort of talk by the little newspaper writer who also had an oil still in the oil regions and was the neighbor of our "historian."

It may be surprising that there was not more of this talk, as the number of small-minded people -- small-minded and uneducated in business -- was much greater than those who were well informed and in reference to the underlying principles of business generally. As the years went by it was most gratifying to find that the Standard Oil Company association gave themselves to the careful study of each and every location the world over where oil could be produced, as well as the most economical methods to refine it and convey it to the consumers. This fact was more and more apparent to their brethren who were engaged solely in the producing business, and they undoubtedly were among the number who took great pride and pleasure in the advancement of the industry, bringing it to the notice of the whole world; for it is to be remembered that each step of progress on the part

of the refiner and merchandiser brought an additional demand for the raw material which the producer brought from the ground.

February 1, 1918.

Q. I continue to quote from T. p. 142, editorial of M. N. Allen:

"Now, before putting into effect this new freight arrangement, it may be well for the railway officials having the matter in charge to take into consideration a certain little article of agreement, which the people of Pennsylvania, on the 16th day of December last, entered into among themselves, respecting railroads in this State,. In Article 17, Section 7, of our new constitution is the following decree of the soveriegn people of this commonwealth: 'No discrimination in charges or facilities for transportation shall be made between transportation companies and individuals, or in favor of either, by abatement, drawback or otherwise.'"

A. I don't see that I have anything to say. That's a railroad question, and the consideration of the greatest good to the greatest number and the fact that the railroads could not get the remunerative rates by regarding only the attitude of the comparatively small refining interest in the one section, namely the oil region, it would seem to the railway companies of nearly as much importance as to have some cpmprehensive scheme that would recognize the fact that capital invested in oil refining already to the extent of many hundreds of thousands of dollars at different refining points and which, in part, at least, was absolutely necessary in order to refine the oil which was being produced could not be ignored at the urgency of this small refining interest in the oil regions.

Q. (Continuing editorial) "Petroleum is a product of this state, and transportation companies in taking it away must respect the fundamental laws of the state. And, while, we ask for no favors, always supporting free trade

from principle, speaking in behalf of the refining interest of the Oil Region, we do not propose quietly to submit to any discrimination by transportation companies, doing business in the state, against our interests."

A. This local newspaper man found circulation for his paper locally. His existance depended upon saying and doing the things which pleased the producers and refiners of Venango county. So we must not complain so much of this narrow "broad-minded" man if he did not forget on which side his bread was buttered, though all the other refining points starved to death after they had expended vast sums of money in constructing their works to refine oil on the supposition that they were doing business in a free country and would be protected in their rights to refine oil where they pleased and take their own chances of success or failure; and it would seem as though they had a right to do this provided they could pay for the oil and the transportation to the points where it seemed best for them to conduct their business.

Our "historian" is writing a book for the circulation of which she naturally expects first the patronage of her neighbors and friends with whom she was in close alliance in battling against all interests which presumed to participate in this new petroleum enterprise, and especially interests not located in and near the Oil Creek region and near the sanctuary of the aforesaid editor and the home of her father and brother who were also to be considered with great care in order that the citizens generally of the great State of Pennsylvania which produced the oil originally should be protected against any movement across the border line of this State and for all time to come.

Q. T. p. 142 (Continuing to quote the editorial) "If the railroad companies will make all expenses of refining oil equal to all points, we shall be satisfied. If they will make the price of sulphuric acid $1\frac{1}{2}$ cents a pound the same as it is in New York, instead of $2\frac{1}{2}$ cents; if they will deliver caustic

soda here free of freight from New York; if they will put paints and glues here at the same prices as those articles sell for in New York; if they will put staves and heading and hoops for barrels here at the same figures those articles cost in Cleveland, whether they do all these by giving us rebates sufficient to cover all differences now against us, or in any other way that will bring the same results we will accept the new arrangement without complaint. Until this shall be done we shall ask the railway companies in hauling oil to confine themselves to legitimate business, and to obey the new constitution in letter and spirit."

A. It is to be remembered respecting the different articles used in connection with the refining of the oil that these were produced at established business centers where they had been produced for long periods of time, and that in the nature of the case it could not be expected that all these manufacturing interests could be expected or could afford to move down to Titusville in order to meet the economic view of our distinguished "historian" t oday, when the changing conditions of this new oil industry would require them to place their plants on wheels and move to other locations tomorrow. The natural laws of trade established these manufacturies at points where they might hope for a more permanent demand for their products and the same law that applied to them applied to a greater or less extent to the refineries which were established in important and well established business centers, where capital was, where banks were, where credit was established, and where business was on a more stable basis, giving promise which encouraged the trained business man to risk capital and thus promote the endeavor to cleanse the petroleum product and lead it on to the consumer. And all this was very advantageous to the producing interest of Pennsylvania, for if the producers had been obliged to wait for a market for

their oil until these few and small refining interests in the oil region could prepare the same for the market, it would have been much against their interests. The truest interest of the producer was to encourage as many refiners as possible in the outset to proceed with the study of the best methods of refining the oil and merchandising it; and by thus leaving it open to a free competition the whole industry was promoted much more rapidly than could have been done by confining it within the narrow limits of Titusville and under the shadow of the said editor who wrote the distinguished editorials in favor of a restraint of trade; and we may suppose from the space given these editorials by our distinguished "historian" that not unlikely the Sherman Law came in in part to serve the suffering people outside the limits of Venango County.

Q. T. p. 143: "The creek refiners began to ask by what right the advantage of geographical position at the wells should be taken from them, and Cleveland be allowed to retain the advantages of her proximity to the Western market; Pittsburgh her position on the Ohio River and the market it commanded; all of the cities the advantage of their proximity to great local markets and to such necessary supplies as barrels and acids. Besides, was it constitutional for the railroads to regulate interstate commerce? Was not the arrangement as far as the Pennsylvania was concerned, plainly prohibited by the new constitution of the State of Pennsylvania? The producers slowly began to realize too, that the Rutter circular, like the South Improvement charter and contracts, did not recognize them as a body."

A. Well, I don't know -- I think we might pass on. We've reiterated so many times:the people at large in different states and in different cities were assuming that the fact of the oil being produced in Venango county, Pennsylvania, was no reason why they should contribute to this small coterie of people, ignore

the laws of trade, block the wheels of progress, and shut out this new product from the world sitting in darkness.

Q. T. p. 144, The oil producers concluded that "it was an 'insolent equalization;'" held a mass meeting at Parker's Landing, October 2, 1874. Their committee sent a letter of protest to Messrs. Scott, Vanderbilt and Jewett, the new president of the Erie. No attention was paid for three weeks. Then they received a letter from A. J. Cassatt, of the Pennsylvania, to whom Thomas A. Scott had referred their communication, saying: "In establishing the recent rates and arrangements for the transportation of oil, the object which was at all times kept in view was to place all interests on an equality, giving to no one an undue advantage over any other."

A. Yes, and if Mr. Cassatt had added: "Do you not perceive, neighbors and friends who are engaged in the producing business in Pennsylvania, if you were shut up to the refiners on Oil Creek for the market on your crude oil, and, after having encouraged these refiners in all the other refining points to invest their money, we had pursed a policy that would have prevented them continuing in this business of refining oil, it would have resulted not only in great injustice to them but in great loss to the producers of the oil; because if they had been confined to the market which the Oil Creek refiners would have given them, the oil would have been much reduced in price not only, and the producers thereby suffered in the past great loss, but the refiners who had been encouraged to refine oil in Pittsburgh, Cleveland, New York, and elsewhere would have had just cause to complain of an arbitrary act of injustice resulting in great loss to them."

It is to be remembered that originally, when the refineries were created at so many different points that it was not a matter of so much importance about a little additional cost, as the profit in refining was sufficiently large to

cover all this and afford much encouragement; but now that so many refineries were in existence to count the cost very carefully, and this was the whip, in addition to other and good business reasons and good business training, that drove the Standard Oil Company literally to the steps of progress which resulted in the salvation of the oil business and making it a reputable pursuit instead of a disgraceful, gambling, mining scheme, which had brought widespread loss and disaster to a multitude of people who had wasted their money on the many schemes speculative inaugurated in the oil regions.

- - - - - - - - - - -

At the end of the session Inglis showed Mr. Rockefeller the portrait of editor M. N. Allen, facing page 110, Volume I of the Tarbell "History". There are three other portraits on the page. Mr. Rockefeller spoke of all four men, as follows:

"Yes; there is the able editor. He is/a certain type which you will find often among students, even among divinity students in our own Baptist colleges -- earnest, intense, well-meaning, but without the ability to see outside of certain narrow limits. There are pictures, too, of John Fertig and John L. McKinney, both of whom came with us after the whirl of excitement had died down and they had the chance to study us and convince themselves that we were not the relentless, crushing monster that was pictured by the agitators.

"But see how the agitation against us was fomented. There's the picture of Bill Hasson. He was a banker. He was a queer, narrow fellow. He did not believe in coming in with us; he had no use for outsiders. He belonged in that region, and he seemed to believe that no one else had any right to come in and do business in his territory. See the position he was in: Loans were necessary for those who wanted to extend their business: That gave him influence, control. Then there was Allen, the editor, appealing to local pride, stimulating local prejudice. They had influence over the crowd. As

the first enormous prices and profits of oil began to subside, and these inexperienced men were shocked to find themselves in straits as the business settled down, it was easy for these two to pick out a devil who was to blame for everything. They cried: 'Monster! Standard Oil Company!' They had the crowd under their hands. It was a game of 'You tickle me, and I'll tickle you.' Their creed was that of the old miser in the story: "Me and my wife, my son John and his wife: us four and no more. '

"Mr. Archbold was for awhile with these people. You see, they swept everything before them until people began to get their eyes open and see for themselves. But he was a bright man and soon saw the truth. There was Lewis Severance, the father of Mrs. Allen, the charming woman who came and played golf with us last summer. He was in that crowd, too. But after the whirlpool subsided he came with us, was a bookkeeper for some years and rose to an important position.

"I can see why Bill Hasson would not talk to you about the early days when you called on him several times last summer at Oil City. He had said and done so many foolish and extravagant things in those days of agitation against us that he must have felt ashamed to bring them up in review."

February 2, 1918.

Before hearing questions Mr. Rockefeller said:

"It is to be remembered that the effort to recognize and place on a parity each of the points where oil was refined was led by the railroad companies when they found after a long competitive struggle that they could not without this secure remunerative rates. As has been previously stated, the Standard Oil Company, in response to the fears expressed by the representatives of different localities that they would be deprived of the advantages accruing to them in a reduction of or a discontinuance of the industry at that particular point; furthermore this was in harmony with the best interests of the producers, who wanted as many refiners as possible seeking the product and searching for a market for the refined oil; but with the clamor which had been raised against progressive steps and the recognition of general principles under the leadership of certain 'historians' local and newspaper writers who did not take into account the fact of the injustice to the other refining points and the disadvantage to the railroad companies so necessary in conveying the products to remote regions, the people were led to take a view in reference to this particular product which had not prevailed in regard to other productions of the State of Pennsylvania. Indeed, all the former experiences in the development of the State had stimulated a desire for its production to be required outside its own borders. But for a period of time under such narrow leadership, the principles which were readily applied by producers of other products seemed to be for the time being lost sight of, notably that if there was excessive production it must necessarily result in lowering the value of the product prpduced; but so chronic had become the unjust accusations against the Standard Oil Company, which proved later to be the best friend of producer, refiner, transporter and consumer, the charge was made that any reduction of the price of crude oil

MR. R. VS. TARBELL
CHAPTER V

was owing to its (Standard Oil Company's) manipulation and control of markets, whereas it always showed a readiness to go to the limit of its influence with financial assistance to enable the producers to obtain good prices for their product, and the railroad companies transporting the oil could hardly believe it possible when they were assured repeatedly by the Standard Oil Company that it was its desire to so co-operate with all parties concerned that the railroad companies might receive just and remunerative compensation for the service which they rendered in transporting the oil.

"It is to be remembered, too, as has been too often repeated already, that some apology or excuse is to be made to these local writers and 'historians' who, in common with others, must have entertained false views in regard to the attitude of the Standard Oil Company and other interests located outside of the immediate oil regions, it being vital, as they viewed it, as they themselves and their families notably were interested in the business locally. But as this fact became more apparent to the public, and as these prejudiced writers, or some of them, went far beyond the prerogatives of fair-minded, intelligent historians in entering into inexcusable personalities later on in their writings, the public were led to realize what those more familiar with the situation, who were engaged in the business, were very familiar with, quite early, as these writings were produced, that they were the products of prejudices begotten of the misunderstandings and misrepresentations that had become quite chronic."

- - - - - - - - - - - -

Q. T. p. 144: "In this discussion of the Rutter circular Mr. Rockefeller's name scarcely appeared. It was known that he had been admitted to the conferences at which the tariff was arranged."

A. I have no recollection, and indeed it is my believe, that I did not attend any conference of the railroad representatives or have anything to do with

the question, though it was known that, in common with other refiners located at refining points where the Standard Oil Company had no interests, we were not only willing but desirous to have fair justice done to each point.

Q. T. p. 145: "Whether Mr. Rockefeller had or had not suggested the points in the 'Rutter circular' so advantageous to his interests, he used them now to aid him in accomplishing one of the shrewdest and most far-reaching moves of his life -- the move which was to lead at last to the realization of the Great Purpose -- the concentration of the oil business in his own hands. For Mr. Rockefeller, quiet as he had been since the breaking up of the Refiners' Association in the summer of 1873, had by no means given up the idea of doing for the refining interest of the whole country what he had done for that of Cleveland through the South Improvement Company."

A.- It was apparent to Mr. Rockefeller always in connection with his relation to the oil business and all other business undertakings that the wisest and best way to conduct business, irrespective of any moral governing principle, was to be fair to all parties concerned, and this law was so manifest that it resulted in a cohesive power in the Standard Oil Company interests which had commanded the admiration and confidence of the whole world, including these manypeople who were in the outset led to believe something else than the truth, and consequently worked against the Standard Oil Company until, with personal contact with Mr. Rockefeller and others and carefulobservation of their methods and the particular way in which they carried out every covenant and the fairness with which they dealt with each other not only but with all with whom they had to do, brought an astonishing change in the attitude of the public which was of course most gratifying to them and helpful to the many who afterward followed in the footsteps of this organization, not only in our own country but in all parts of the world, to the great advantage of the general business interests

and for the betterment of the working classes who, contrary to the experiences in the business world previous to the entry of the Standard Oil Company, found themselves in each period of ten or fifteen years in destitute circumstances, with bankrupt employers, owing to the foolish and universal competitive methods accompanying the excessive production of any and all products. It has never happened in a period of , say, fifty years that the Standard Oil Company has not paid its men in money for their services, at the time appointed, and this is very much in contrast with the experiences of many, and perhaps most, concerns going over such a long period of time and subjected to the vicissitudes of the unreasoning competitions which sooner or later did prevail in almost every department of manufacture and merchandise. In this connection, I think statistics will sustain the statement that out of the merchants in the years past something more than ninety per cent. failed, and that the periods of great depression and failure in almost every business undertaking occurred as often as each ten, or to say the most, twelve or fifteen years.

This review is gratifying to the representatives of the Standard Oil Company respecting the history of this company; for while it has enjoyed prosperity for the reasons so often alluded to in these memorandums it has done so in connection with a service to the people more acceptable and satisfactory than that of any other engaged in the same pursuit.

Q. (Continuing the paragraph): "Mr. Rockefeller has shown repeatedly in his conquering business career remarkable ability to learn from experience. The breaking up of the Refiners' Association may have seemed a disaster to him. He did not allow it to be a profitless disaster. He extracted useful lessons from the experience, and, armed with this new wisdom, bent his whole mind to working out a third plan of campaign."

MR. R. VS. TARBELL
CHAPTER V

A. It is fair to Mr. Rockefeller to say that it was apparent to him early after the organization of the Refiners' Association that, made up as it was, of men to so great an extent untrained in business matters, many of whom came from a great variety of occupations not well calculated to prepare them to meet the exigencies of high-grade, progressive business men and competitions, it was apparent that these men would not keep their covenants in the Association and could not be relied upon to be a factor in a problem of such great importance as the reformation which Mr. Rockefeller and his associates sought to bring about in this industry. But it was deemed desirable to continue patiently the study of these same people in the Association to confirm or disprove the impressions early formed respecting their inreliability, and if they were unreliable it was not so surprising considering the former training and association which had been one of the factors bringing about the ruination of the refining business and the consequent need for higher class and more progressive business methods to prevail.

Q. (Continuing the paragraph) : "He now knew that he could not hope to make again so rich a haul as he had made through the defunct South Improvement scheme" --

A. (Interrupting) It is to be remembered that Mr. R ockefeller did not make a "rich haul" out of the South Improvement scheme as intimated by our esteemed "Historian". He made no "haul" at all. He demonstrated, in common with his associates of the Standard Oil Company of Ohio,that the scheme was not feasible and to do this required time and patience, and to do this seemed desirable as the special advocates of the scheme, led by the president of the Pennsylvania Railroad Company, who were his shippers and his patrons, were so much impressed with the value of the scheme and so important to a general effort at centralizing

the business that it seemed well worth the patient waiting and successful demonstration of the peculiar views of those representing the Standard Oil Company for a period of years, which was done before these good friends, well-meaning men and able, came at last to the view which had always prevailed with the representatives of the Standard Oil Company, that their scheme and not the scheme of the South Improvement Company was best, not only for themselves but for all parties concerned -- best and fairest. And the views of these representatives of the Standard Oil Company were fully sustained by subsequent experiences when they demonstrated that while they had no antagonisms to the railroad companies and the transportation interests the extreme measures proposed in the South Improvement Company's scheme were not in accord with their views.

Mr. R. ON HIS
RESPONSIBILITY
TO S. O. CO.
STOCKHOLDERS

Mr. Starr J. Murphy had a long talk on the morning of February 4, 1918, with Mr. Rockefeller. Later Mr. Murphy said to Inglis:

"I wish you had been present to hear what Mr. Rockefeller said as to his sense of responsibility to all who own stock in the Standard Oil Company. He gave me x certain messages for his son. Then he said:

"'Now, a great many people have invested their money in oil securities because they knew that we were responsible for the mangement of it. We have never received anything whatever from the oil securities that all the other stockholders did not share in, and we have a great responsibility to these people. They have trusted me and made this connection because of my being in the company. '"

February 5, 1918.

Q.- (Continuing the paragraph) "As for the producers, the alliance attemped with them was enough to demonstrate that they would never endure long the restraints of any association. Besides, the bulk of them still held the, to him, unpractical belief that rebates were wrong."

A. The producers, like dear old Mr. Samuel Downer, held to the view that rebates were wrong unless the rebates were given to them. The producers in this respect were quite like everybody else, including the historians and the professional man who wrote and declaimed against rebates, but were also very careful to secure if possible the free passes before attending the convention; so that we must consider in each case whose ox was gored or where the shoe pinched.

In this respect we find the same general characteristics of poor human nature which we discover in reading the pages of history thousands of years back; but for a time this sort of writing was pleasing, especially to those who were purely academic in their contemplation of business problems, without any actual knowledge of the conduct of business, or from those who, having made repeated efforts, had failed to present any real good reason why they were entitled to as favorable transportation rates as those who transported with regularity a hundred times as much as they transported at irregular intervals.

An exemplification of the sentiments just expressed above is found in Article XVIII of the Constitution of the Petroleum Producers' Agency, which is quoted with so much approval by our "historian" on page 339 of her first volume, as follows; "The Agency shall not at any time sell to, or contract with, or make any arrangement whatever, with any individual, organization, combination, or association, by which they may have a monopoly, inside rate, advantage or preference over, or to the prejudice of, any present or future

competitor for the purchase of the crude oil coming into, or passing through its hands; provided that nothing in this section shall be so construed as to prevent the Agency, with the sanction of the Council, from making such temporary discrimination as may be necessary for the purpose of protecting or promoting the interests of producers by securing higher prices for crude oil, increased consumption of refined oil, or decreased margins between the price of crude and refined oil." (Italics are mine: W.O.I.)

Now, these friends, of the Petroleum Producers' Association, while they may not have been of the immediate family of Samuel Downer, lived in his day and generation and were just as desirous as he to make the best business arrangements as a matter of course that they could make, whether it had reference to the freighting of oil, or buying the domicile in which they were to live, or the clothes they were to put upon their back, or their daily bread. And yet there were so many readers who, as has been previously stated, were entirely wanting in business knowledge and took simply the impractical and academic side of the question that they were led at times to raise their hands in holy horror at the acts of the dreadful men conducting the business of the country who would seek to protect in all legitimate ways their business interest.

Q. T. p. 146: "With all these reflections fresh in mind, Mr. Rockefeller again bent over a map of the refining interests of the United States . Here was the world he sighed to conquer. If we may suppose him to have begun his campaign as a great general with whom he has many traits in common -- the First Napoleon -- used to begin his, by studding a map with red-headed pegs marking the points he must capture, Mr. Rockefeller's chart would have shown in and around Boston perhaps three pegs, representing a crude capacity of 3,500 barrels; in and around New York fifteen pegs, a capacity of 9,790 barrels; in

and around Philadelphia twelve pegs, a capacity of 2,061 barrels; in Pittsburg twenty-two pegs, a capacity of 6,090 barrels; on the creek twenty-seven pegs, a capacity of 9,231 barrels. His work was to get control of this multitude of red pegs and to fly above them the flag of what the irreverent call the 'holy blue barrel.'"

4.- If we are to assume our "historian" is correct in respect to the number of refineries at the different refining points, many of which were of the most inferior construction and managed by inferior business administrations, it is not surprising that intelligent men in surveying the whole field and being familiar with the fact that by reason of this combination representing an excessive and poor construction administered by many indifferent and wild business managers who had demonstrated their ability to lose their own money and make it impossible for any but the most successful competitors to prosper; it is not surprising that thinking men, who looked to the future of the business and who had clear conceptions of the dangerous tendency of the reckless competitions, were led to chiefly consider if it were possible that all these inharmonious elements should be brought together and saved from the ruin which their folly was rapidly hastening on. So Mr. Rockefeller and his associates are greatly to be commended for having given themselves to this task of saving the refining business and lifting the producing business and the transporting business out of the slough of despond. These men who in these days were complained of by the unthinking people who could not realize that good could come out of all this chaotic condition, were even now performing a service which resulted in the resurrection of the business and in saving a multitude of men from ruin and bankruptcy, of the refiners as well as the producers and the transporters, to say nothing of the vast number of mechancis and

laborers who were dependent for their daily bread upon the successful administration of this great young industry; to say nothing furthermore, of the greater number of those dependent for their livelihood and prosperity upon the patronage received from these engaged in the various departments of this business.

Q. T. p 146: "Some time in the summer of 1874, after it had become certain that Colonel Potts's plan for an equalization of oil freights would be carried out, Mr. Rockefeller wrote to his former colleague in the South Improvement Company, W. G. Warden, of Philadelphia, telling him he wanted to talk over the condition of the oil business with him, and inviting him to bring Charles Lockhart, of Pittsburg, to that Mecca of American schemers , Saratoga, for a conference with him and Mr. Flagler. Mr. Warden hesitated. He had been much abused for his relation with the South Improvement Company. He had seen the National Refiners' Association fail. He had begun to feel a distate for combination. Besides, he was doing very well in Philadelphia, However, after some hesitation, he and Mr. Lockhart went to Saratoga. The four gentlemen breakfasted together and later strolled out to a pavilion. Here they discussed again, as they had nearly three years before, when they prepared the South Improvement assault, the condition of the oil business."

(There were two answers to this paragraph. The first was given while there was a doubt in Mr. Rockefeller's mind as to the accuracy of the date ascribed by Tarbell to the conference. The second was given next day, when the date was known.)

A. Here let me note again, in opposition to the views so often expressed respecting the arbitrary and domineering methods of the Standard Oil Company in negotiating with the other refiners to come into the Standard Oil Company, in which it is made to appear that they were to do so at once or be hopelessly

ruined; here is a case where refiners stayed out for several yyears, continuing all the time in a most friendly relation, and finally, of their own volition, gladly accepted the views of the Standard Oil Company administrators, and came in, never to regret. It is also to be remembered that in doing so these same gentlemen, who formerly were so earnestly and cordially with the South Imppovement Company scheme, which was put forth by Thomas A. Scott, became reconciled to, not only, but cordially accepted the views of their more conservative brethren of the Standard Oil Company, and ever after continued happily and prosperously in this new relationship.

This is but an illustration, however, of the fact that the refiners as well as the producers were men of positive views, of independent judgment, and did not* accept the views of the Standard Oil Company, even though years had passed and the Company had been steadily gaining strength and propperity.

Referring to the letter of Mr. Rockefeller to Mr. Warden respecting a conference at Saratoga with him and Mr. Lockhart in the summer of 1874, the fact is that the relations between the representatives of the Standard Oil Company and Mr. Lockhart and Mr. Warden were of the most kindly and neighborly character, and while it was true that they did not come into close and intimate relations as shareholders in the Standard Oil Company until possibly in the year of 1874, they were frequently in conference, and from the inside knowledge and the representations of the scheme of Colonel Potts it is not unlikely -- indeed, is quite probable -- that the meeting at Saratoga was for the purpose of enabling Mr. Warden to set forth the scheme of transportation devised by Colonel Potts, the President of the Empire Transportation Company, who was in transportation matters the right hand representative of the Pennsylvania Railroad Company and in close and confidential relations with Messrs. Warden and Lockhart in the schemes to outdo the New York Central and the New York and

* Did not accept offhand, that is W.O.I.

Erie in their co-operation with the representatives of the Standard Oil Company inthe endeavor to secure the oil refining and transportation.

(Here is the second answer) February 6,1918.

A. She is making out that they were rather forced there. The relations between the Standard Oil Company and Messrs. Warden and Lockhart were entirely neighborly and friendly, and never had been otherwise, though they were engaged in keen competition and represented strongly competing and antagonistic transportation interests. She tries to make out that that meeting was for me to foist some new scheme. The meeting at Saratoga referred to presents a scheme by Colonel Potts, president of the Empire Transportation Company, which was one of the creations of or under the Pennsylvania Railroad system, and the meeting at Saratoga may have been to promulgate the views of Colonel Potts or the officials of the Pennsylvania Railroad Company; or it may have been also to continue the consideration of the question between the Standard Oil Company and Messrs. Warden and Lockhart in reference to their coming into the Standard Oil Company, which had been under consideration for several years; and this, in connection with the friendly feeling existing between these gentlemen and the representatives of the Standard Oil Company, does not seem to indicate that these gentlemen were reluctant to meet the representatives of the Standard Oil Company at Saratoga or any other convenient place to consider one of the many different interests which they had in common, even though, as stated above, Messrs. Lockhart and Warden had not yet decided to come into the Standard Oil Company. They were taking years to observe its workings, as careful and prudent business men, and, as a matter of fact, in, say, 1874 or '75, came to Cleveland of their own volition and consummated a negotiation transferring all their refining interests to the Standard Oil Company, and taking most responsible positions of

administration of the properties which they brought in. It is to be noted that when refining interests of importance were brought into the Standard Oil Company the Standard Oil Company, preferred that the men who had previously administered them should continue to do so, if they were able men and equal to these responsibilities and also the responsibilities of joining with the officials of the Standard Oil Company as trustees and directors of all its business. Thus the Standard Oil Company was continually adding men of strength and experience from among the ablest of its former competitors, and together with mutual confidence and most earnest and commendable spirit of enterprise and industry these men progressed rapidly in building up the business and smoothing out the difficulties and misunderstandings previously existing in the business; and by devoting time to this upbuilding, having been to an extent relieved from the little and petty jealousies, they were enabled to make much more rapid progress in bringing the business in all of its departments to a high state of perfection.

There. I do not think we have devoted too much space to defining the friendly relations between the two parties to this conference, relations which led to an alliance of the two interests, not to an absorption of one by the other; and it is a picture which contrasts vividly with that which is sought to be conveyed: that the competing refiners of the Standard Oil Company were compelled to come in on terms which it dictated, whether favorable or not, and to come in immediately or they would be ruined. As a matter of fact, repreatedly referred to in these notes, there were from among the weakest and least able to compete those who by virtue of their conservatism delayed year after year, all the time in friendly relations and all the time knowing that the Standard Oil Company were ready and willing to take up the main question of their coming in and being a part of it, or any feature of it in respect of which they

might be in doubt, at any time it was their pleasure to do so.

Q. T. p. 147: "Mr. Rockefeller now had something besides a theory to present to the gentlemen he wished to go into his third scheme. He had the most persuasive of all arguments -- an actual achievement. 'Three years ago', he could tell them ' I took over the Cleveland refineries.' -----

A. (Interrupting) Wait a moment. She starts out here assuming to say what was said between these gentlemen in that private interview in a place apart from other people ----

Q. "Interrupting) She says in a footnote on page 148: "This account of the meeting at Saratoga was given to the writer by Charles Lockhart, of Pittsburg."

A. (Smiling as at a happy recollection) If our "historian" supposes that Mr. Charles Lockhart, a canny Scot and one of the most experienced, self-contained and self-controlled men in business, went about carrying his heart on his sleeve and publishing to newspaper correspondents his private conversations with his partners and others respecting important affairs such as are referred to in this Saratoga meeting by this "historian", the "historian" is very much mistaken.

Mr. Lockhart was a very prudent business man and the last man to talk about any such affairs in any confidential way to anybody excepting those whose right it was to know the same; and he would be the last man to give out information to newspaper or magazine writers of this character, although a man of his ability and conservatism might in all fairness have dropped a quiet remark which would have the effect of a fox doubling back when closely pursued. Now, will you please read that last sentence over? (The sentence was read.) I think that is fair. I do not mean to imply that Mr. Lockhart would misinform anyone; but I do feel very sure that he would not lay bare his business secrets

to any outside person and that he might well make an answer that would divert without satisfying the curiosity of any outside inquisitor who was trying to pry into his private affairs.

- - - - - - - - - - - - - - - - - - -

Mr. Rockefeller's attention was directed to the portrait of Charles Lockhart facing page 53 in The Tarbell "History." He smiled as he looked at it. "Can anyone," he asked, "look at that rugged, forceful countenance, those keen, shrewd, alert eyes, that expression of grim self-control, and believe that Charles Lockhart would tell his private business to a writer who had nothing to do with his affairs?"

Mr. Rockefeller saw the portrait of W. G. Warden at the top of the same page. "Mr. Warden," he said, "was of a very different type. He was an able man --- there was no one in all our organization more delightful --- and one who worked indefatigably for us; but he was effusive: he would sit up till two OSclock in the morning writing me a long letter. But Mr. Lockhart,who, too, was with us for years, tell his business and the business of his associates? No, no!

"There is an excellent likeness of Mr. Flagler on the page, too -- one of the best I have ever seen of him. The statue at Jacksonville does not do him justice. He was a man of great force and determination, though perhaps he needed a restraining influence at times when his enthusiasm was roused. They were able men to all. I have very happy associations of my years of work with them."

On the way to breakfast Mr. Rockefeller remarked: "It may seem that we have given too much space to this incident; but I do not think we have done so. Here again we have an example of the incorrect view -- to say the least -- of our 'historian'".

February 7, 1918.

Mr. Rockefeller began the session by saying: "I might say here that if the whole 'history' is based upon information as faulty as that Charles Lockhart of Pittsburgh was giving to lady newsgatherers the reports of his private interviews with the Standard Oil Company representatives, the foundation of the structure will need much strengthening. It is an unsupposable thing in the case of this very careful man of few words, who kept his own counsel as well as any man in the whole association and knew as well when to speak and when not to speak as any one of our number."

Q. (Continuing the paragraph on T. P. 147 where we left off yesterday) "'Three years ago,' he could tell them, 'I took over the Cleveland refineries. I have managed them so that today I pay a profit to nobody. I do my own buying, I make my own acid and barrels, I control the New York terminals of both the Erie and Central roads, and ship such quantities that the railroads give me better rates than they do any other shipper. In 1873 I shipped over 700,000 barrels by the Central, and my profit on my capitalization, $2,500,000. was over $1,000,000. This is the result of combination in one city. The railroads now have arranged a new tariff, by which they mean to put us all on an equal footing. They say they will give no rebates to anyone, but if we can join with Cleveland the strongest forces in other great shipping points, and apply to them the same tactics I have employed, we shall become the largest shipper, and can demand a rebate in return for an equal division of our freight. We proved in 1872 - 1873 that we could not do anything by an open association. Let us who see what a combination strictly carried out will effect unite secretly to accomplish it. Let us become members of a <u>private</u> company which gradually shall acquire control of all refineries everywhere, become the only shippers, and consequently the master of the railroads

in the matter of freight rates.'"

A. Referring to her line "he could tell them," by bur "historian" a much larger book could have been written if, instead of a true historical record of what took place, the "historian" should write what each interested person could, might, or might not, say; but to some discriminating people, while this may aid in disseminating unfair statements without foundation in fact, it is not, we presume to suggest, the surest way to win the lasting confidence of a confiding public, who might perchance be tempted betimes to look beneath the film and consider the real logic of the statements.

It is much to be regretted that many well-meaning people who write thus discredit much which they say which approximates more nearly to the truth. (After a pause) I think that statement is fair yet conservative. We do not call her a liar; but I believe any fair-minded, intelligent person can look at the facts and make up his own mind as to who is telling the truth in this matter.

Q. (Continuing the same paragraph) "It was six hours before the gentlemen in conference left the pavilion, and when they came out Mr. Warden and Mr. Lockhart had agreed to transfer their refineries in Philadelphia and Pittsburg to the Standard Oil Company, of Cleveland, taking stock in exchange. They had also agreed to absorb, as rapidly as persusavon or other means could bring it about, the refineries in the neighborhood. Their union with the Standard was to remain an absolute secret -- the concerns operating under their respective names."* (*Foot-note: "This account of the meeting at Saratoga was given to the writer by Charles Lockhart of Pittsburg.")

A. She makes it out that there was a six hours' conference there and that it was in reference to Mr. Lockhart and Mr. Warden coming into the Standard Oil Company. I think if we simply say: I happen to be very clear --- no;

make it this way: A negotiation between Charles Lockhart, W. G. Warden and the representatives of the Standard Oil Company did take place at Cleveland, some time in 1874 or 1875, covering not an hour or six hours, but a matter of two or three days --- that is, interviews of several hours each day for two or three days --- resulting in consummating an agreement by which all the refining interests with which these gentlemen were connected, in Philadelphia and Pittsburg, were taken over by the Standard Oil Company of Ohio. This negotiation had to do with this particular transaction. I recall no meeting upon this subject at Saratoga, nor do I recall negotiations with reference to other questions our "historian" alleges were the subject matter of the Saratoga meeting. I find my memory is ordinarily very good in regard to these important events in the history of the Standard Oil Company, as has been shown in long testimony which I have, from time to time, given in regard to all the earlier history of this Company and its connections.

Many things might have been said; many things were said; indeed, far too much was said which illustrated the ability of the fertile writers to draw freely upon vivid imaginations. But I am striving carefully to confine myself to what was said and what was done, in order to leave a correct redord, at the earnest soliciation of my son, of the history of the years of this much misrepresented affair of business in which I had a part.

There is no temptation for me to present anything but the exact facts so nearly as I can remember them. The result of the long years of the successful management of the business, the fair and just dealings with all the parties concerned, and the invaluable service which has been rendered to the public, have fully sustained and justified the views controlling those who led in this undertaking to redeem this business from destruction, and make it a credit to those administering it and the country in which the oil was produced, and the

best and cheapest light for all the peoples of the earth who sat in darkness. (No harm to put a bit of poetry in.) (A pause.)

An ordinary reader who starts out to read a book with a bias is willing to accept as a statement of fact -- or, rather, there is a tendency, a strong tendency, for such a reader to accept as facts the imaginings of the prejudiced writer. But the readers of today of this publication consider it freer from the prejudices of those who were trying to believe that the Standard Oil Company was bad in motive and practice. The world has since seen that no concern ever built up on a firmer, fairer basis in good sense and righteous intent coupled with, to say the least, a good, fair average of business ability. But the misfortune was that the public could not grasp the progressive idea that seized upon and controlled these few leading spirits who persisted and succeeded, helping all in any way associated as they went, and dividing fairly the result of the labors and struggles at replacing with health and success where there had been only failure and waste.

: - - - - - - - - - - - - - - - - - - :

On the way to breakfast Mr. Rockefeller said: "I have been considerably exercised by this matter. She is so unfair and adroit in the way she presents her untruthful picture of the conference at Saratoga -- if, indeed, there was a conference at that time, which I believe may have been the case. Those gentlemen surely were not coerced into going there. We surely did not discuss the taking over of their businessess. Yet she cunningly creates in the mind of the unwary reader the feeling that this was the case. And how? 1, By drawing her own warped deduction from the fact that an equalization of freight rates had been effected. 2, By parading a lot of stuff that I 'could tell them' - just as if that form of phrase signified that I did actually tell them.

3, This she tries to bolster up by her small foot-note to the effect that she got all this stuff from Charles Lockhart, who could not contradict her, inasmuch as she refers to his death in the lines under his portrait, in her "History."

"Is it conceivable that if she had really got such a story from Mr. Lockhart she would have referred to the fact only in a foot-note? He was one of the principals in the negotiation. A writer of her intelligence would know that the way to convince people of the truth of her story would be to quote Mr. Lockhart word for word, telling something about when and where and how and why he, the careful, self-contained man, the shrewd Scotchman, happened to relate his own and his partner's private business to her who had no right to know it.

As we approached the first green on the Ormond golf course this morning Mr. John Z. Speer, of Pittsburgh, and his daughter, on their way toward the club-house, paused to watch the putting and exchange pleasant greetings with Mr. Rockefeller. They had gone some sixty yards further on their way when an idea suddenly struck Mr. Rockefeller, and he hailed them. When they halted he brought up Inglis. He asked Mr. Speer this question: "Can you conceive of Charles Lockhart of Pittsburgh telling his private business -- conversations between himself and his partners with representatives of the Standard Oil Company --- to a news-gatherer for a magazine: to Ida Tarbell?"

"Never!" exclaimed Mr. Speer; "never! I should say that such a thing is unthinkable. Why, he was one of the most intelligent men in Pittsburgh and one who could keep his own counsel."

Mr. Speer is an erect, alert, white-haired gentleman of perhaps seventy years. He looks like one whose experience of men and affairs qualifies him to form a valid opinion on such a subject.

: - - - - - - - - - - - - - - - :

MR. R. VS. TARBELL
CHAPTER V

February 8, 1918.

Q. T. p. 148: "On October 15,1874, Mr. Rockefeller consummated another purchase of as great importance. He bought the works of Charles Pratt and Company, of New York City. As before, the purchase was secret. The strategic importance of these purchases for one holding Mr. Rockefeller's vast ambition was enormous. It gave him as allies men who were among the most successful refiners, without doubt, in each of the three greatest refining centres of the country outside of Cleveland, where he ruled, and of the creek, where he had learned that neither he nor any member of the South Improvement Company could do business with facility."

A. "Could not do business with facility"? What does she mean by that -- that we could not buy there? We will come to that later.

Charles Pratt & Co. were brought into the Standard Oil Company of Ohio after Messrs. Lockhart and Warden and their associates came in. All were friends, and among the number of those who could be useful as administrators of the business of the Standard Oil Company in its different departments. The business of Charles Pratt & Co., when compared with that of Lockhart & Frew and Warden Frew & Co., was comparatively small; but Charles Pratt & Co. had specialized, and Mr. Pratt had shown ability as a good merchandiser, and the Standard Oil Company were always looking for men of the best ability and experience; and these, coupled with the improvements in manufacturing,merchandising transporting and utilization of the by-products and the economies in respect to the use of all that entered into the manufacture and disposition of the product gave steady progress to the enterprise, reassuring these, its promoters, and convincing -- even though slowly -- convincing the outside world that there was real merit in the organization not only, but that its purposes were not to destroy or injure competitors but to build up on a permanent basis and

hold as far as possible the disposition of the petroleum products in the United States, instead of allowing the foreigners to come in and carry away the crude material and manufacture refined oils and other products where the United States could not receive the benefit. In this they were very successful, and had the old-time competition with the small capital and limited experience of the refiners been continued, the foreigners, who were steadily giving more attention to this illuminant, would have inevitably diverted to their countries much that was held by the combined wisdom and effort and capital of our people. So that while originally the endeavor was engaged in to preserve the industry rapidly declining in profit, which had proved so disastrous in the later experience to many, this hearty co-operation of these far-seeing men who were seeking to save the business and build it up resulted in benefits which they themselves did not contemplate, in the ways noted above not only, but in others of much importance as the years went by.

It may be stated that in after years the wisdom of the policy of accumulating large cash reserves was shown when very important and large interests in the producing of oil as well as the refining were secured and held by the Americans and for which the people of other countries were energetically endeavoring to secure control, backed with the accumulated capital of the bankers and merchants of the old world.

As to the question of the Oil Creek refiners coming into the Standard Oil Company: in the nature of the case, where the oil was produced many very small refining plants were built, but most of these were of less importance than many in the larger business centres, at the seaboard and Pittsburgh and Cleveland, these being established business centres, with large banking facilities, and more experienced and thoroughly trained business men, the industry from the

outset was established on a more substantial basis, than would naturally have been expected in the oil-producing centre, which, though important today, might be altogether unimportant, comparatively undesirable, tomorrow, when the oil might be expected at any time to give out. However, when the more important refining interests of the leading refining centres were united with the Standard Oil Company, among some of these which had close affiliations were some of the leading refiners in the oil region, and these leading oil refiners had come to know from their observation and experience -- and notably those with whom we had been more closely allied -- those to whom the suggestions were made as to the advisability of coming into the Standard were quite prepared to understand that it was desirable for them and, they were very willing to do so provided the terms of the arrangement were satisfactory. These, as in other cases, it was not difficult easily to adjust, and the concern with which Mr. Archbold was connected, as also Captain J. J. Vandergrift and others, were not slow to ally themselves and in turn making known their most satisfactory experiences so in contrast with what the "historians" and newspapers had represented to them, also came in as fast as the suitable arrangements could be perfected.

Thus progress was being made all along the line by the demonstration of the success of the movement on the one hand and by the removal of the false impressions which had been created respecting the aims of the promoters of the Standard Oil Company. And here let me say that the Standard Oil Company was made up, as is apparent from this memorandum, of the ablest men in the refining business, who had been for years in the earnest and sharp competition, and who had the wisdom and foresight to see that -- with their over-production of refined oil -- that they could not hope for continued prosperity without

concerted action and united and cordial co-operation in the place of unwise and ruinous competition, made all the worse from the fact that so many refiners in the oil region and at almost all refining points having been drawn into the business from all occupations at a time when there was a large profit in refining the oil, were now, when the competition had become close, very dangerous competitors; dangerous not only to themselves but to all interested in the business, because with the changed conditions and their losses they were obliged to resort to methods, through their bankers, purchasing agencies and otherwise, to secure the funds necessary to enable them to keep afloat, thus selling often below the price of production.

:- - - - - - - - - - - - :

February 9,1918.

Mr. Rockefeller, before any question was asked, said:

"I note in the 'History,' under the photograph of Charles Lockhart, the statement that he is now dead. If he had been alive to read the book, his testimony would have been quite conclusive as to whether he did on the occasion referred to at Saratoga give out news to a lady news-gatherer respecting a six-hour private interview respecting business affairs of such great moment. Time works wonders in correcting misapprehensions, and many people living today have come to interpret statements of this character correctly rather than was the wont of those who had been prejudiced by writers of yellow journals and 'histories' of a certain type."

Q. T. p.148: "The first intimation that the Oil Region had that Mr. Rockefeller was pushing another combination was in March of 1875, when it was announced that an organization of refiners, called the Central Association of which he was president, had been formed. Its main points were that if a refiner would lease to the association his plant for a number of months he

would be allowed to subscribe for stock of the new company. The lease allowed the owner to do his own manufacturing, but gave Mr. Rockefeller's company 'irrevocable authority' to make all purchases of crude oil and sales of refined, to decide how much each refinery should manufacture, and to negotiate for all freight and pipe line expenses. The Central Association was a most clever device. It furnished the secret partners of Mr. Rockefeller a plausible proposition with which to approach the firms of which they wished to obtain control."

A. I don't know that there's anything to be said especially. It is true that in all reasonable ways we were seeking to know the oil refiners of the country, that we might judge of their capabilities and integrity, to the end that in case they afterward desired, as the prejudices begotten by the press had been overcome by contact, to unite their interests with the Standard Oil Company. Of course, as might have been inferred from notes hitherto given, there were men among the refiners whose acquaintance the Standard Oil Company were cultivating those who neither had the business ability nor the moral rectitude to fit them for the positions of responsibility in the Standard Oil Company, and it can be understood that it was far better to patiently proceed in the development of associations which gave the opportunity for study long and patiently rather than introduce elements into the new structure of the best fibre to aid in its upbuilding and to command the respect and confidence of the business world; so while it was a long and arduous undertaking, the Company were richly rewarded in selecting those who for the most part were a great credit to themselves not only but to the organization to whihh they became so devotedly attached and to the organization, it may be noted, against which they had so earnestly and vigorously fought, under a misapprehension.

Q. T. p. 363, quotes the testimony of Henry M. Flagler (Proceedings in

MR. R. VS. TARBELL
CHAPTER V

Relation to Trusts, House of Representatives, 1888. Report number 3112, page 291 and page 770) as follows: "The original Standard Oil Company was organized in the early part of 1870. The increased capacity and the acquisition of the Cleveland refineries was, as I remember it, in 1872. It remained at that until 1875 or 1876, according to the best of my recollection. (Footnote by Tarbell: It was in 1874) Then was consummated a negotiation which had been pending for some two years, perhaps, with certain parties in Pittsburg, Philadelphia and New York, by which a value was agreed upon, and their refinery property was purchased and the capital of the company was increased a still further sum of a million, and they were paid for these properties and money which they contributed, in the stock of the Standard Oil Company of Ohio."

A. That is as I remember it. I might say as to the buying: while they were not actually owners in a common enterprise, they did actually in good faith co-operate; they were -- that is to say, these who were trying the experiments of some sort of tentative arrangement with the Standard -- were enabled to judge whether they could safely trust their interests to its control when the final question of common ownership was up for discussion. Thus these studies went on on the part of the Standard Oil Company and the people whom it sought as partners, or at least whom it studied to know whether it would do to make them partners and to put them forth to the world as its representatives. In cases where in these experimental endeavors the parties proved themselves unworthy of confidence, there was no further consideration of taking their properties with them to administer any part.

Q. T. p. 149: "Little as the Oil Regions knew of the real meaning of the Central Association, the news of its organization raised a cry of monopoly"---
. . . Altogether the ablest explanation was that of H. H. Rogers, of Charles Pratt

& Company, to a reporter of the New York Tribune." (The entire article was read from pp 149 and 150, Mr. Rogers's views entirely agreeing with those of Mr. Rockefeller, expressed in this record.)

A. The statement that "Little as the Oil Regions knew of the real meaning of the Central Association, the news of its organization raised a cry of monopoly,"-- this is quite in keeping with other cries that had been raised which should have brought great prejudice against the Standard Oil Company naturally, only they had no foundation in fact. But people who wanted higher prices for crude oil than the law of supply and demand would give them, the refiners who were desirous to sell their refineries to this combination at high prices, found that for once producer and refiner were in a very sympathetic relationship, all proceeding to "bull" the market and to sell. And so they were brought in close sympathy with all who could make a noise against this something which they acknowledged they knew nothing about. And when they could command the local newspapers to further their purposes, they did to this extent increase the hue and cry of "Wolf! Wolf!" What's her comment on the Rogers interview?

Q. (This was read, as follows): T. P. 150: "The Oil Regions refused flatly to accept this view of the situation. ... 'The formation of the Refiners Association has thrust upon the trade an element of uncertainty that has unsettled all sound views as to the general outlook,' said the Derrick. 'The scope of the Association,' wrote a Pittsburg critic, (Anonymous, you will observe, W.O.L.) ' is an attempt to control the refining of oil, with the ultimate purpose of advancing its price and reaping a rich harvest in profits. This can only be done by reducing the production of refined oil, and this will in turn act on crude oil, making the stock so far in excess of the demand as to send it down to a lower figure than it has yet touched.'"

MR. R. VS. TARBELL
CHAPTER V

A. Is there anything to be said at all?

Respecting the statements that the concentration of the refining business would result in increasing the price of refined oil and restricting the consumption, we have only to point to the history of the increase of the consumption of the refined oil the world over since the Standard Oil Company interests assumed a prominence. This increase has been far beyond the expectations of the most sanguine producer or refiner. The quality was improved, the cost was reduced and the service rendered the very best, and the prices made by the Standard Oil Company were so low as to discourage men of enterprise to compete with new capital.

This fact the Standard Oil Company always kept in mind; that they must render the best service and be content with a largely increasing volume of business, rather than increase the profit so as to tempt others to compete with them. So, large numbers of capital flowed into other and more productive channels, including the great steel manufacturing and many other undertakings which have so greatly enriched our enterprising Americans, notably in the last thirty or fortyyears.

It is to be remembdered here that capital is the most timid thing in the world. It is very reluctant to enter fields except with the promise of fair returns.

- - - - - - - - - - - -

February 11, 1918.

Q. (Through inadvertence the last question was read again.)

A. The result of the Refiners' Association, and notably what followed in the Standard Oil Company, was to increase the consumption by the concerted movement, using the accumulated capital in the construction of bulk ships for the foreign trade and also, so far as possible, on the lakes and rivers for the

home trade, and establishing agencies with tahk stations, and getting close to the consumer with the product, thus saving the expenses through the exporters and jobbers and dealers, and the more the Standard Oil Company sold the less the expense per gallon; and they kept pushing into the uttermost parts of the world and in ways that could not have been done with the oil refining concerns as formerly con stituted, with their comparatively small capital and fewer representative men in their concerns to go out over the world and seek the markets for the distribution. Then, too, this organization began inother directions rapidly to reduce the cost of manufacture -- in barrels, glue, paint, sulphuric acid and whatever entered into the cost to the consumer of the refined oil.

So that the fear -- if, indeed, a fear beyond what was represented in the headlines of the alarmist publishers of newspapers and interested "historians" -- was groundless; for the refiners, as they grew in strength financial, not only thus increased the consumption of the refined oil and the many by-products which they rapidly developed, but when the producers who could not agree among themselves to limit production, found themselves greatly embarrassed with a vast amount of oil in excess of the current demands, the Standard Oil Company aided them in holding the oil and keeping it off the market to the extent of many hundreds of thousands of dollars.

But notwithstanding all that was said to them about the folly of overproducing, as a practical question it was found that they continued in the same way until the Standard Oil Company had created tankage to care for the surplus, much of which otherwise would have run on the ground and been wasted -- only for the co-operation of the Standard Oil Company.

If the producers had done as the refiners did, they would have greatly enriched our country; as so large a part of the oil went for export. But the Standard Oil Company reduced its prices for the refined oil as it lessened its

costs, in the ways hitherto enumerated and in other ways, so that it rapidly found its way into the uttermost parts of the world, and now the Standard Oil Company is probably the most popular organization in those countries where by all ingenious devices they have supplied and satisfied and gained the confidence of the peoples where the oil is distributed. And in this way much good has been done our country. Indeed, the travelers who go out from our country find these representatives of the Standard Oil Company at their various distributing stations the world over the same serviceable, kindly and helpful men, who have by their fair dealings with the people thus ingratiated and strongly intrenched themselves and deepened the channels of trade and greatly added to the possessions of this great and enterprising organization. This work and the large expenditures connected with it would not have been possible had the refiners remained as before they came into this consolidation. And the competition for the distribution of the oil has been lifted up on to a higher plane, and of course, as the years have gone by, has been met by large combinations of European capital controlled by men of great ability and supplied with cheap labor; so that the world has got the oil at a lower price by reason of these combinations, and the combinations have enriched themselves by the natural advantages that accrued by the concentration of their endeavors.

The producers and the people of the (oil) regions came gradually to realize that much which they had heard from the yellow journals and other publications of the disaster that was to overtake them by virtue of the Standard Oil Company's progress was not only a mistake, but that the general conditions were improved, especially as the Standard Oil Company gradually became a large producer of oil, and its example of carefulness in saving the product and not taking it out of the ground unless it was required and its demonstration that while the producers had often complained that there was little or no profit in their business, the Standard Oil Company, as I think we have previously mentioned in these minutes, found

it one of the most easily conducted departments in the business as well as one of the most profitable and satisfactory; not only from its own standpoint but also as it was a factor in its example in stimulating others to adopt methods of conserving the product and lessening the cost of getting the oil out of the ground, thus eventually benefiting the consumer.

Q. T p151: "'The most important feature of this contract,' said a 'veteran refiner,' 'is perhaps that part which provides that the Executive Committee of the Central Association are to have the exclusive power to arrange with the railroads for the carrying of the crude and refined oil. ...The whole general purpose of the combination is to reap a large margin by depressing crude and raising the price of refined oil, and the chief means employed is the system of discrimination in railroad freights to the seaboard." Here again she used an interview with an anonymous person.

A. I don't think -- I think we've already said it. I might say we note a great many important interviews from anonymous individuals and drawn from fertile imaginations, but these do not have the effect to excite the populace now as formerly because the people are better informed, not only as to the facts pertaining to the oil producing and refining business, but as to the motives of some who unjustly portrayed the situation.

Q. T. p151: "'The veteran refiner' was right in his supposition that Mr. Rockefeller intended to use the enormous power his combination gave him to get a special rate. As a matter of fact he had seen to that before the 'veteran refiner' expressed his mind. (Still using the anonymous interview). It will be remembered that in April, 1874, Mr. Rockefeller had made a contract with the Erie by which he was to ship fifty per cent. of his refined oil over that road at a rate as low as any competing line gave any shipper and he was to have a lease of the Weehawken oil terminal . Now this contract remained in force until the first of March, 1875, when a new one was made with the Erie guaranteeing the road the same percentage of freight

and giving the Standard a ten-per-cent. rebate on whatever open tarrif should be fixed. This rebate Mr. Blanchard says was quite independent of what the Central might be

giving the Standard. He says that one reason the Standard was given the rebate was that it was suspected the Pennsylvania was allowing the Empire Transportation Company an even larger one. If true, this would not affect any refiner necessarily as the Empire was not a refiner in March, 1875. The real reason, of course, was what Mr. Blanchard gives later -- that by this rebate they kept the Standard trade, now greatly increased by the purchase of the outside works already mentioned, although it should be noticed the Erie officials knew nothing of the Standard having control of any other refinery than that of Charles Pratt and Company."

A. The best business in transporting oil which the railroad companies had was that of the Standard Oil Company. That is to say, the railroad companies derived more net profit from this business because the Standard Oil Company always rendered services of great value, and they should have received larger consideration from the same. But they were content to increase their volume of business seeing that with this they could live on the smaller return per barrel.

It is interesting to note how many examples of the "veteran refiner" and the straw man appeal so strongly to our ingenious and interested "historian;" but the influence of this sort of writing and even worse that followed relegated our once promising young "historian" to the place where she belongs in the estimation of high-minded and intelligent people.

:----------:

February 12, 1918.

Q. T p 152, says that the announcement of the Central Association put an altogether new feature on oil transportation. . . . ."The Pennsylvania road immediately felt the pressure. The oil they had carried for years for big firms like those of Charles Lockhart in Pittsburg and of Warden, Frew & Company in Philadelphia was in the hands of the Standard Oil Company, and Mr. Rockefeller asked a rebate of ten per cent. on open rates. The road demurred.

Colonel Potts objected strenuously. Three years later in a paper discussing this rebate and its consequences he said: 'The rebate was a modest one, as was its recipient. Yet the railway Cassandras prophesied from it a multitude of evils -- a gradual destruction of all other refiners and a gradual absorption of their property by the favourite, who, with this additional armament, would rapidly progress towards a control of all cars, all pipes, all production, and finally of the roads themselves. Their prophecies met but little faith or consideration. The Standard leaders themselves were especially in discouraging any such radical purpose. Their little rebate was enough for them. Everybody else should prosper, as would be shortly seen. They needed no more refineries; they had already more than they could employ -- why should they hunger after greater burdens? It was the railroads they chiefly cared for, and next in their affections stood the 100 rival refineries. Such beneficent longings as still remained (and their bosoms overflowed with them) spread out their steady waves toward the poor producers whom, not to be impious, they had always been ready to gather under their wings, yet they would not.

"'This unselfish language soothed all alarm into quiet slumbering. It resembles the gentle fanning of the vampire's wings, and it had the same end in view -- the undisturbed abstraction of the victim's blood.'"

A. It can only be said, as has so often been repeated in this memorandum, that the fears --- if fears indeed they were --- of our "historian" about the desolation to follow the progressive steps of centralization of producing and refining, proved anything else but true, and we have only to refer to the subsequent history of the business and its present high standing among the business interests of the world and the good that has resulted to the consumer, the laborer, the producer and the refiner, the world over. And there have been many among the number of those who to an extent shared

some of these fears from among the producers, refiners and others associated with collateral business interests who have been loudest in their praises of the reform measures and of its beneficial results to the business interests of our country, and as to the great benefits derived by our country from such cooperation. And it is true that the cynical references as to the good intentions of the Oil Company to the railroad companies did result in great good to the railroad companies and saving them from endless trouble, not only as it refers to this particular department of business but they were benefited in connection with other freight as well, and to a great extent. And today our Government is acting upon the same principles that control in this organization and calling for men most experienced along the line of carrying out these principles and who have demonstrated their ability to carry on business on a good, sound basis to bring a return to the laborer as well as to the capitalist, instead of a failure consequent upon pursuing the vagaries of the academic and inexperienced enthusiasts who did not understand about business matters.

Since the time herein referred to, when grave fears were expressed, the railroads of the country have enjoyed a prosperity greater than before, though they have greatly increased in number. But it is to be noted that they have greatly increased in efficiency and strengthened by cooperation; consequently there was money in the treasury to pay the laborers, and there was also a return for the capital invested. And the public were never so well served before, and the intelligent public prefer to pay a fair price for the best service or the best oil, rather than a lower price for poor service or for oil that would blow them up, as was the case so frequently in the use of the inferior products of the earlier times.

But all this has been brought about with the steady opposition of the threats above referred to; and their energies could have been better employed in some other channel. But such notions as they advocated, and

socialism and anarchy, with the other "isms" which vex the sound-minded and practical people yet continue; and Russia is getting her full measure and drinking the dregs of the bitter cup which these writers and workers have brought to her. No harm to put that in: it is true, and it belongs here.

Q. T p 153: "Colonel Potts's argument against the rebate --- doubtless clothed in much less picturesque language in 1875 than his feelings stirred him to in 1878, for a good enough reason, too, as we shall see --- failed to convince the Pennsylvania officials. They decided to yield to the Standard. Mr. Cassatt, then third vice-president of the road, in charge of transportation, said in 1879 that the rebate was given because they found the Standard was getting very strong, that they had the backing of the other roads, and that if the Pennsylvania wanted to retain its full share of business and at fair rates they must make arrangements to protect themselves."
A. (Laughing) Mr. Cassatt had to testify to something. Mr. Cassatt in his testimony might have added to the statement, that the Standard was getting very strong, the further statement that the officials of the Pennsylvania road were becoming better acquainted with the Standard and its motives, and were finding, in common with the other railroad companies, that the Standard could earn the trifling rebate referred to and much more and perform for the Pennsylvania lines as well as the others that which after fruitless attempts in long years they had failed to be able to secure in the attempt of each company trying to get a little more than its fair share of the business. It is fair to say that the better acquaintance brought the Standard Oil Company the confidence of, the cordial and earnest cooperation of, the Pennsylvania Railroad Company; and the officials of this company were not a little surprised to find, after all the hue and cry against the Standard people, that this company carried out every agreement with them to the letter, and that the agreements made were greatly to their benefit. So that one of the most conservative men in the organization, who once remarked to Mr. Rockefeller that the advanced

ideas which he presented in respect to business cooperation were not to be found in the books and that he had serious doubts about their succeeding; yet he also remarked to another friend that this young man would make, in his enthusiastic pursuit of the idea that had possessed him, a grand success or a dismal failure. He lived for years, to concede that, though the ideas were not set forth in the books, that "the world do move," and that we were living in an age of progress, and that young men even might be entitled to some consideration if indeed they could only demonstrate, and with the demonstration he was ever after a cordial supporter of the advanced views. Not only so; he was greatly prospered in adopting the same and investing his money along the lines where these principles governed, although, he has been intimated, he was among the most conservative of the old type of prudent and successful business men.

The name of the person referred to is William H. Thaw, who was, as a matter of fact, at this time the power behind the throne in the Pennsylvania Railroad interest; a man of great wealth and high standing; and the statement here referred to about the success or failure was made to a Lutheran minister who gave Mr. Rockefeller the incident in a letter some thirty or forty years afterward as an introduction in connection with some possible request for assistance in connection with his church work.

Q. T p 153: "No one of the roads knew certainly what the others were doing for the Standard until October I, I875. The freight agents met then to discuss the freight pool they had formed in 1874. It had not been working with perfect satisfaction. The clause granting the rebate of twenty-two cents to the pipe-lines which sustained an agreed rate of pipage had been abandoned after about five months' experiment. It was thought to stimulate new pipes. The roads in making a new adjustment made no effort to regulate pipe-line tariffs. The 'crude rebate' as it was called--- carrying oil to a

refinery for nothing --- was left in force. At this meeting Mr. Blanchard found that both of the Erie's big rivals were granting the Standard a ten per cent. rebate. He also found that he was not getting fifty per cent. of the Standard's business as the contract called for --- that the Standard controlled not only the Cleveland and New York works of which he knew, but large works in Pittsburgh and Philadelphia."

Tarbell refers in a footnote to George R. Blanchard's testimony on the breaking up of the Pipe Pool of 1874. I have read the testimony twice without finding in it substantiation for her statements given in this question. A. Referring to Mr. Blanchard's testimony, a careful perusal of the same does not seem to create the impression which the historian seeks to create, and as a matter of fact the Erie Railroad Company remained from the early history of these progressive steps one of the strongest friends of the movement of the Standard Oil Company, in view of the benefit which had accrued in connection with the traffic arrangements with it and the other roads jointly.

Q. T p 154: "Mr. Rockefeller was certainly now in an excellent condition to work out his plan of bringing under his own control all the refineries of the country. The Standard Oil Company owned in each of the great refining centres, New York, Pittsburg and Philadelphia, a large and aggressive plant run by the men who had built it up. These works were, so far as the public knew, still independent and their only relation that of the "Central Association." As a matter of fact they were the 'Central Association.' Not only had Mr. Rockefeller brought these powerful interests into his concern; he had secured for them a rebate of ten per cent. on a rate which should always be as low as many one of the roads gave any of his competitors. He had done away with middlemen, that is, he was 'paying nobody a profit.' He had undeniably a force wonderfully constructed for what he wanted to do and one made practically impregnable as things were in the oil business then, by virtue of its special transportation rate."

MR. R. VS. TARBL
CHAPTR V

A. It is true that advantages in different ways did accrue to the growing oil refining interest centralized. It is also true that these advantages accrued to all parties concerned, including consumer, laborer, transporter, producer and shareholder, and this was a thing that even conservative old Mr. Thaw and academic young "historians," who were seeking to protect the family interest in the oil business in competition with the Standard Oil Company, did not in the outset grasp, but which they were reluctantly forced to concede when the eyes of the public had been opened, and it was conceded on all hands that real progress had been made and conditions generally so improved. But, as in the case of the refiners who sold their properties for cash instead of taking stock as they were urged to do in the Standard Oil Company and finding in later years that they had made a mistake, and seeking to place the blame of their own short-sightedness and lack of confidence in others somewhere else than where it really belonged, they could not draw any real comfort and satisfaction out of their failures.

But this experience was common and had been for generations in respect to any progressive movement, and where such movement brought as this did, a benefit to the people at large, that was the fact that fixed beyond controversy its value.

(The following was said after the questioning ceased):

Mr. Thaw and Colonel Potts were intimately related, and the conservative view of Mr. Thaw were encouraged by Colonel Potts, whose Empire Transportation schemes were nevertheless more or less interfered with in order that the Pennsylvania road might get the benefit of the transportation instead of this, its favored representative, which was not so useful an agency in putting money into the pockets of its shareholders. Colonel Potts was a good man. I crossed the ocean with him once. We were interested in some ships --- but we won't go into that. But it was just here: he couldn't stand the prospect of our new company

coming in and running the oil business. It would interfere with his concern, the Empire Transportation Company, which had been for years the pet of the Pennsylvania Railroad Company --- and was making money for years for him and a few other gentlemen.

But Tom Scott looked at the facts as we presented them and said: "Here! You must get off the track, or this train that's coming along will knock you into bits!" And he made the arrangement with our company, and that put the money into the pockets of the Pennsylvania stockholders instead of into the pockets of Colonel Potts and a select few gentlemen who were in the Empire Transportation Company.

Now you get the picture clear; now you see why the good Colonel could see nothing but harm in the Standard Oil Company.

Tom Scott was a great man. I remember how he came into the room in the little old hotel in Philadelphia where we made the deal with him --- bought out his Empire Transportation Company. I can see him now, with his big soft hat, marching into the room in that little old hotel to meet us, not to sweep us away (making a full swing of the right arm) as he had always done, but coming in with a smile, walking right up to the cannon's mouth. "Well, boys, what will we do?" Then he sat down and signed the papers. We paid him $70,000,000 --- I think it was --- for the Empire Transportation Company. And that was not Lockhart money or from Mr. Frew. I did not call on Mr. Watson or any of those gentlemen. My brother William raised all the money he could in New York, and in Cleveland I got into the old buggy and drove from one bank to another. "I must have all you've got. I need it all. It's all right. Give me all you have. I must catch the noon train." That's how we bought it.

Not many had faith in us. We were a new idea. We were a sinking ship and we were on deck to keep her up if we could. Cleveland at that time had only fifty or sixty thousand people, and we employed three thousand men steadily.

MR. R. VS. TARBL
CHAPTR V

We and the Cleveland Rolling Mill Company built up the city in those years. Cleveland ought to be ashamed to look herself in the face when she thinks of how she treated us.

While playing golf Mr. Rockefeller took the subject up again. He said:

I do want to have anything cynical in the record, anything that would hurt the feelings of Col. Potts's family; but you have a clear idea of the situation. There was the business of special transportation. It was not advisable that the Pennsylvania Railroad, with so many things to do in building up its system, should spend its money on this. That was the argument. Here were these gentlemen willing to put their hands in their own pockets and form a company to take care of it. They had their own stockyards, their own coal pockets, their own pipe lines, all as subsidiaries of the Pennsylvania Railroad Company, working under their wing, and all putting a nice profit into the hands of these gentlemen, these friends of the Pennsylvania Railroad Company, instead of into the pockets of the stockholders of the Pennsylvania Railroad Company. They had a nice melon to cut.

Along came our company, doing business on the plan which has nowadays come into general vogue, and these gentlemen didn't like it at all. We didn't stop to inquire who would be offended among these fine gentlemen, friends of the management of the Pennsylvania Railroad. That sort of thing never made the slightest difference with me. The question is not who a man is, but what does he do? We went right ahead with our proposal.

You can see how pessimistic Col. Potts would be about our company and our methods of doing business which would sweep away a big part of the profits that he and his friends were dividing under the wing of the Pennsylvania Railroad Company. His ideas about that fit in exactly with those of our "historian," looking after her family interests.

:----------:

MR. R. VS. TARBL
CHAPTR V

February 13, 1918.

Before any question was asked Mr. Rockefeller asked to have Colonel Potts's paper read again (T p 152). This was the Colonel's discussion of the rebate granted to the Central Association. I read: "The rebate was a modest one, as was its recipient. Yet the railway Cassandras prophesied from it a multitude of evils --- a gradual destruction of all other refiners and a gradual absorption of their property by the favourite," ---

Here Mr. Rockefeller interrupted, as follows: "You see: There was a covert attack on the part of Potts, who was jealous. Referring again to the 'historian's' reference to Colonel Potts, president of the Empire line; it may not be amiss to state that the Empire line was one of the forces employed by the Pennsylvania road against the Standard Oil Company interest. Not only these after the effort to centralize the business at Cleveland but as to Cleveland as a refining centre, which Thomas A. Scott had said should be wiped off the slate as a refining point. The jealousy of the Empire line representatives may be discovered in the report which our history quotes; but it was thought that the Empire line, in common with the Pennsylvania road, were useful allies of the regions in a way, and our "historian" and others were friendly toward interests which in any way would seem to aid in bringing reproach upon or overthrowing the Standard Oil Company, which, in the beginning, "had no right to refine oil at Cleveland. The oil should have been refined at Oil Creek."

But this Empire line went too far in its zealous service for the Pennsylvania Railroad Company --- or a coterie of favorites in and about the offices of the Pennsylvania Railroad Company --- and though the competing trunk lines, as well as the Standard Oil Company interests, were aware of its flagrant violations of the letter and the spirit of the arrangements regarding transportation in engaging -- that is, a transportation line directly or indirectly engaging -- in the refining business and at the same time assuming to act impar-

tially toward all refining interests in its relation as a transporter -- the time came when the competing trunk lines and the Standard Oil Company would not longer endure this breach of faith and violation of the spirit of the understanding which formed the basis of the betterment of the transportation business in connection with a division of the same among the transporters. The result was that the Pennsylvania Railroad Company, having been convinced of the desirableness of this arrangement for transportation and seeing that the arrangement was jeopardized by the practices of its representative, the Empire line, adopted the view of the other trunk lines and the Standard Oil Company interest, that it -- the Empire line -- should cease to carry water on both shoulders and could not longer be used as an agency of the Pennsylvania Railroad Company to whip the devil around the stump.

But is is not surprising that the head representative of the Empire line who had been compelled to cease the wrong-doing, in common with our "historian" and others of the creek interest, could not discover any particular virtue in this young and growing Standard Oil Company, which made simple and plain contracts and carried them out always; so that it had grown to be more useful to the Pennsylvania Railroad Company than the Empire line in the oil traffic, and consequently they stood with the Standard Oil Company, and discontinued the agency of the Empire line.

It is perhaps not amiss to state here that much of the testimony on which our "historian" seeks to build up her case is given by people who failed to keep their agreements with the Standard Oil Company, and, as is true in history, they were seeking a way to throw dust in the air and justify themselves for the wrong-doing. Take, for instance, the case of Alexander Scofield & Co., and Scofield, Shurmer & Teagle -- the same Scofield in both cases -- who in the first instance broke his agreements after the sale by Alexander Scofield & Co. to the Standard Oil Company, and was ever after regretful that he had not retained the stock instead of selling the same and reengaging in

the business. Note the testimony of this man and his associates in court after they had broken their contracts the second time with the Standard Oil Company and sought to profit by increasing the volume of business in violation of their contracts, and then, to clear their skirts, sought to besmirch the Standard Oil Company. This is a simple history of the case.

We have also the testimony of members of the firm of Hanna, Basslington & Co. This concern sold out to the Standard Oil Company because they were losing money and were entirely discouraged about the chances of the future of the business, but were allowed a certain period of time to close up the business and refine the oil on hand and dispose of the same, and during this period the business was better because of the large expenditures of the Standard Oil Company in buying out competing interests of reckless and bankrupt competitors, who were part of the cause of the depressed condition of the business. And notwithstanding that these people knew that the large expenditures of the Standard Oil Company for the improvement of the business, and having found that they profited during this period, instead of closing their works, they, in turn sought to break their agreement and to back out of the same. But the Standard Oil Company did not make agreements to break them. It kept its agreements, and because this concern, which had not contributed one farthing to the betterment of the business which brought them the little profit that decided them to seek to violate their contract, they were ready to bring testimony seeking to prejudice the Standard Oil Company; and, though this was true, the younger members of this concern did in after years come to me and state unqualifiedly, of their own volition, that the acts unfriendly and the proceeding in bad faith or at least the decision not to accept the stock, was not in accordance with their wish, but because Uncle Robert (Hanna), principal member of the firm, made them do so, and they regretted very much that they had not done as we, the Standard Oil Company, had urged them to do.

MR. R. VS. TARBL
CHAPTR V

At a later date came to me a lawyer who had been connected with the Pennsylvania Railroad and who was interested in the firm of Hanna, Baslington & Co., but whom I had not in former years known to be interested, and stated to me of his own volition, freely and most cordially and appreciatively, his estimate of the fairness and liberality with which this concern of Hanna, Baslington & Co., of which he was a member, had been treated by the Standard Oil Company in connection with the sale of Hanna, Baslington & Co. to the Standard Oil Company. I think we can get this gentleman's name. He was a prominent attorney of the Pennsylvania Railroad, and friends of his from his native town -- I think in Ohio -- I chanced to meet only last summer. Judge Hole, who went driving with us in Cleveland, knew his name.

Now, while this is a repetition in a way, and while I was regretful to mention these names, in reading over the pages of this alleged correct representation of the events in connection with the oil history, I could but feel that I was doing myself and my association who are not here longer to speak for themselves a great injustice in not setting forth in this plain language the facts of the case as showing the prejudice and injustice of the record of a "history" which was an instrumentality by which it was sought to bring reproach upon the Standard Oil Company not only, but upon numbers of the individuals who had to do with its upbuilding. Most of these have passed away. I seem to stand today almost alone; and I do not present these statements in any other than the most serious way.

I could give many more instances of this same general character which make the groundwork for the assertions of writers which were regarded as so absurd and ridiculous that for long years my associates and myself could not be induced to give them any serious consideration. But, as I state, now that I am left alone, and my old associates are not here to speak for themselves, and at the persistent urgency of my son that some truthful record

should be made, I am taking the time from the rest and recreation which I would be glad to enjoy at my time of life to render this slight service and to give this testimonial to those who in connection with myself were instrumental in the upbuilding of this great business organization, which stands for itself and speaks for itself, and only asks of the world to give it credit for what is due to it, based on a correct record of its deeds.

:----------:

As I was leaving the room I made some remark about Tom Scott (his national appellation) being a great railroad man. Mr. Rockefeller said:

Yes; he was a great railroad man, and he was a great man. When he saw that we had the facts and the right on our side he made no delay about taking the oil business away from the Empire Transportation Company and turning it over to us. The situation was in a way that of Artemas Ward in your story, who wrote a fictitious interview for the Cleveland Plaindealer and then fled the town. When they coaxed him back and asked him why he ran away he said: "I didn't care to stay on the --- lying sheet!" And, by the way, the poor Empire Transportation Company was in the predicament of the white boy who had been captured and adopted by a tribe of Indians. When a force of soldiers was marching against the tribe the boy showed a great deal of apprehension. The chief said to him: "Injun no let whitum man kill you -- kill you myself." Tom Scott lost no time in disposing of the Empire line.

I asked whether the $70,000,000 the Standard Oil Company paid to Tom Scott was for the Empire Transportation Company. Mr. Rockefeller replied:

"It was for that and other properties, their oil business, etc."

As I was leaving the room Mr. Rockefeller added: "If my old associates, Mr. Flagler and others, were here they'd say: 'Why, John, what's come over you? -- wasting your time like this!' But I do it gladly."

After I had returned to my room Mr. Rockefeller sent for me. He dictated the following:

MR. R. VS. TARBL
CHAPTR V

If my old associates were here they would probably criticize me for taking all this time to make this record, because long since the writings of these "historians" have been discredited: the Standard Oil Company has had its day in court and vindicated itself and demonstrated its right to live because of real service. My excuse is, as stated before, that my son, not having known the history as I did, and having heard the unfair criticisms in years past, with his affection for me, has continued for a long time to urge me to leave the record, and it is a loving service which I cheerfully give to him.

This, as I say, is my apology.

And one word more: I really think I could not have had so good and true a son as he is if I had been one half so bad as the prejudiced and interested "historian" would seek to make me out. I am perfectly content to stand on my own record, and have always believed that history would do me justice, though possibly not until twenty-five or fifty years after my death. But I have occasion each day to be grateful for the manifestations of confidence and esteem which people daily are showering upon me.

:----------:

February 14, 1918.

Q. T p 154, I read Tarbell's statement that the work of acquiring all outside refineries began at each of the oil centres and her recital of the testimony of A. H. Tack, a partner in the Citizens' Oil Refining Company of Pittsburgh, before the House Committee on Manufactures in its trust investigation, in 1888, as follows:

"We began in 1869 with a capacity of 1,000 barrels a day. At the start everything was <u>couleur de rose</u>, so much so that we put our works in splendid shape. We manufactured all the products. We even got it down to making wax, and using the very last residuum in our boilers. We got the works in magnificent order and used up everything. We began to feel the squeeze in 1872. We did not know what was the matter. Of course we were all affected

the same way in Pennsylvania, and of course we commenced shifting about, and meeting together, and forming delegations, and going down to Philadelphia to see the Pennsylvania Railroad, meeting after meeting and delegation after delegation. We suspected there was something wrong, and told these men there was something wrong somewhere; that we felt, so far as position was concerned, we had the cheapest barrels, the cheapest labour, and the cheapest coal, and the route from the crude district was altogether in our favour. We had a railroad and a river to bring us our raw material. We had made our investment based on the seaboard routes, and we wanted the Pennsylvania to protect us. But none of our meetings or delegations ever amounted to anything. There were always repulsed in some way, put off, and we never got any satisfaction. The consequence was that in two or three years there was no margin or profit. In order to overcome that we commenced speculating, in the hope that there would be a change some time or other for the better. We did not like the idea of giving up the ship. Now, during these times the Standard Oil Company increased so perceptibly and so strong that we at once recognised it as the element. Instead of looking to the railroad I always looked to the Standard Oil Company. In 1874 I went to see Rockefeller to find if we could make arrangements with him by which we could run a portion of our works. He remarked this -- I cannot give the exact quotation -- 'There is no hope for us,' and probably he said, 'There is no hope for any of us'; but he says, 'The weakest must go first.' And we went."

A. I do not remember Mr. Tack. How does he spell his name? T-a-c-k? I do not think I ever had an interview with him. Mr. Tack was very fortunate in not feeling the "squeeze," as he expresses it, until 1872. Other Pittsburgh as well as Cleveland refiners began to feel it several years earlier, unfortunately for Mr. Tack's argument, before the Standard Oil Company began to buy up the refineries. The reason they began to buy the refineries was because the "squeeze" was on, all along the line, excepting, as I say, in the

case of Brother Tack, as he states. He was indeed fortunate not to meet with a disastrous competition until two or three or four years after it struck all the balance of the trade.

But this statement, while it serves a goodpurpose -- while it may have suited the purpose of our "historian" -- is very faulty in fact. But this, as in many other cases of the same kind, which were welcomed by the "historian," did not constitute any reason why it should not be utilized as good material for the purposes in view. If Mr. Tack had had a concern of any considerable importance, Messrs. Lockhart and Frew would naturally have talked with him, but not Mr. Rockefeller; and if he had had a concern of any considerable importance I must believe it would not be so difficult even to recall that there was such a gentleman -- though there must have been. But his works may not have been as important as he thought; for if indeed he had a works of a capacity of 1,000 barrels a day and had been a factor of any importance in the oil refining business, I am sure that Messrs. Lockhart and Frew would have desired to give him an opportunity to come into the Standard Oil Company, as they were his neighbors, in the same town, and were desirous to unite in the Standard Oil Company any and all the interests which were feeling the pressure of the competition of the last few years. Yes; he must indeed have been a very fortunate man not to have felt this pressure at all until the rest of us were quite conscious of the pinch for several years.

Q. Do you recall the number of concerns in the Pittsburgh district that came into the Standard Oil Company?

A. I couldn't give them. My impression is that, sooner or later, all the respectable concerns in Pittsburgh, and even some of the inferior ones, came in through Lockhart & Frew; but, as stated before, they would not come to me. This would not be the natural thing for them to do. I had not the pleasure of their acquaintance. Messrs. Lockhart and Frew knew about them and would understand their merits and the question of their competition and other

things of value in determining respecting the negotiation with them. Probably Mr. Tack, like all humans, might have made some mistake somewhere in reference to the importance of his works and the time when he first felt the pressure of the hard competition, or, rather, the "squeeze," which he fortunately did not experience until some years after all the rest were very conscious that it was on in good earnest; but long before the Standard Oil Company began to buy up refineries it was known in Cleveland, where we had a much better chance for the local trade, as sharp, ruinous, unreasonable, reckless competition -- nothing more or less.

But "squeeze" was a term our "historian" and others were pleased to apply to the poor Standard Oil Company, which was charged with all the crimes in the calendar. And even this did not prevent it growing and prospering and coming into greater favor with all classes, day by day. Its creation must have been a necessity growing out of that particular situation connected with the production of petroleum in western Pennsylvania and the large profits in refining at the beginning and the rapid excess of construction for refining which naturally followed. So we have in this department, as in the producing, the working of the law of supply and demand and the great temptation which the large profit brought many refineries -- far too many -- for the requirements of the trade. This, in turn, resulted in the over-production and ruinous competition, but fortunately Brother Tack didn't feel this until several years after his less fortunate brethren in the refining business had enough and more than enough of the ruinous competition which exhausted so many.

I wish I knew who Mr. Tack's partners were. Possibly this would have enabled me to identify his concern better, and even that would not explain how he escaped what was so apparent to all the rest, namely that the trouble in the business resulted from the over-production and too many refineries.

Does he say what became of him? No? I want to add here that there was

not a case that I have any recollection of -- and I know full well the spirit that governed us -- and that we were willing and ready to treat with any refining concern in any locality on reasonable and fair terms at any time, and that we were not seeking to squeeze them or oppress them. They had been squeezed and oppressed by the unfortunate condition of the business; and we were seeking to save a drowning ship, and they were invited and all were invited to get into the ship and get a life-preserver and get ashore. And oh! how happy were those who followed our advice and ceased to be governed by their narrow jealousies and unwarranted prejudices. How much better some of these would have been if they had not read the yellow journals and not so ready to believe the untruths which were being floated about by those who were seeking to further their own ends but not the general good, as were the representatives of the Standard Oil Company.

Q. T p 155: "All over the country the refineries in the same condition as Mr. Tack's firm sold or leased. Those who felt the hard times and had any hope of weathering them resisted at first. With many of them the resistance was due simply to their love for their business and their unwillingness to share its control with outsiders. The thing which a man has begun, cared for, led to a healthy life, from which he has begun to gather fruit, which he knows he can make greater and richer, he loves as he does his life. It is one of the fruits"----

A. May I interrupt here? I note the statement of our "historian:" "All over the country the refineries in the same condition as Mr. Tack's firm sold or leased." We were told earlier that the practice of the Standard Oil Company in the outset was to notify the refiners that they were to be crushed out and ruined if they did not come in at once.

What is the date of Mr. Tack's failure? 1874. But we find from this statement of our "historian" that "all over the country the refineries in the same condition as Mr. Tack's firm sold or leased." We are unable to harmon-

ize the two statements: the first being that now-or-never-or-be-crushed-out, this beginning of the buying out on the part of the Standard Oil Company, was as early as the late part of 1869. Now, four years had passed, and it seems there were left many "all over the country" who had not yet availed of the opportunity to come into the ark of salvation -- for this is practically what the Standard Oil Company was to the refining interest the country over. It seems that these poor, oppressed men, who were told in the beginning, some four years before, that now-or-never-or-they-would-be-crushed-out were still living (probably at a poor, dying rate), and that the question was still open on the part of this organization, the Standard Oil Company, which had informed them four years before that if they didn't come in they would be crushed. The doors, I say, were still open, and they could come in. The doors were always open. Fair terms were always graciously presented, in any location, to any who cared to come in. This was the history and this was the truth of the matter. The statement that was made that in the beginning they were told they would be crushed, and that right quickly, was a malicious, wicked falsehood, and this fact was well known to many readers of this publication gotten up for the purpose of venting the spleen of a woman whose family was interested in the oil business in Oil Creek and who declared that Pittsburgh, Cleveland, Baltimore, Philadelphia, New York, Parkersburg, and any and all other places had no right to presume to undertake that business.

After the lapse of years, as we contemplate this proposition it seems even more ridiculous and nonsensical than it did then. How in contrast was the position of the Standard Oil Company in reference to these refining interests, when it said in answer to inquiries of small refiners in out of the way places who were desirous for local reasons that their localities might be recognized and the industry continued there! The Standard Oil Company assured each and every one of these places that it was no part of its purpose to withdraw the industry from the location in question or to do anything that would

make it less desirable to continue the work of refining there; but, on the other hand, it would do all in its power to make the situation more favorable. This it did, so that all the hue and cry with this as a text by those who were seeking so earnestly to prevent the refiners of the country coming together for their own protection by deceiving those who were not fortunate enough to have a clear conception of the leaders of the Standard Oil Company in their minds and a correct knowledge of the high character and intent of these men, and this was another explanation of the delays of years before these prejudices could be overcome; and these men, who had suffered from this deception, had been used as tools by those who were seeking not the best good of the refiners, but, by keeping them apart and enabling them to protect their interest and restore the business to further what seemed best for their selfish interest in other directions.

That's wordy, but it is the juice in the cocoanut. There were a lot of interests all around who were led to believe that this consolidation was going to harm everybody who had anything at all to contribute to this enterprise; going to harm them all. But it was a great mistake, and different men who had been hoodwinked and kept away from the Standard Oil Company representatives for years in the belief that they were unfair and unjust, when they came to have actual contact, with everything clearly explained, with expressions of great regret, and, in some cases, with the tears rolling down their cheeks, said unqualifiedly: "If we'd known the truth we'd have been with you long ago. Now we're with you heart and soul." And they never had occasion to regret, only that they had delayed so long in accepting.

Poor Mr. Tack! How unfortunate that after waiting for three or four years to ascertain what others had known so long -- after waiting so long to ascertain what others had known for three or four years -- he sought to remedy the evils of the unfortunate condition of the refining interest by entering into speculation. But, even though he lost in speculation, he'd had these

three or four years of prosperity, when all the others were losing money, and he could afford to lose a little money! Possibly he was as well off as the others then! While we rejoice in the three or four years in which he was so favored, of course we regret his unfortunate speculation.

- - - - - - - - - - -

While playing golf this morning I remarked on the strangeness of Mr. Tack's whole story -- the 1,000 barrels a day, the mysterious blight that fell upon the business, the disappearance of profit, which the company childishly sought to replace by speculating: what could be the explanation of such a strange story? Mr. Rockefeller turned and looked at me.

"The man was lying," he observed placidly.

- - - - - - - - - - -

A group of visitors, including Mr. Henry P. MacIntosh of Cleveland, joined Mr. Rockefeller and walked part way around the course. Mr. MacIntosh was for more than twenty-five years confidential man and an attorney for Colonel O. H. Payne of Cleveland. Talking of the early days of the Standard Oil Company, he remarked, "You got more complaints and curses than thanks at the beginning, Mr. Rockefeller. You were not easily discouraged."

EARLY DAYS OF S.O.CO.
TOLD BY H.P.MACINTOSH

I called on Mr. MacIntosh in the afternoon at the Hotel Clarendon, a few miles below Ormond. He told me that he came to Cleveland about Thanksgiving Day, 1876, and that about the only oil men of the earliest days that he knew were Colonel Payne, James H. Clark and John Huntington, all partners in the firm of Clark, Payne & Co., the first oil refiners bought out by the Standard Oil Company at the outset of its career.

"Jim Clark," said Mr. MacIntosh, "was a brother of Maurice B. Clark, Mr. Rockefeller's first partner in business. The other brothers were Worthy and Richard. Richard died early. After selling out the oil business Jim Clark used to come down to Colonel Payne's office every day about ten in the morning and sit around an hour or two. He was a noisy, self-assertive man, very obstinate, and oh my! how he would curse John D. Rockefeller. He would say over and over again that the Standard Oil Company would never make a success with 'that man' at the head of it. Never. They were trying to do an impossible thing."

"Did he give any reason why it was bound to fail?" I asked.

"No," said Mr. MacIntosh; "but he kept saying it day after day. He told Colonel Payne that he was so sure the thing would be a failure that he was going to sell his stock, $110,000 worth of stock in the original Standard Oil Company of Ohio. Colonel Payne begged him not to sell. "But if you really do make up your mind to get out, Jim," he said, "be sure to let me know, and I'll buy it."

"Jim Clark kept on talking it down, and at last one day he told Colonel Payne he would sell him the stock at the market price -- 110. The Colonel took him up. Overnight Him made up his mind that the Colonel was too eager to buy it; he ought to have asked more. So he got a friend to make him a straw bid of 112 1/2 for it. Then he came in and told Colonel Payne of the 'offer' he'd had. "Very well," said the Colonel; 'I'll give you 112 1/2 for it.' And he did take it at that price.

EARLY DAYS OF S.O.CO.
TOLD BY H.P.MACINTOSH

"But Jim Clark wasn't satisfied, even then. He'd drop in at the office as usual, and he kept up his blustery talk. "Damn Rockefeller," he'd say. "That Standard Company can't succeed. They'll bust, sure!" He talked that way to John Huntington, who was also one of the partners in Clark, Payne & Co., and sold out with the rest. All Huntington had in the world was the house he lived in, worth some $3,500 or maybe $3,000 dollars, and his block of $50,000 in stock of the original Standard Oil Company of Ohio. Jim Clark got him so scared with his violent talk that he came to Colonel Payne. The Colonel begged Huntington to hold on. 'Now, John,' he said, 'don't you sell your stock. You hold on to it. I'll guarantee you that if anything goes wrong -- no matter what happens -- I'll take that stock off your hands at exactly the price I gave Jim Clark -- 112 1/2.' That cheered Huntington up so that he held it, and it made him a rich man. He left that fine art museum to the City of Cleveland.

"Jim Clark went into the oil refining business again; but I don't believe he made a success of it. He and Huntington were very obstinate men -- obstinate and self-opinionated. I remember one day they were in the office and got to talking about a newly patented sewer-gas trap that was advertised in the papers. I drew a picture of it, and Huntington offered to bet $100 I was wrong. I was getting only $125 a month then and couldn't afford to bet. But I showed them the picture in the advertisement of it -- just the same as I had drawn it. Huntington looked at it, got up and walked out without a word. He simply couldn't admit that he was wrong. That's the way those Englishmen were. Jim Clark said: 'D-- you, Henry, why didn't you bet him?' That was his style of talk. He drifted away after that; but the last I remember of him he was still damning John D. Rockefeller and saying he'd fail, sure."

"Did you ever see him after the stock had greatly increased in value?"

EARLY DAYS OF S.O.CO.
TOLD BY H.P.MACINTOSH

I asked.

"No," said Mr. MacIntosh. "I'd like to have heard what he had to say."

This evening at dinner Mr. Rockefeller inquired, and I told him what Mr. MacIntosh had said. He smiled at the antics of James H. Clark.

"Had you any idea that the Company would grow to such a vast size?" Dr. Biggar inquired.

"No," Mr. Rockefeller answered. "I had no such idea. We were trying to compass a situation. It was a situation of hope and promise -- but of fears, too. You have heard what Clark said. There were many like him. They said I was trying to make a rope of sand. We had dark days. But I felt that we had to win; we must win if we were to live. As to the great growth of the Company, I don't think that ever occurred to any of us."

Strolling through the lobby after dinner, Mr. Rockefeller said to Inglis:

"I am glad you happened to meet Mr. MacIntosh. Through him you have at first hand the testimony of a disinterested eye-witness who was in Cleveland in those dark days and who knows some of the obstacles we had to overcome. Colonel Payne was a good friend. He was always loyal. He was an intelligent man, too; quite of a different type from the Clarks and the rest of that English group. Jim Clark was a great blusterer. He came into my office one day and began his roaring at me. I sat there with my feet up in a chair. I turned and looked at him; didn't stir.

"'Jim,' I told him quietly, 'you may chop my head off, but you can't scare me. You can't bluff me.' He quieted down.

"What bitterness it must have been to the Clarks, what gall and wormwood to see us succeed. That boy! Colonel Payne was in the oil business with them, Clark, Payne & Co. He was a partner of theirs. I saw nothing of him for years. But he had known me at school. He knew me; knew my character. When I met him by appointment that day in the bank parlor, he was in favor of selling out to us as soon as I had explained the situation. And it was a life-saver for them. They put no money into our concern. <u>They had no money to put in</u>!

MR. R. VS. TARBL
CHAPTR V

"We had very little money to begin with. But I could always raise money. My credit was good. The bankers knew me. The Clarks resented that. How they must have suffered when they saw us going ahead! They broke faith and went back into the business after selling out. But Colonel Payne kept faith. He was always well disposed, kindly. He believed in us. He did not hold any high office with us, but he stayed in. It must have galled the Clarks to think that they had sold out the Standard stock they took in payment for their works, and then, after all their talking it down, it made a great success. Maurice Clark thought he made the prosperity of our early partnership; he said so. But I was the one who made the firm's success. I kept the books, looked out for the money. How fortunate that I bought out all those men; got away from them. They were angry when they found I could buy them out."

:----------:

February 15th, 1918.

Q. I quote from Tarbell's rhapsody on page 155: "The thing which a man has begun, cared for, led to a healthy life, from which he has begun to gather fruit, which he knows he can make greater and richer, he loves as he does his life. . . . He is jealous of it -- wishes the honour of it, will not divide it with another. . . . . Why one should love an oil refinery the outsider may not see; . . . . . He walked with pride among its evil-smelling places . . . . To ask such a man to give up his refinery was to ask him to give up the thing which, after his family, meant most in life to him."

A. Referring to the author's rhapsody: while there is truth in this, yet, as applied to the oil refining business, it would be a question of whether a man would be commended for continuing on indefinitely in a business where he was constantly losing money, or whether he should have the good sense to get out of this business if an opportunity were afforded and better his condition by converting an unprofitable plant into cash that would draw interest or could be reinvested profitably in some other way. This situation of the oil refiners

was peculiar, and this opportunity afforded by the Standard Oil Company was new. Had it not been for the inauguration of this scheme, many well-meaning theorists might have continued on until their plants had been sold out at auction for a mere pittance compared with what the Standard Oil Company was willing to pay them in cash or stock, and -- repeating what I have said -- to take the cash was far more to their advantage than to remain steadily losing in the conduct of the business and finally become so impoverished that the mortgages on the property to be satisfied would bring very little if anything. As we now review that period I am at a loss to understand how we of the Standard Oil Company had the nerve to go in and buy out all this old junk. But we did it, and we paid the money for it where this was preferred to the stock, but we always explained to the seller that to take the stock was much better. But we were honest; we had confidence in our convictions, and we wanted it to be a benefit to all parties participating. And this I state without any qualification.

But there were some men who continued on for years and years after the business was unprofitable and before the Standard Oil Company had come into such prominence; but they have the comfort and satisfaction in these later years of blaming the Standard Oil Company instead of the laws of trade, which work mercilessly in the refining business as in the producing. But these laws of trade both refiners and producers so often were oblivious of!

A curious incident came to my knowledge from an old friend only yesterday of the partners in the first concern we ever bought out. They were supposed to be the strongest concern in Cleveland. Two of the members of the firm at least were from families of wealth. They knew well how the oil refining business had been going. One of these two sold his stock to me at par as soon as he had an opportunity to do so. Now, these men from wealthy families, knowing, as they know, about the oil business, would not have sold out to the Standard Oil Company for stock or cash if they had been assured of the future

or encouraged to believe that they could continue the business at a profit. They had the pride and the desire for the independent position and the enjoyment of that which they had built up to which our "historian" refers; but they had learned from sad experience that the business could not continue under the circumstances with profit as it had been conducted and that something was necessary, and when that something was suggested they quickly assented to the idea and promptly presented their inventories and turned over their properties -- their refineries and land -- to the Standard Oil Company. But it is to be noted that they did not contribute one farthing in cash to the capital stock. Their contribution was made of the property which they could not otherwise have sold, and, having sold it for stock, another of the partners soon found it difficult to overcome the old fear that nothing good could come out of the oil refining business, and offered to sell hi stock to Colonel Payne at 110.

Colonel Payne, who was the only member of this firm who became one of the representatives of the Standard Oil Company in administration, advised him not to sell; but notwithstanding this counsel so well intended and so kindly, he did sell to Colonel Payne his stock soon after, at a price of 112 1/2. Another partner, who also partook of these fears and did not see how it was possible that the business could be resurrected, indicated to Colonel Payne that he was considering the sale of his stock. Colonel Payne said to him: "Do not sell. I will agree to buy your stock at any time and pay the price which you can obtain now." On this assurance he kept his stock, and it mae him an independent fortune. He, of course, was ever after a friend of the Standard Oil Company, but his old bosom companion who sold out and was of his class was inclined ever after to complain of somebody else and overlook the fact that his own prejudices and shortsightedness were the cause of his fortunate old friend who showed his faith in others and adopted this idea of progress.

These men who remained with the Standard Oil Company learned that a new structure built on sound principles could interest them and stimulate them and give them prosperity, while it was impossible to bring this result from the old and faulty creation to which our "historian" alludes.

What I have said in regard to this particular incident would apply in so many different ways where progress has been made. There are many men now on the farms who are still working with the old implements and complaining because their neighbors, with less work and more brains and better information, are producing so much more from the soil than they are. But these men who fail to make progress are the ones who cannot be made to realize that they are responsible for their failures; they never cease to charge their failure upon the more fortunate competitors. And this was the history of the Standard Oil Company from beginning to end; and, while we cannot agree with the "historian," and have so many proofs of the falsity of the statements which were so injurious to many and so harmful to the Standard Oil Company for the time being until a revulsion of feeling came when the public came to know what was so apparent to the Standard Oil people as well as other intelligent men in the oil business that the writing was not fair but begotten of the prejudice and jealousy of this writer not only, but of so many others who wrote in many instances based on what somebody else had written or some disgruntled person had said, rather than what the real facts which they could prove were.

I say the real facts. I do not mean the supposititious cases which the fertile brains of some of these writers were continually constructing to meet the requirements of what they wanted to accomplish in the end were to bring prejudice against the Standard Oil Company. How fortunate for the Standard Oil Company and the men who led it it is that the record of its doings to this day stands for itself, the admiration of the world and without a parallel in the annals of history! I may perhaps be pardoned for this ex-

MR. R. VS. TARBL
CHAPTR V

travagant language and for the egotism which may be charged; but I was so deeply concerned in it from its inception and so jealous of its reputation and so happy in its success, even against all misrepresentations and opposition of every kind, that I cannot refrain from speaking of it as I have done.

- - - - - - - - - - - - -

At golf this morning Mr. Rockefeller said:

"I am aware that this morning, in spite of my desire to speak in short, direct sentences, I used many that were involved and some which perhaps wandered away from the line along which they were begun. But it would involve unnecessary fatigue to go over them and correct them, and I feel sure that you will get the sense of them without my undertaking this extra work."

:----------:

February 16, 1918.

At the outset Mr. Rockefeller said:

Referring again to the sweet smells around Mr. What's-his-name's refinery, as to which our "historian" writes, "He walked with pride among its evil-smelling places," etc., I think they were not quite so sweet when he was losing money. The experience of the people, building little pieces of railroad and little pieces of telegraph lines, is somewhat similar to that of this gentleman, but the time came when it was better that great trunk line systems of railroads should be built out of the many pieces; that these should be fitted together for prompt and efficient service of the general public. It was the same with the telegraph lines. And in all this process, as has been referred to so often in these notes, unnecessary expenses and waste not only were eliminated, but the study of the selected men from the best works in all parts of the country, and the better ability with increased capital to secure from all parts of the world the best chemists and scientific men, made it possible rapidly to utilize all the products and expand the service which petroleum was designed to be to the world.

MR. R. VS. TARBL
CHAPTR V

Picture the petroleum refining industry today as it was in 1868 and '70, and contemplate the possibility of the Government coming to these many, many small, comparatively small, refining concerns, and securing for itself the advantage and protection which the Standard Oil Company has afforded! And this is the Standard Oil Company which was so unjustly dealt with by the Government under the administration of President Roosevelt. But it has since in its many parts, justified its right to exist, and is going on increasingly in its service. But this service is now so well understood and so thoroughly appreciated that I need not make further comment.

I do not know that the "sweet smells" referred to by our "historian" represent anything more than a sentimental and quite typical academic type of writing, leaving out altogether the practical side of business so essential to its success, and I hardly think that spending so much time in referring to the different smells in this refinery would have any appreciable effect upon thinking people.

Q. T p 156: "To Mr. Rockefeller this feeling was a weak sentiment. To place love of independent work above love of profits was as incomprehensible to him as a refusal to accept a rebate because it was <u>wrong</u>! Where persuasion failed then, it was necessary, in his judgment, that pressure be applied -- simply a pressure sufficient to demonstrate to these blind or recalcitrant individuals the impossibility of their long being able to do business independently. It was a pressure varied according to loyalty. Usually it took the form of cutting their market. The system of 'predatory competition' was no invention of the Standard Oil Company."

A. It is true that, with the introduction of the better methods and the improved refineries and the savings so often referred to, that the Standard Oil Company, as we have previously claimed, could sell its products for lower prices, and though the margin was too small to encourage these disadvantageously located and inferior refiners with still more inferior administration,

the Standard Oil Company was governed by common sense and business principles which control the great business of the world, and preferred to increase the volume of its business, steadily lessening the profit rather than allow its business to be taken away by asking excessive prices. This it would have been obliged to do to accommodate the friend our "historian" refers to who enjoyed so much the smells in his refinery. But it was not a question of smells, sweet or otherwise: it was a question of business. In the oil refining, as has been hitherto noted in so many cases, these were overlooked from the fact that in the beginning of the business the profits were so large that the refiners were educated to reckless disregard of the needs of the careful business methods that were absolutely necessary in all the old established lines of business, where the survival of the fittest eliminated all such gentlemen as gave more heed to the smells than to the reduction of cost and the improvement of quality and the methods of distribution and the utilization of all the by-products. Had it not been for the interposition of the Standard Oil Company, many and most of these refiners, such as our friend referred to of the smells, would have had nothing to enjoy for the balance of their mortal lives but the fond recollection of those delightful smells.

But how silly all this seems to the business men and the men trained to business who write articles and histories! They realize that the struggle for the survival of the fittest, in the sea and on the land the world over, as well as the law of supply and demand, were observed in all the ages past until the Standard Oil Company preached the doctrine of cooperation, and it did cooperate so successfully and so fairly that its most bitter opponents were won over to its views and made to realize that rational, sane, modern, progressive administration was necessary to success -- and that the smells were really of secondary consideration.

No harm to rub that in. But I'm more and more satisfied when I consider her silly twaddle that we need not make any answer at all. The Standard Oil

Company is. We need not make any apologies. The world says today it is the greatest, the best, business organization ever created. And we are in a different atmosphere today, a different condition from those days, when the Standard Oil Company was called "a rope of sand."

And see how its ideas of cooperation have spread far beyond its most sanguine anticipations! And it builded much more soundly and substantially than its most ardent advocates dreamed of. And this its strongest opponents have been made to concede, and have proceeded in so many different departments of business, as has been stated, to adopt the principles which brought it the great success it has attained, and the people consequently the improved service, which has been the means of helping along the progress of the world and bringing light, and with it intelligence, to vast numbers who sat in darkness in the uttermost parts.

Doctor,-- this to Dr. H. F. Biggar -- following up, as we did; pushing, pushing, getting, on the backs of the mules, all over the world where people were, getting them better wicks, and rendering the service we did! And I tell you, disorganized producers and disorganized refiners never could have done it! It is a good thing for me to review the history as I am now doing with Mr. Inglis. It brings out the facts of history which are incontrovertible.

And so I do not feel that I have lived in vain; and I feel that I could not have rendered the world in any other direction as great a service as I have rendered in this. Even if we eliminate the service I have rendered to the innumerable company of workmen who have been steadily employed and regularly paid in cash in all this period of a half century since I began this work -- and during all the times of distress and financial panics as well. So that the men who have remained with us, generation after generation, contented and happy, and the sons of the men who occupied the lowest position, in the most menial service as laborers or otherwise, have been educated and brought forward to occupy the highest and most honorable positions in the administra-

tion of the business in the gift of the company!

And, in view of all this, I am led to cry out, this beautiful sunny morning in the sunny south, joyously with thanksgiving! And what I've said is as true as the Gospel: if I am not spared to speak further, I make this record unqualifiedly.

- - - - - - - - - -

At breakfast Mr. Rockefeller said:

I have just learned through Mr. H. P. MacIntosh of the way Jim Clark went on about me, cursing me and saying the Standard Oil Company must fail, and selling his Standard Oil stock to Colonel Payne at 112 1/2 through a straw bid, after selling it to him the day before for 110.

No wonder he felt sore! He and his brothers tried to bluff me, and failed. They had been bluffing for some time about wanting to dissolve the partnership, and I had said nothing. New they were all at my house for a conference. I asked each one: "Is that your wish, Maurice -- James -- Richard?" "Yes," each answered. "Is that your wish, Sam Andrews?" "Yes." So there was a majority unanimous (regardless of me) in favor of dissolving the partnership.

I went right down and put it in the paper for the next day -- the notice of dissolution. Wasn't Maurice surprised when he read it! "What do you mean by doing such a thing?" he asked me. "Why, you all voted for it," I replied; "and the law is that we must advertise to the community when a partnership is dissolved." The Clarks were angry because they had been bluffing, simply trying to dominate me with threats of dissolution, and I had called their bluff.

- - - - - - - - - -

On the way to his room after breakfast I asked for more details. Mr. Rockefeller said:

It was really a dissolution of both businesses -- Clark & Rockefeller and Clark, Rockefeller & Andrews. They were only talking about dissolution

as a pretence, to make me more subservient to their ways of doing business.

Jim Clark was a big, noisy, vulgar Englishman of bad habits. He was a member of the firm and bought oil for us in the oil regions. He was in all sorts of speculations. Before coming with us he had been with Hussey & McBride, and he used to boast of the smooth way he dealt with Mr. Hussey and the tricks he played behind his back. He didn't like it when I made him account for every barrel of oil he bought and for all his expenses. I left him no chance for favoritism or any of his tricks. He and his brothers thought that by talking dissolution they could frighten me into letting them run the business as they pleased. I let them run ahead at that until we had the conference at my house and they all said, "Yes; we must dissolve." They meant it as a threat; but I took them at their word. Then they woke up and saw for the first time that my mind had not been idle while they were talking so big and so loud. I was glad to dissolve. The partnership had still two or three years to run.

- - - - - - - - - - - -

It was evident that the memories awakened by the chance meeting with Mr. Henry P. MacIntosh of Cleveland and his story of the abuse and the tricks of James Clark, had revived in Mr. Rockefeller's mind vivid recollections of the old days in Cleveland, when he and his associates were putting together the various elements that constituted the Standard Oil Company, pouring into it all their money and labor and hope of the future -- not only for themselves but for the whole oil industry. Evidently the whole scene, the actors in it and what they did, came back to him as he went along; and as the details came to his mind he repeated them to me. As soon as we returned to the hotel I dictated his words, as exactly as I could reproduce them, to Mr. Keelips, as follows:

MR. R. VS. TARBL
CHAPTR V

Mr. Rockefeller spoke of the Clarks again while in the car going to the golf course, and at intervals during the game. There was no other player present and he spoke freely.

"You can see now," he said, "why James Clark cursed so much, and why all the Clarks felt resentful. James Clark was a man of bad habits, and a big, boisterous talker. He, and perhaps some of his brothers, were mixed up with various people in speculations in oil; some of them, I think, were Chicago or Western men. We were beginning to prosper, and I felt very uneasy at my name being linked up with these speculators. I do not remember now having heard any details; perhaps it was merely intuition; but I am certain that I was quite uncomfortable. In the meantime they were constantly trying to make me subservient to their will and run the business exactly as they ordered it. You see, Maurice Clark was ten years older than I, and he and the others regarded me as the straight-haired boy who grew up in Cleveland and was a boy, and then bookkeeper for Merwin & Tuttle, and they saw no reason why they should not dominate me. After awhile, though, they felt that there was a force moving there, and they resented it, all the more bitterly as time went on and they saw that I had good standing and good credit and could borrow money when I needed it.

"You can see that they had reached a period of stress, when I had that meeting with Col. Payne. He accepted my proposition at once, and said 'let us get the appraisers in and see what the plant is worth.' You can see not only that times were hard with them but that he welcomed the opportunity of getting clear of the Clarks by selling out. You notice he did not say that he would consult with them, but he accepted my proposal at once.

"They were greatly surprised after all their bullying talk about dissolving the firm to find that I beat them by simply accepting their views, when one by one they reiterated them at the conference at my home. They thought they had Samuel Andrews with them. They did not know that Andrews agreed with

me and that he was tired of their domineering ways.

"Jim. Clark and Andrews both had been with the firm of Hussey & McBride, copper smelters and dealers; and Jim. Clark used to boast of the tricks he had played on Mr. Hussey, being smooth to his face and practicing these impositions behind his back. Andrews was an expert refiner and knew how to cleanse the oil. He was not a business man.

"Now you can see how we began to grow. We cleared away the objectionable people -- at their own request; then took in white men like Col. Payne, men who kept faith. He had not had much business training, but he was keen and shrewd and loyal. Of course Jim. Clark was cursing, and of course the Clarks felt bad to think they had thrown themselves out of a good thing, when all they needed to do was to hold on to the original Standard Oil stock in exchange for their wretched old junk. But they were men whose opinions could not be changed; they knew everything.

"From this period we began really to grow and grow stronger. I took my brother William in, a trained, experienced business man, and later he brought his brother-in-law Mr. Jennings. Then Mr. Brewster came in from Fairfield, Connecticut, and not long after that Mr. Flagler, and with him Mr. S. V. Harkness. These men had money, and we soon found ourselves able to raise a million dollars or more as money was needed.

"Samuel Andrews got out after awhile. He was dissatisfied because we would not declare dividends right away, but preferred to reinvest our earnings for needed extensions. Mr. Eells and Amasa Stone came with us. They had a great deal of money.

"It is ridiculous to think that we issued a joint proclamation, as our "Historian" asserts, that everybody in the oil business in Cleveland must come in at once or be crushed to death. There was nothing of the kind. We went to one concern at a time and finished with them before we took up the next.

MR. R. VS. TARBL
CHAPTR V

What a position we would have been in, dangling about with a dozen or rather a score of firms, appraisers running back and forth asking how much is this worth and how much is that worth! We did nothing of the kind.

"Samuel Andrews was so discontented that he sold out his stock at $300 a share; and afterward, I learned, he reinvested in the stock at a great deal higher price. The trouble with him was that he was not a business man and he did not know that 'There is a time to sow and a time to reap'. He wanted to reap right away. Afterwards he went around complaining that he had been unfairly treated. But, what were the facts? Mr. Warden of Philadelphia, a keen, shrewd business man, knew the frame of mind he was in and offered to sell him a block of his own Standard Oil stock. Mr. Andrews declined to buy; and what was his next move? He offered to sell. But it seems to me that he had had every fair opportunity to increase his holdings, and , if he was so set on getting rid of his stock, Mr. Warden did not treat him unfairly when he bought it.

"Remember, too, that while the families of these Clarks and others were growing up they had heard all the talk denouncing us bitterly for succeeding, while they swore we never could succeed; but as our business went on growing bigger and bigger and stronger and stronger their familes must have been saying to one another, as Mr. Bowler's relations-in-law said, 'What a rich man father would have been if he had only known enough to have stayed in the Standard Oil Company!' The Clarks went on in the refining business again and again, selling out and starting over again; so did Samuel Andrews. I remember Maurice Clark driving out to my home at Forest Hill and looking up to me out of his buggy and saying, 'Why, John, you have got so much money you cannot count it.' He admitted that he was beaten, but he was very nice about it and very friendly. He talked to me frankly. He complained about his brother Jim, the life he was leading, bringing a lot of actresses out to Cleveland, etc. When Maurice Clark ded in 1900 he left only three or four ,

hundred thousand dollars. He could have been worth millions more, but he was short-sighted and obstinate and simply could not admit that 'that boy' had any right to succeed. Do you remember what I told you last summer that he used to say to me? 'Why, what in the world would you ever do without me?'"

I reminded Mr. Rockefeller that #Mr. Mannuel Halle of Cleveland, eighty-nine years old last summer, had told me of the great arrogance and obstinacy of that English group in Cleveland, and how glad he was when Mr. Rockefeller bought out his business - glad, for two reasons; 1. to get out of a business that was so full of ups and downs as gambling, and, secondly, glad to get away from his partner Scofield, who was utterly obstinate and unreasonable. Mr. Rockefeller said:

"Oh, I am glad to hear that! I am glad to hear such confirmation from a man of Mr. Halle's standing, a trained business man who, as I remember now, told you he had already accumulated a competence, and had gone into the oil business because the doctor ordered him to keep more out-of-doors. That is the best thing you have told me."

After returning to the hotel Mr. Rockefeller said: "I am very glad now that I am going over these records and writing this history, even though I am sure it never will be published. But it is such a satisfaction to go over all these events; to set forth the truth about our career as it really was."

#See Mr. Halle's story, indexed under Cleveland.

MR. R. VS. TARBL February 18, 1918.
CHAPTR V

Mr. Rockefeller, at the outset, said:

I want to say a word a little relevant here as having a bearing on the actual condition of the refining business at the time when the Standard Oil Company indicated to the other refiners that it would undertake to buy their plants for cash or for stock which it would issue for cash value. The procedure was one without precedent. We find here the strongest and most prosperous concern in the business, which had made money inneach year of its existence, turning to its less fortunate competitors, who, it well knew, had been losing money and who had become discouraged, and saying to them, practically: "We will stand in for the risks and the hazards of the refining business. You need not contribute any money unless you desire to do so." And I believe in only one instance was any concern willing to do so, and that was in the case of Warden, Frew & Co. and Lockhart & Frew.

I repeat: the Standard Oil Company assumed all the risks and at a time when it was evident that the larger number of its competitors could not continue to compete with it in the struggle for existence. What did it do? It turned to these men with whom it had been in sharp competition, and said to each: "Come with us, and we will do you good. We will undertake to save from the wrecks of this refining business and give you a return on the capital which you have in the plant and land, or, if you prefer, we will take the business off your hands." As an illustration of the fact that the business previous to 1870 was very poor and that generally losses were sustained by competitive refiners, I point to the fact that the largest competing concern and most successful outside of the Standard Oil Company at Cleveland was the concern of Clark, Payne & Co. Associated with this concern were two families of wealth -- the Payne family and the Hussey family. I have already pointed out that several members of this firm, having sold out to the Standard Oil Company for stock, soon thereafter, with the fearfulness begotten of the sad experiences of the late years in the business, could not be made to

believe that even with the strength and the enterprise of the Standard Oil Company it was possible to redeem the business, and consequently they sold out their stock. But they were enabled to sell it and to get ten per cent. or more in addition to what it cost them. Thus they were enabled to sell their individual interest in the refining business, which they could not have sold had it not been for this interposition of the Standard Oil Company, probably at half the price. I point to this instance thus clearly to emphasize the fact that if this concern entertained such views in respect to the business, what must it have been with those far less strong financially and far less able to continue to meet the hard struggle of the competition?

But I call attention again to the fact that while this concern had in its membership representatives of two wealthy families, they were not willing to risk one dollar of good money by taking stock in the Standard Oil Company and contributing one hundred cents on the dollar for the same. I am saying this in answer to the foolish and unwarranted statements about the "oppression" of the Standard Oil Company in buying out the refining interest. My statement is that this act of the Standard Oil Company was without a parallel in business competition. Now, one of the reasons why the Standard Oil Company did not and could not consistently with the conservative views of its financial leaders, notably my brother and myself, on whom came the burden of the financial administration, divide the money as fast as some men desired who were dissatisfied with this conservative method of proceeding and sold their stock as a consequence; it is to be remembered that the resources in money of the Standard Oil Company had some limitations, and having drawn so largely upon these resources of cash to satisfy the weak refiners whose treasuries were so depleted that they could only sell for cash, as their debts would absorb the value of their refineries and plants to so great an extent, and as, notwithstanding the leaders of the Standard Oil Company had courage and hope, it is to be remembered that the prosperity which they hoped to

MR. R. VS. TARBL
CHAPTR V

were all ready to do so, after taking plenty of time to deliberate and deciding that the scheme was wisest and best; it is also true that from among the very weakest and least able to compete of the refiners at Cleveland and elsewhere were those who did not desire to come in, and were answered by the representatives of the Standard Oil Company: "All right, neighbors, friends. We will live peaceably together. Every good wish for you!" It is also true that later on these same men came -- or most of them -- and of their own free will renewed the negotiation, and parted with their interests, and adopted the views of the Standard Oil Company in respect of the best course to resurrect the business. And this I am saying in answer to the impression which prejudiced "historians" and others sought to convey, that the poor, weak refiners were forced out of the business by the Standard Oil Company.

The Standard Oil Company, by its able and conservative management, had established a great credit. The Messrs. Rockefeller, though young men, had -- each of them had -- years of severe discipline in managing business enterprises with small capital, and these experiences were invaluable in preparing them for this greater task of financing the Standard Oil Company. In carrying out this work of financing the Standard Oil Company they met with many obstacles, even though their individual credit and the credit of the Standard Oil Company were so good. It is to be remembered that the oil business was discredited. It was well known that the refining business had been unprofitable, and in connection with the producing business there had been many speculative schemes which had added greatly to the ill repute attaching to this young business. Multitudes of people from all over the country had squandered their hard earnings in these oil "bubbles," floated by unscrupulous speculators in the oil lands.

:----------:

February 19, 1918.

Q. T p 156: "The system of 'predatory competition' was no invention

bring to the business had not yet come. It was yet in the future, and as it was evident they could not rely upon banks or individuals for the sufficient cash capital to carry their enterprise through, it was absolutely necessary for them to retain the earnings in the treasury of the company for the needs of the business and also to charge off to depreciation account what they had paid for many of these small refining plants which by actual experience they found as time went on they could not afford to use, as they were so ill constructed and so expensive to run compared with what could be created with fresh capital.

I call attention to another feature of the advantage of those who sold out and took stock. At no time was the stock which they took worth less in the market than the price at which they took it. And this stock could be used as collateral for borrowing money in the banks. But the old refinery property for which this stock was taken in return, be it remembered, could not be used to borrow money on; so that we see clearly the advantage to the owner of a competitive refinery in the opportunity to sell either for cash or stock. In the case of receiving the cash, he could liquidate his bankrupt concern. In the case of receiving the stock -- which he received without any risk of cash contribution -- he could take a chance on the whole or the part of the possibility of the resurrection of the business so strongly urged by the representatives of the Standard Oil Company. And, be it remembered here also, that there was no advantage or consideration of any kind or character which the original representatives of the Standard Oil Company could have or did have which were not shared by any and all, even the smallest and most unfortunate competitor who was willing to come into the Standard Oil Company.

I repeat here again, as I desire to emphasize the point, that while it was true that such concerns as Charles Pratt & Co., Lockhart & Frew, Warden, Frew & Co., and others of the strongest of the competitors came in when they

of the Standard Oil Company. It had prevailed in the oil business from the start. Indeed, it was one of the evils Mr. Rockefeller claimed his combination would cure, but until now it had been used spasmodically. Mr. Rockefeller never did anything spasmodically. He applied underselling for destroying his rivals' markwt with the same deliberation and persistency that characterised all his efforts, and in the long run he always won."

A. "Predatory"! Preying upon! It is interesting to note the charge of predatory compettion as applied to the Standard Oil Company. In making such charges the people may overlook the fact that the Standard Oil Company did just what persons engaged in business - whether the oil business or any other --- do when competitors seek to get their trade away from them. They contest for it, and, as I say, the Standard Oil Company did nothing more or less than every other competitor does in any other branch of business; namely, to bid for the business if he has the goods to sell, to a point where he cannot afford to take it. And this is all there is to it, and it is all nonsense to make the charge as applicable to the Standard Oil Company as a specialty. But it is true that, having taken over the old plants from competitive refiners, it was not less willing than otherwise to see the new competitors arising take the business which these refiners had whom the Standard Oil Company bought out. It would not be eager to see new competitors take this business. That is to say, if the administrators of the Standard Oil Company were human, the same as other tradespeople, they would not want to see their works lie idle, and new energy would be imparted especially when the attacks were made by these newcomers to which they might have hoped they had some special right or privilege, having paid so dearly for it in the securing of the old and comparatively worthless junk which the former and reckless competitors had sold them.

I hardly think our "historian" and her family, who were competitors

engaged in the business, would have felt it their Christian duty under the circumstances to give up without a struggle this to which they seemed to have a pretty fair title, even making large allowance for the academic view and the lack of business knowledge which they may have had. Even a dog having secured a good bone will snap and snarl when others come to pull it away from him. And, of course, the Standrad Oil Company, having secured these additional plants, could not expect to live and compete with others, to say nothing of prosper in a competition without it could secure orders for the refined oil, and so its competition, as it was continually able to reduce the prices, was not, we may presume, always exactly what its competitors would like who were unable to manufacture and merchandize at the same low cost. But this was what the Standrad Oil Company and its adherents had promised themselves. Each day in their new experience found them stronger in the view that they could safely hold their ground and that, too, in a most careful regard for all the niceties of the etiquette of the highest grade competitors.

Q. T p 156: "There were other forms of pressure. Sometimes the independents found it impossible to get oil; again, they were obliged to wait days for cars to ship in; there seemed to be no end to the ways of making it hard for men to do business, of discouraging them until they would sell or lease, and always at the psychological moment a purchaser was at their side."

A. Yes. As to the psychological moment; as has been hitherto so frequently stated, the Standard Oil Company were ready and willing to treat with all refiners at all times with reference to coming into the Company on fair terms, and it continued to treat with them year after year on the same fair basis; and there is no ground for stating and it is unjust to state that all the ills referred to by competitive refiners were the result of

the designs and schemes of the Standard Oil Company. The Standard Oil Company was not the agency to secure cars or to buy oil for competitive refiners. In fact, there was a shortage of oil for its own refineries, and how could it be expected to take its own oil, having procured it from the producers, and transfer it to its competitors? --- though this it has really done in many instances in later years, to their utter amazement, as I have good reason to know.

But what shall we say on behalf of the poor producer? The competitive refiner must not forget that the producer wanted many buyers for his oil and much competition. We must not complain of the poor Standrad Oil Company for paying the producer prices higher than its competitors, nor will we complain of the Standard Oil Company because it had been able to serve the consumers of the refined oil and other products better than these ill-prepared competitors. The consumers were glad to give the patronage to the refiners who could give them the best product at all times when they required it and under the most satisfactory arrangements as to price and extension of credit, it may be, and other considerations, all of which made the Standard Oil Company the best servant of the people as well as the best servant of the competitor, whom it had always assured that it would do its utmost in coöperation with him, to the end that his business might be productive of the best results. But the Standard Oil Company, in its fair and honorable procedure as to all parties concerned, has always been made a pack-horse, and the charges against it remind us of the fable of the man and his little boy and the donkey on the way to market, which is so familiar.

Q. T p 157, gives the alleged testimony of William W. Harkness of Philadelphia before the House Committee on Manufactures in its trust investigation, in 1888, as follows:

MR. R. VS. TARBL
CHAPTR V

"I was the originator of the enterprise, believing that there was np better place than Philadelphia to refine oil, particularly for export. We commended then, as near as I can now recollect, about 1870, and we made money up to probably 1874. We managed our business very close and did not speculate in oil. We bought and we sold, and we paid a great deal of attention to the statistical part of our business so as to save waste, and we did a nice business. But we found in some years that probably five months out of a year we could not sell our oil unless it would be at a positive loss, and then we stopped. Then when we could sell our oil, we found a difficulty about getting cars. My brother would complain of it, but I believed that the time would come when the would be equalized. I had no idea of the iniquity that was going on; I could not conceive it. I went on in good faith until about 1874, and then the trouble commenced."

A. Wait a minute! William W. Harkness! "We began about 1870!" Dear Mr. Harkness of Philadelphia was very fortunate to have such a good business as he refers to from 1870 to '74, and he presents quite an exception to a large number of his brethren in the refining business. Why did he not go on? Even his larger and more successful competitors, Messrs. Warden, Frew & Co. and Lockhart & Frew, who were in pleasant and neighborly relations with him as well as with the Standard Oil Company -- though they had no common interest in ownership of the business together -- were finding, after their observation of the progress of the Standard Oil Company and its methods which had secured for the Standard Oil Company the admiration and confidence of these gentlement, these large competitors of Mr. Harkness, that they had been getting on fairly well and could succéed, when a competitor like Mr. Harkness would starve to death; they were coming more and more inclined to adopt the views of the Standard Oil Company; so that at or about the time to which Mr. Harkness refers -- 1874 or a little later -- they came and

joined their interest with the Standard Oil Company, and in so doing endorsed the views of the Standard Oil Company in its advocacy of this course of proceedure rather than having followed along in the line of the South Improvement Company, which had been a pet scheme of Thomas A. Scott and these gentlemen in the years past, the more conservative views of the Standard Oil Company representatives having prevailed.

Now, these gentlemen did not come with complaints that they couldn't get cars. Indeed, they were the favored shippers supposedly of the Pennsylvania line. On account of their large and regular business they were entitled to the most favorable consideration as shippers. But they did not come with these childish complaints to the Standard Oil Company as a reason for their troubles; they came as strong, independent, wealthy, able business competitors, recognizing fully that the Standard Oil Company were right and that the course they were pursuing was best for the oil business generally, and made a fair deal with the Standard Oil Company and united their interests and got just as good an arrangement as they could have got by coming with the false pretences and the unjust charges suggested by dear Mr. Harkness.

Now, Mr. Harkness, while a well-disposed and good sort of man, was not an up-to-date, wide-awake, progressive competitor, and the wonder is that he had the good period of prosperity in those trying years to which he refers; and to his credit it may be recorded that he did not turn to speculation, as a disgrantled neighbor of his had done, charging as a reason for doing so the difficulty of competing with the Standard Oil Company. But bye-and-bye Mr. Harkness came also and united his interest with the Company through negotiations with Mr. Warden of Warden, Frew & Co., and had occasion to reproach himself for his unfair utterances and his unwisdom in trying to long to make a whistle out of a pig's tail andto struggle

against the natural law of trade.

On the way back from golf Mr. Rockefeller said: "I wish you would add this: It would have been obviously unfair to the public for the Standard Oil Company to raise the price, to hold up the price, of refined oil, because Mr. Harkness was unable to make a profit at the market price. There: that meets the "historian's' issue face to face."

After luncheon Mr. Rockefeller dictated the following:

"And the more orders the Standard Oil Company could get, the more refined oil they could produce; and the more refined oil they produced the lower they could reduce the price; and they could not, consistent with their ideas of service to the public, reduce the volume of their business in order to keep on a parity with their laggard competitors, though they were always willing to take these of the weakest and least able to compete into the firm and have them share every benefit accruing to the most favored shareholder. In other words, while they were most kindly disposed toward their weaker brethren, they could not stop the car of salvation in their great enterprise which meant so much to the consuming public the world over.

"And thus they proved themselves, while good and sensible business men missionaries of light, always with the best quality and the lowest price, and servants of all. So they succeeded. But this secret those who were unwilling to learn, or could not learn, were necessarily left behind in the race, and this was the common experience in every department of business, and represents the history of man since the creation of the world."

After luncheon Mr. Rockefeller dictated the following:

"Another reason why the Standard Oil Company could not hold prices

up for Mr. Harkness and others who were unable to compete was the fear that other people with capital and business ability would come in and deprive them of the business which they were able to do at reduced rates. If the Standard Oil Company had increased the profits of the business, as it might perhaps at times have done by charging more for the refined oil, other competitors would surely have come in and of a type quite different from Mr. Harkness. Capital was cheap, and is ever watching for an opening for a good investment, and the Standard Oil Company always kept this fact in mind, preferring to make their money by increasing the volume and at the same time reducing the profit rather than run the risk of losing that which they could make profitable while the inferior competitors were grumbling about their losses."

February 20, 1918.

Mr. Rockefeller began:

It might be added that if it had been incumbent upon the Standard Oil Company to secure to Mr. Harkness a profit in his business, a profit equal to what he had made in his business, it would have been much better for the Standard Oil Company to do this rather than to depart from the law so vital to its own preservation, namely, to unduly increase the margin of profit even to save a fellow competitor in the business.

Q. T p 157 (Continuing Harkness' testimony): "I had no idea of the iniquity that was going on; I could not conceive it. I went on in good faith until about 1874, and then the trouble commenced. We could not get our oil and were compelled to sell at a loss. Then Warden, Frew & Company formed some kind of running arrangement where they supplied the crude, and we seemed to get along a little better. After ahwile the business got com-

plicated, and I got tired and handed it over to my brother; I backed out. That was about 1875. I was dissatisfied and wanted to do any independent business, or else I wanted to give it up. In 1876 -- I recollect that very well, because it was the year of the Centennial Exposition -- we were at the Centennial Exposition. I was sitting in front of the great Corliss engine, admiring it, and he told me there was a good opportunity to get out. Warden, Frew and Company, he said, were prepared to buy us out, and I asked him whether he considered that the best thing to do; whether we had not better hold on and fight it through, for I believed that these difficulties would not continue; that we could get our oil. I knew he was a competent refiner, and I wanted to continue business, but he said he thought he had better make this arrangement, and I consented, and we sold out; we got our investment back."

A. I see that Mr. Harkness finally adopted the wisest course, in which he was fully confirmed in the years following, by selling out to the Standard Oil Company, I note his remarks and the remark of our "historian" in reference to the great Corliss engine. Perhaps the working of this fine machinery might have given Mr. Harkness an advanced thought; for it is true that the administration of the Standard Oil Company compared with that of most of the small and ill-administered competitive refining concerns was a good comparison. But notwithstanding all the progress made by the Standard Oil Company and all the many foolish excuses given for the failure of those who did not succeed in all the different branches of business and with many examples of progress such as we have had in the Standard Oil Company and steel and railway administration, etc., we find, for example, in parts of New Jersey today the old-fashioned stick wagon, drawing a load of, say, one half a ton, trying to compete with the modern automobile and its appliances for unloading, and the cost of the one is two or three or four times as much

as the cost of the other, and yet the man with the little stick wagon and the slow-moving horses, who hates the idea of progress, feels that he is badly treated if he is not allowed his full share of work, based on his expensive method of performing the work compared with the best modern methods.

But I am pleased that Mr. Harkness saw the Corliss engine. It may have helped him to realize that the Standard Oil Company could refine oil and get it to the consumer for less cost, with its large volume and steady business, than was possible for him; and it would have been better for him if he had recognized this earlier and taken stock in the Standard Oil Company.

Q. T p 157: "Here we have a refiner discouraged by the conditions which Mr. Rockefeller claims his aggregation will cure. Under the Rutter circular and its discrimination in freight to the Standard which followed, his difficulty in getting oil increases, and he consents to a running arrangement with Mr. Rockefeller's partner in Philadelphia, but he wants to do an "independent business." Impossible. As he sits watching the smooth and terrible power of that famouse Corliss engine of 1876, an engine which showed to thousands for the first time what great power properly directed means, he realized that something very like it was at work in the oil business -- something resistless, silent, perfect in its might -- and he sold out to that something."

A. I do not know what the Rutter circular referred to had to do with it, but supposing that there was a discrimination of fifty cents against these creek refiners for example, which was not the case, the whole idea now prevailing was railway transportation on the same basis -- this we have gone over -- and it has been conceded by our "historian". But, as I say, if there were an actual discrimination of fifty cents on the barrel and the refiners had a profit of three cents a gallon, as stated by our "historian,"

there would yet have been left a profit of about one dollar a barrel. Now, a profit of one-quarter of this amount would have made the Standard Oil Company a great fortune, and the people consuming the oil would have got the benefit largely of it; but a profit of one dollar a barrel might not have enabled a refiner making an average of only a few barrels a day to accumulate a great fortune. Here again we see, in this business, as in every other, that we must do away with the Old methods if we would render the best service to all the people. It was a question far less important to the great consuming public as to whether a Creek refiner made $1.50 or $1. a barrel, and whether they could afford to live on $1, while the Standard Oil Company would be quick to render the same service for 25 cents.

The question of importance with the consumer would be: "What does the oil cost me?" and "Am I getting the best quality?" And this will have direct reference to the law of trade which would rebel against the support of the incompetent servant of the people, provided always a better servant appeared for their deliverance. And this better servant did appear, and the public were saved millions of dollars by reason of the service which it rendered, and the stigma resting upon the oil business was removed, and people were not ashamed to be known to be engaged in it. But they did distinctly want it to be understood that they had no responsibility whatever in shoddy schemes and faulty practices which had brought it into such great discredit before the prevalence of the Standard Oil Company's progressive methods.

Pray give us more Corliss engines! They may help to save others beside the Harknesses to a good way out from the Slough of Despond!

Q. T p 158: "Everywhere men did the same. The history of oil refining on Oil Creek from 1875 to 1879 is almost uncanny. There were at the be-

ginning of that period twenty-seven plants in the region, most of which were in a fair condition, considering the difficulties in the business. During 1873 the demand for refined oil had greatly increased, the exports nearly doubling over those of 1872. The average profit on refined that year in a well managed refinery was not less than three cents a gallon. During the first half of 1874 the oil business had been depressed, but the oil refiners were looking for better times when the Rutter circular completely demoralised them by putting fifty cents extra freight charges on their shipments without an equivalent raise on competitive points. It was not only this extra charge enough to cut off their profits, as businessthen stood, but it was that the same set of men who had thrown their business into confusion in 1872 was again at work. The announcement of the Central Association with Mr. Rockefeller's name at its head confirmed their worst fears."

A. I note the exaggerated and false representations of the Oil Creek refiners, who sought to lay the blame on the Standard Oil Company for their inability to compete with its advanced methods. Men are always willing to do this; that is to say, law the blame where it does not belong if so be , they can shelter themselves. But all this would not avail. The car of progress was in motion, and the consumers of the oil certainly were not willing to pay for the blunders and lack of good administration of these inefficient instrumentalities to furnish them this new light of the best quality and at satisfactory prices. Other things being equal, many people would have given them their patronage. But the great consumers of the oil were poor people, and they did not feel that they were called upon to contribute a cent or two a gallon on each gallon of oil they consumed in order to continue in existence these small refiners.

Q. T p. 158, says that at first none of the small refiners would sell or lease. "They would have nothing to do, they said bluntly, with any

combination engineered by John D. Rockefeller." . . . . "Such was the state of things on the creek when in the early fall of 1875 an energetic young refiner and oil buyer well known in the Oil Regions, J. D. Archbold, appeared in Titusville as the representative of a new company, the Acme Oil Company a concern which everybody believed to be an offshoot of the Standard Oil Company of Cleveland, though nobody could prove it. As a matter of fact the Acme was capitalised and controlled entirely by Standard men, its stockholders being, in addition to Mr. Archbold, William Rockefeller, William G. Warden, Frank Q. Barstow and Charles Pratt. It was evident at once that the Acme Oil Company had come into the Oil Regions for the purpose of absorbing the independent interests as Mr. Rockefeller and his colleagues were absorbing them elsewhere. The work was done with a promptness and despatch which do great credit to the energy and resourcefulness of the engineer of the enterprise. In three years by 1878, all but two of the refineries of Titusville had 'retired from business gloriously,' as Mr. Archbold, flushed with victory, told the counsel of the Commonwealth of Pennsylvania in 1879, when the state authorities were trying to find what was at work in the oil interests to cause such a general collapse."

A. We note the incoming of the Acme Oil Company, headed by John D. Archbold, its president, and we recall that young Mr. Archbold had been one of the most active opponents of the Standard Oil Company in the oil regions, speaking at public meetings and doing all in his power to arouse the people against the Standard Oil Company. He was very popular in the oil regions, genial, affable, just and fair; and he fought the Standard Oil Company like a man, and commanded their respect and confidence. So he commanded the respect and confidence of the competitive refiners; and what a Godsend it was to these refiners that their neighbor and friend should arise as the

president of this Acme Oil Company to negotiate with them with reference to the sale of their refineries! He gave them fair and full prices for their refineries. Some of these men were employed afterwards as the representatives of the Acme Oil Company, and it was a great blessing to the refining interest of Oil Creek that they could dispose of their refining interests as they did to the Acme Oil Company; and while they were well treated and didmuch better to sell than to have continued in the business, there were those engaged in the producing business, including the representatives of the family of our distinguished "historian," who felt it to be best for their interests that the refining interest should be conducted by a multitide of refiners without profit rather than by one or more large and well organized concerns who could make a profit on what their inefficient competitors were throwing away. It was supposed that by multiplying the number of refiners and keeping them poor the producer would get better return for his product. But this proved to be a great mistake, and that an agency though contralized as in the case of the Standard Oil Company, with all improved methods, could be the best servant to advance the interest of the man who brought the oil out of the ground.

Q. T p 159: "Most of the concerns were bought outright, the owners being convinced that it was impossible for them to do an independent business and being unwilling to try combination."

A. It is stated by our "historian" that most of the Creek refiners sold outright; that is to say, for cash instead of taking stock in the Standard Oil Company, as they were invited to do, urged to do, and could have done at any time for several years past. But these refiners knew better than the academic "historians" that the business as they had been conducting it was a losing business. They knew that whereas in the beginning they were sure of a profit,

and a large profit, that as the years went by the margins were steadily lessened by virtue of the growing competition until it was impossible to conduct the business on a satisfactory basis; and so clearly were they impressed with this that they believed -- no doubt, really believed -- that with all the alleged advantages of whatever kind or character the Standard Oil Company might be supposed to be possessed of, and notwithstanding the recognized ability of its leaders, they were yet afraid to take stock in this Company; not because they did not regard the Company as sound and solvent; not because it did not have great credit; not because it did not pay its bills; not because it was not entitled to the highest consideration; but because they themselves had gone through such unsatisfactory experiences in the refining of oil that they had come to believe there was no hope even for the Standard Oil Company to succeed so that they could get a return on its shares. And, as a matter of fact, they had become so involved in the conduct of this losing business in which they had held on by the eyelids for years, hoping for the return of the good old days with a profit of five cents or ten cents a gallon that it was impossible for them to overcome this nightmare and show confidence by taking stock in this Company rather than cash at one hundred cents on the dollar.

Of course, in taking over their refineries, as in the case of refineries of their type in other sections, the Standard Oil Company took upon itself a great burden, especially where it paid the cash and took all the risk of the future. But this burden it gradually overcame by applying a portion of its profits to depreciating the plant thus secured from year to year and from time to time, and also investing another portion in new and improved machinery and still another in other progressive steps, thus fitting itself to meet the competition against all comers. And so it is easy to see how the Standard Oil Company maintained its supremacy in all

these years.

As to Mr. Archbold: It is to be said respecting the relation of Mr. Archbold with the Creek refiners after the establishment of the Acme Oil Company that his dealings with his neighbors and friends, the Oil Creek refiners, were characterized in all cases by the same fairness and liberality which had made him, as he continued afterward, one of the most popular men ever known in the oil regions. And in his liberal dealings with these oil men, in buying out their refineries when they could otherwise not have made a disposition of them, he was allowed full discretion and required to err on the side of the oil refiners who sold out rather than in favor of the Standard Oil Company.

:----------:

February 21, 1918

Mr. Rockefeller said:

Respecting the Creek refiners further; numbers of these, as I have previously stated, were of the smallest type of alleged refining interest; so much so that the few leading refiners of that region were not inclined to consider them, on account of their standing as business men and for other reasons in connection with their very small and irregular efforts to refine oil, as entitled to much consideration in the associational ways even. In addition to Mr. Archbold, whom I mentioned yesterday, we found in Captain J. J. Vandergrift a manly man who also proved himself a manly opponent to us before he knew of the aims of the Standard Oil Company, and, like Mr. Archbold, a very valuable partner and associate and counsellor during the balance of his life, turning to us and to other successful business operations with the same enthusiasm with which he had fought us at the outset, and giving us most loyal and cordial coöperation and support.

Another man, Gustave Heye, who had a refinery in the oil regions,

promptly adopted our views when the opportunity was afforded him of coming into the Standard Oil Company, and he remained, a valuable member of the Company in an administrative capacity, for the balance of his life. With these three men,well informed in regard to the refining situation in the oil regions, were left very largely the responsibility of advising as to what was right and fair respecting the question of our having any relationship with the other refiners. As a matteer of fact, instead of three cents a gallon profit, to which our "historian" refers, it is my opinion that after the three firms mentioned with which Mr. Archbold and Captain Vandergrift and Mr. Heye were connected, the balances of the refining interest on Oil Creek would have been better off if they had sold their refineries for cash from five years or more earlier than the time when the Standard Oil Company first began its purchases of the refineries. That is to say, if they had taken the money which they would have received for their old junk -- for this was the term commonly applied to these inferior refineries; and indeed it could apply to many more pretentious grading up toward the better class -- as I say, if they could have taken this money and invested it at six per cent as a whole they would have been in my judgment better off than to have continued the business with the results which they obtained.

But think for one moment what might have been if these men could have had confidence in somebody else beside themselves and adopted the progressive view of the Standard Oil Company and taken stock in this Company for their interest in the refining business, which they all could have done if they had desired, on a reasonable and far basis. Think for a moment how much better it would have been for them all, how much they might have saved which they wasted in continuing to bluster around and

put up a big bluff., coöperating with our "historian" and others of the regions with a motive, their particular motive being to prepare the way to obtain the highest price possible from the Standard Oil Company when they sold out; and all or most of these men who had so much of criticism and complaining of the Standard Oil Company were looking forward to the happy day when they should succeed in loading their worthless junk upon this sanguine competitor at the highest possible price.

The producers who sympathized with our "historian" and her family were also engaged in the refining business, thinking, as did the refiners, that thereby they also might in turn grind their axes; so that the good work went on, and our "historian" found among these like Brother Harkness of Philadelphia who did not sell his refinery for stock and ever afterward was disgruntled because he had been so governed by his narrow prejudices as not to adopt this better view in this unfortunate state of mind and to soothe himself on account of his unfortunate mistake in not taking the stock instead of the cash he was a willing servant of our "historian" to testify and to complain.

But what did all this avail? Steadily the Standard Oil Company progressed; the eyes of the people were opened. Those who came into the Company and took stock were increasingly enthusiastic and serviceable in building up the Company, including such men as Mr. Archbold, Captain Vandergrift, Mr. Heye, Mr. Warden, Mr. Lockhart, Major Frew, and indeed the brother Harkness who, having had the view of the Corliss engine on that eventful day when he and his brother considered together the question of whether or not they had better come into the Company. If I mistake not, the one brother who came in was a useful representative in an

administrative capacity. But that these who failed to take the stock were ever afterward dissatisfied with themselves and with the Standard Oil Company because of this great blunder is not at all surprising; and I have ever regretted for them their unwisdom and have ever been very charitable toward them, notwithstanding the many foolish and unwise things which they have said and done, including the testimony under the direction of our "historian" many of them have recorded, which testimony, like many of the writings of our "historian," in the light of the facts and of subsequent history, would be better not made.

Just a word further in reference to our friends the Harknesses of Philadelphia and their testimony regarding their business being interfered with by some unknown cause: If we may believe their statement respecting their prosperity for years after the other refiners ceased to have prosperity, they certainly are to be congratulated and were an exception. Now, on the other hand, such business men as William G. Warden and Charles Lockhart, who had been in pleasant and neighborly relations with the Standard Oil Company representatives in all the years and more especially so since the year of '69 and '70, after the hard pinch in the refining business which led all refiners to reflect seriously respecting the need of some change to save the business from bankruptcy; now, these careful business men, after having watched for five years the onward march of the Standard Oil Company and after making it their business to carefully study its methods and to observe its progress, did not come whining with the testimony like Brother Harkness, but came like the strong, manly, fighting type of men, such as Mr. Archbold and Captain Vandergrift, and said in manly fashion: "Gentlemen, you're right. Now we are disposed to consider a negotiation with you for joining hands and becoming members of

the Standard Oil Company, provided we can agree as to values and as to what responsibilities shall be assigned us in carrying forward the business."

In their case, although the interests were very large and more or less complicated, as in the case of the other and less important interests, we had no trouble in agreeing upon values and in respect to the positions of responsibility which they should assume in connection with the Standard Oil Company. These gentlemen, as well as Mr. Archbold, Captain Vandergrift and Mr. Heye, had demonstrated their ability to fight us in manly fashion not only, but to administer their business better and more successfully than the majority of the competitors. But they, in common with ourselves and other more or less successful refiners, did not happen to view that successful period in oil refining in the years so far past '69 and '70 as did Brother Harkness, and if they had I presume they would have been inclined to continue on managing their own affairs under their separate business organizations as they had successfully done for years previous to the hard times in the refining business, which everyone else except possibly Brother Harkness and some notable exceptions our "Historian" nourished and developed in the course of her industrious endeavor to find a good reason for continuing her unjust statements against the Standard Oil Company.

:_____:

February 22, 1918.

Mr. Rockefellér said:

Since my memorandum of yesterday morning I have learned from a telegraph message that Mr. Norris W. Harkness came into an active administrative relationship with the Atlantic Refining Company of Philadelphia, which was a part of the Standard Oil Company, and that he remained in the Company from about the year of 1876 until about 1913, and that he had been

for a long time the General Manager, and was retired on a pension. My recollection is that Mr. Warden, in referring to the cases of the two brothers Harkness engaged in the refining business, spoke of this one as quite different from his brother. He more readily took on ideas of progress, and had it not been for his brother's peculiar views and prejudices they would have come into the Company sooner. I am pleased that Mr. Harkness was agreeably disappointed and that his relations in reference to the unfavorable view his brother took in respect to the Standard Oil Company from an intimate association of thirty-seven years as one of the administrators of the Standard Oil Company, and he remained as one of its warm friends and ardent admirers up to the time of his death, some years after his retirement.

In this history we have another instance of the record of our "historian", which in the light of this nearly forty years of pleasant and intimate relationship of Mr. Harkness with the Standard Oil Company as one of its administrators must be rather disappointing to our "historian," and at least would seem to give a little blur to the vivid picture of the sufferings of the victims of the Standard Oil Company which she so vividly portrays and which she seems to have such great facility in creating where the facts were somewhatlacking to bring out the portrait in bold relief.

And, as the years go by, she reviews with her friends these pictures and observes the progress of this useful concern struggling up against many other adverse influences besides her writings, we hope she will rejoice rather than be unduly sad, because progress, as ever, was promoted through many struggles and disappointments and misrepresentations.

Since making the notes of yesterday I have met a gentleman from New Jersey who brought me a very kindly message from my friend and business

associate, Orville Waring, the head of the old house of Waring, King & Co., inPhiladelphia, engaged in the oil commission business as well as refining. He has been connected with the Standard Oil Company for all the years since 1875 or '6, and has ever been one of the most enthusiastic supporters of the Company. I have never known of a case of any man coming into the Standard Oil Company who had occasion to regret doing so for any reason. I know of many cases such as our "historian" refers to who failed to take the stock as they were urged to do in payment for their plants and being ever after regretful on account of their unfortunate lack of confidence sufficient to decide them to take the stock. They were unhappy and ready to complain of the Standard Oil Company or somebody else, and willing to give testimony to help the "historian" make a book; but this was simply throwing dust to cover up the real situation, which was that they made a great mistake and they wanted to blame it on somebody else, and in that their failure to succeed was more or less apparent as the Standard Oil Company grew in favor with the people and prospered, and their lives were frittered, their ceaseless grumbling and complaining without cause, which only developed their own weakness and emphasized the wisdom and the enterprise of the Standard Oil Company.

I am pleased to record here the fact that either this "historian" or an other equally misinformed and misinforming, who wrote some years earlier from Chicago, frankly stated somewhere that ' all who went with him prospered' ('him' meaning Mr. Rockefeller: W.O.I.), It is to be said in this connection that only the best men were selected from the different concerns that were bought out to join the Standard Oil Company as administrators, and the fact that all I promised in all these negotiations was carried out to the letter, and the acceptance of our views -- that is to

say, the views of the representatives of the Standard Oil Company -- by the people who sold their works to the Company, brought satisfaction and prosperity far beyond anything which had been promised; so that the whole history of the Standard Oil Company, as has been previously stated, was a process of upbuilding, a process of upbuilding, out of the wrecks of the ruinous competition of the former years; and I am not to blame because here and there were men who could not grasp the problem and who had been so alarmed in the competitive struggle that they could never again be made to believe that law and order and prosperity could be brought out of the chaotic conditions into which the business was plunged by the over-production incident to the great temptation for eveverybody to engage in the oil refining business on account of the excessively large profits which were derived from refining the oil in its earliest stages.

And so this morning as I make this memorandum I am a grateful man for the service which I have, in common with my many and most efficient associates, been able to render to those who were down and out in this business and with whom we had been in severe competition, with all the little antagonisms incident to such competition in the years past; and not of service to these alone, but by our united efforts that we have proved ourselves the most efficient agency for utilizing this valuable product and presenting it to the peoples of the world.

:————————————————————:

February 23, 1918.

Mr. Rockefeller said:

I wish to add something about Orville Waring, of Waring, King & Co. I have never known of a case of any man coming into the Standard Oil Company who had occasion to regret doing so for any reason. Nor have I

heard from the strong competitors in the business, such as Warden, Frew & Co., Lockhart & Frew, Waring, King & Co., Clark, Payne & Co. and others who stood up like men to give and take in the severe competitions of the business in a manly fashion, the excuses made that up to a certain period, say about year of 1874 or some other particular date which they could fix, that "some new and mysterious influence was working to destroy their chances for profit in the business". But our "historian" did not choose these men to any extent, at least that I recall at the moment, beside the famous interview when Uncle Charles Lockhart of Pittsburgh, for the first time in his life, took pains to repeat regarding a very important private interview of five hours with the representatives of the Standard Oil Company with reference to affairs presumably none of which was for publication. But though our "historian" made much of this alleged interview with Charles Lockhart, neither our "historian" nor anybody else succeeded at any time in worming out of Uncle Charles Lockhart his private business affairs.

Now, again in reference to the business being made less and less satisfactory and reaching a critical stage in the year of 1874, I can say from knowledge that this was not the experience of the Standard Oil Company with its growing business. I can also say that the Standard Oil Company contributed to the railroad companies more than it ever received from the railroad companies for actual and valuable services which it rendered, and further that the business contributed by the Standard Oil Company was far more profitable than that contributed by the small refineries. So that the talk of the upbuilding of the Standard Oil Company from any undue consideration received from any source was talk to satisfy those who could not compete in the business and to stimulate them to serve the purposes of the "historians" who wrote that which would contribute most to their bread and butter and re-

gardless of the actual facts of the case.

And this I say not in any spirit of bitterness or resentment to these "historians". I have succeeded in life by fair methods, by attending to my own business and letting other people's business alone, but my heart is full of sympathy and kindness for all, including my most unfair competitors in life's struggle, who did not succeed; and I bear no malice against any of them who said things that were unfair, unkind, unjust, in regard to me or my business administration.

I point again with pride and satisfaction to the fact that the well devised scheme to resurrect and protect the refining interest of our country as such was fair and reasonable, and the advantages accruing were open to all, including the weakest of our competitors, and the complaining against us came from those who were dissatisfied with themselves because of their unwisdom and lack of foresightedness in grasping this problem representing so much of change and progress from the old ideas previously prevailing in the condition of the business.

Now, what was true regarding the concentration of the refining business was attempted over and over again in different ways by the oil producers, but it was more difficult because their numbers were greater, and as a class possibly they were even less representative to trained business men and partook more of the spirit of the adventurous miner, and further were not in sympathetic relationships by virtue of their previous business connections and attitudes, coming, as they did, from every grade and walk in life. It was very difficult for them to trust each other. Many of them were not willing to trust the banks. They preferred to keep the money in their own pockets, or in their boots, and it is not surprising that they could not come together in agreements which would control.

MR. R. VS. TARBL
CHAPTR V

Though they did make agreements repeatedly, they no sooner made them than in the quiet of the night they stole out to break them, each one keeping his weather eye out for the pumping rig of his neigbor; and so distrust was rapidly disseminated anew, and these men who had resolved over and over again to stand by each other and produce less oil and put the price of crude oil up on the wicked refiners, demonstrated to themselves that there was not sufficient cohesive power among them to prevent the operation of the law of trade which ruled that if they produced more oil than the world wanted the price would naturally decline.

But I do not refer to producers alone as lacking in good faith. The refiners had their own troubles in this respect, as well as many others, and difficulties innumerable met them at each step of their progress, and they found unreliable men in many cases who would not keep faith and who resorted to the courts and other means to present themselves before the world as men desirous of doing the fair thing in business, but really in fact to throw dust and cover up their misdeeds and broken contracts, which contracts in case of certain were violated once, twice, thrice, and yet the Standard Oil Company patiently proceeded with even such, making allowance for weakness and crookedness, all the time seeing more and more from such experience the importance of the greatest care on their part in keeping every covenant and in doing those things which would entitle them to the confidence and respect not only but to the patronage of the public whom they were seeking to serve according to the best of their ability, not as saints and martyrs, not as hypocrites and liars, but as business men of common sense, disciplined with good training, who knew and were daily demonstrating that honesty was the best policy.

MR. R. VS. TARBL
CHAPTR V

The reader of these notes may say, why this repetition and this reinforcement? Perhaps as good an answer as I could give to such an inquiry would be that it may be a natural result of the fact of the long years of misrepresentation for a purpose and for purposes which I have known to be anything but fair, right and honorable. But all these failed in the effort to tear down the superstructure which was built in good faith and which has for nearly fifty years demonstrated its right to live, and that, too, with almost relentless limelight covering every movement not only, but as it were in cases like the alleged interview with Brother Lockhart of Pittsburgh, the secret thought and intents of the hearts of these alleged most mysterious men, who seemed bound to succeed and who were content to devote themselves to the prosecution of their business, including the great progress which they were constantly and steadily making, but which for obvious reasons they were not necessarily publishing to the world and especially to their own competitors, who were sitting up nights to ascertain about these steps of progress which they were ever active in grumbling about in the attempt to justify themselves before the world and especially before their own families and friends who were not always smiling approvingly upon them because of their lack of enterprise and industry and intelligent application of these men whom to abuse and vilify was their life work.

:----------:

February 25, 1918.

Mr. Rockefeller said:

Referring to the constant endeavor of the "historian" to make it appear that the reason for the success of the Standard Oil Company was because of the contributions of the railroad companies to it, as in the case

of Lloyd in 1874, when he began to feel that some mysterious, quiet, powerful influence was working to injure his business, and other such like intimations at different times in reference to competitors of the Standard Oil Company, it is to be said that the Standard Oil Company was not in any wise a debtor to the railroad companies for its superior ability to compete in the oil refining business. The Standard Oil Company rendered service to the railroad companies of greater value than the considerations of any kind or character which it received from the railroad companies, and this of the Standard Oil Company was the most valuable and satisfactory business the railroad companies received from oil refiners the country over.

As has been previously stated, the success of the Standard Oil Company was owing to the economy of its administration, to its wisdom and foresight, to its willingness to expend large sums of money to secure the best methods of manufacture and merchandising, and to the transaction of a large volume of business with regularity. It is obvious to manufacturers that a concern running steadily and not being obliged to pay for laborers to keep up its organization without the work for them to do has greatly the advantage over its competitors who, for lack of capital and for other reasons, including a lack of orders, had frequent interruptions of work.

Now, the Standard Oil Company accumulated capital, and in seasons of light demand could store up its manufactured products and wait for the time of demand, and, as is the case of any large business with ample capital, it could make purchases of the things necessary in its manufacture and otherwise in the conduct of its business in periods of dulness, when the ordinary demand slackened. These, however, were only individual instances of many ways in which it steadily and rapidly increased in its ability to produce at lessening cost and to find the con-

sumer without the arduous burdens attaching to all the various agencies which naturally attached themselves to any manufacturing business, especially where there is a lack of capital, and the manufacturer has to resort to credit and the assistance of the buyer and the banks. But the advantages which the Standard Oil Company possessed by virtue of the ability of its managers and its capital, as a matter of course were not given to the world in daily bulletins. But it was more and more apparent that it was the best concern to buy from, the best concern to sell to, the best concern to transport for; so that with all the opposition of its jealous rivals it made steady growth and progress. But it derived its income from so great a variety of cources that it was impossible for concerns with moderate capital to reach out to avail themselves of the same, and, as has been repeated here, the Standard Oil Company, found when it entered the field of producing the oil as well as refining, that the adoption of its advanced methods availed in making it a successful rival of the most experienced and highly favored of its competitors in the producing business. Indeed, though many of these were wont to complain continually of a lack of profit, charging the same to the Standard Oil Company, the Standard Oil Company found in its actual prosecution of the business most satisfactory results.

To those intimately related to the administration of the Standard Oil Company its success is not at all a surprise. It was a natural as that water should run down the hill; and added to the success was the conservatism that led it to store its working capital for the emergencies which frequently came for most advantageous investments in the business, which were constantly buttressing and making more secure its hold upon the trade, and as its hold upon the trade and its success were dependent upon

a superior service which it ever sought to render to the people, it was ever jealous to outdo all others in this respect, namely to give the most in the quality of the goods and the character of the service to all who favored it with their patronage. This, however, was a success enjoyed not by the Standard Oil Company alone, but we have had and have now many examples of very successful business in other lines accompanied by the service which is most satisfactory to the general public.

While all this was true, at the risk of much repetition I will add that the Standard Oil Company contented itself with not answering or explaining so much about rebates and drawbacks and anything else that did not represent the real reason for its growing prosperity so long as these could be kept and availed of for its advantage, and there is nothing new or strange or mysterious about this. What successful merchant or manufacturer do we find who is keeping a kindergarten establishment for the purpose of educating others less favored with business ability than himself, so that they in turn may take away his business and the bread out of his childrens' mouths? Is that too strong? No? Well, I guess we'll let it stand.

Business, competitive business, is a struggle, and has been described by some writers as perhaps General Sherman described war; but with the coming of the Standard Oil Company came the cooperation and the healthful, helpful extending of the hand to the competitor who was weak and unable to meet the battle under terms and conditions such as had not been known hitherto in the history of the world; but its processes were new and somewhat revolutionary and could not be understood by many; and its motives were unfairly referred to, and it took years to do away with the prejudices of those who could not meet it in the independent struggle of success.

:————————————————————:

MR. R. VS. TARBL
CHAPTR V

February 26, 1918.

Q. T p. 159: "Most of the concerns were bought outright, the owners being convinced that it was impossible for them to do an independent business,and being unwilling to try combination. All down the creek the little refineries which for years had faced every difficulty with stout hearts collapsed. 'Sold out,' 'dismantled,' 'shut down,' is the melancholy record of the industry during these four years. At the end practically nothing was left in the Oil Regions but the Acme of Titusville and the Imperial of Oil City, both of them now under Standard management. To the oil men this sudden wiping out of the score of plants with which they had been familiar for years seemed a crime which nothing could justify. Their bitterness of heart was only intensified by the sight of the idle refiners thrown out of business by the sale of their factories."

A. What a Godsend it was to the many little inefficient and unsuccessful refiners of Oil Creek that a buyer was found for them when for years they had been losing money! How wrong for the "historian" to call it a crime that these men were delivered from their sinking ships. It was a great mercy and without precedent, as has been hitherto stated. Besides, see what might have been if they had taken representation in stock and progressed with the stronger and better equipped brethren to the salvation of the industry and had an honorable part in its upbuilding! But they had not sufficient breadth or comprehension of the situation, nor, as a matter of fact, when the debts were paid had they much if anything at all to get stock representation on, though it is true that the Standard Oil Company would have taken their stock as collateral security and liquidated their debts and thus given them a chance in the general resurrection after they were to all intents dead and buried.

MR. R. VS. TARBL
CHAPTR V

What a picture is here presented, and how I must feel in reading these lines of the historian, who in all fairness should have represented just the opposite of what they do represent; and almost any other historian, it would seem, would blush today to read injustice as it is written in these very pages, where she is made to speak of the crime, which should have been characterized only as an unprecedented magnanimous deliverance such as had not hitherto been known in the annals of business!

In all times past the weak man in the competition dropped out and was lost sight of. These men for years were importuned to join hands with those who were stronger and ready to pull them out from their embarrassments and fit them in to be useful in the administration of the Standard Oil Company so far as they had integrity, intelligence, enterprise and industry to warrant the expectation that they could be stones in the foundation of the great structure, the like of which the world had never seen. I must be pardoned for, after all these long years when this record is read to me, for criticizing my country-woman who could write in this fashion. But it is true that, in common with many others who were bound to prevent the success of the Standard Oil Company, she did not know nor could she believe --- and in this she was seconded by many conservative, hidebound people --- could not believe there was enough cohesive power in this group of young, ambitious, careful men to accomplish the deliverance of the business which they so ambitiously hoped to do.

But little by little the public began to give them a meed of praise which is so justly their due; and today I am finding, what I did not expect would come to my memory for fifty years after my death, the

expressions of many people of that which fills me with happiness and much satisfaction and is a balm indeed for the wounds which were kept fresh and open by the constant and repeated attacks by our "historian" for long periods of years, and I rejoice with a grateful heart that I had the patience to keep still and not be borne down by these misrepresentations in those days so full of care and worriment; for, while I did not make answer, I was only human, and it can only be imagined what I went through with when I knew that my motives were right; and those most intimately associated with me, who knew what I knew of the plans and the outworkings of this organization not only, but what it was exactly accomplishing each day in furtherance of these plans and in fulfillment of the prophetic vision which was made clearer and clearer in each successive step of our onward march. I repeat again, it was not a process of destruction and waste; it was a process of upbuilding and conservation of all the interests, including the wrecks which had been strown along the way in the years of destructive competition; and yet in our efforts most heroic, well meant -- and I would almost say, reverently, Godlike -- to pull this broken-down industry out of the Slough of Despond, we are charged with criminal proceedings. How absurd and monstrous!

But we have the consolation to know that this is the record of history. All progress has been confronted with this sort of handicaps. And the greatest number of clubs has been found under the trees bringing forth the most and the best fruit. So, after the years and the great successes, I rest with gratitude that I had any part in this undertaking and the consciousness that I could not do better if I had the same ground to travel over again. And I must here record all praise to the noble band of men who stood with me for the carrying out of this undertaking. Most of these have passed on. I would that they were here, that I might exchange views with them as I make these

records, knowing full well that they would confirm what I am saying.

I did not desire this work; and I lay it as a tribute at the feet of these noble men who rendered such invaluable service in helping me to bring it to a successful conclusion.

Q. T p. 160: "These men,had, many of them, handsome sums to invest, but what were they to put them in? They were refiners, and they carried a pledge in their pockets not to go into that business for a period of ten years. Some of them tried the discouraged oil man's fatal resource, the market, and as a rule left their money there. One refiner who had, according to popular report, received $200,000 for his business, speculated the entire sum away in less than a year. Others tried new enterprises, but men of forty learn new trades with difficulty, and failure followed many of them. The scars left in the Oil Regions by the Standard Combination of 1875-1879 are too deep and ugly for men and women of this generation to forget them."

A. The statement that these men had large sums with which to gamble in oil and do other foolish things is not borne out by the facts. Take the aggregate of the possessions in cash of all these men on Oil Creek to whom reference is specially made, and there would be very little if anything left when we add the possessions of those most favored to the deficiency of the others. And see! After a demonstration of some four or five years in which they had really been blanketed and protected by the operations of the Standard Oil Company -- not hindered and pulled down, as our "historian" has it -- notwithstanding these years of protection and notwithstanding the demonstration of the progress of the Standard Oil Company meanwhile, which led the strongest of these men, such as Archbold, Vandergrift and the others to unite with the Standard Oil Company, these astute and successful men, as they were represented by the "historian," nor any of them, were ever willing if they were able, to contribute one cent of cash to continue in the oil business under

auspices far more favorable than those under which they had been engaged. I now speak of the demonstration on the part of the Standard Oil Company which was clear before their eyes; of the steady increase of the value of its stock, with evidences on every hand of its prosperity and the success of the theories on which it proceeded, which it had marked out to induce its competitors to share in all the good that had come to it.

It might happen that in a concern -- that, for example, in a concern like Porter, Moreland & Co., of which Mr. Archbold was a member -- there were those like Mr. Porter, who, unlike Mr. Archbold, could not grasp the new theories. I take it -- though I had no acquaintance -- that he was of a fearful and conservative type rather, and he was somewhat older than Mr. Archbold. I can understand that he may have had some margin of cash or property left, and perhaps a Mr. Bennett, of Bennett, Warner & Co. Of this, however, I am not at all certain, nor am I by any means certain with respect to Mr. Porter or Mr. Moreland -- it may have been one of the other. But if anyone on Oil Creek had something left in cash after paying their debts it would more likely be from this small group.

In reference to the statement by the "historian:" "These men had, many of them, handsome sums to invest" -- how does that tally with the conditions of the Cleveland refiners, who as a whole were far better off financially than were the Creek refiners? I refer to the Cleveland refiners notably who sold out in late '69, '70, '71, and along there, when the Standard Oil Company began to increase its relation to the oil refining business, and we had been led to believe that after its entry death and desolation were more and more apparent, as in the case of dear Harkness of Philadelphia, who found that "mysterious power," etc., and our friend in Pittsburgh of the Citizens' Company, and perhaps others found in these years somewhere between '70 and '75

MR. R. VS TARBL
CHAPTER V

this "mysterious power" was dragging them down, choking them, shutting off their chances for making money! And yet from this group of oppressed refiners on Oil Creek, who had felt the oppression so much greater after the introduction of this mysterious and increasing power, are found at the conclusion to be in possession of large sums of money which they didn't know what to do with, and turned to speculate, and lost! Of course, they did not have speculative tendencies before! It must be blamed to the Standard Oil Company: it never occurred to them before to speculate in oil: but having been "crushed out by the Standard Oil Company," and finding themselves in possession of some hundreds of thousands of dollars, they were forced to speculate and lost it all on account of that dreadful monster!

Now, in the period about 1870 these Creek refiners had suffered just as much, and I think more, than had the Cleveland refiners, for example, and the Cleveland refiners were bankrupt in 1870 and glad to sell out; and the Creek refiners had been more and more oppressed each day by the wicked monster, the Standard Oil Company, as it was increasing in power each day, and by some mysterious and unexplainable process with all this oppression they were found with hundreds of thousands of dollars cash, after four or five years, when the coils, as our "historian" would have it, were being drawn tighter, and they found themselves each day writhing with more and more pain in the grip of this monster -- this relentless monster.

What a picture is here presented! They were "crushed" by the "monster," yet they abounded in cash; and then, under this malign influence, they were driven to speculate and lose it all. Alas! Alas! The sad recital of the seductive and mysterious influence that had caused these poverty-stricken men to engage in speculation with their hundreds of thousands of dollars which had been in some way mysteriously extracted from the wrecks which have been

pictured, reminds me of the story of the man who asked alms -- even the price of a night's lodging -- claiming that he was strictly temperate, never tasted a drop. But in reviewing the dreadful question as to whether he was indeed a temperance man -- and when he had the quarter secure in his hands -- remarked: "Yes, strictly temperate; but now that you mention it, I believe I will have a drink."

Upon returning from the golf links, Mr. Rockefeller dictated this:

We know that refineries in Cleveland, Pittsburgh, Philadelphia and elsewhere were losing up to 1870, when the Standard Oil Company began to buy refineries, and we are told that the situation was getting worse on account of the increasing power and influence of the Standard Oil Company until the years in which the Pittsburgh, Philadelphia and other refiners were selling out, say in 1874, '5, '6, and so on. If this were so, how did the Creek refiners have these hundreds of thousands of dollars to engage in speculation? The condition was bad enough in 1870; so bad that most of the Cleveland refiners -- and they were quite as well able to maintain themselves as the Creek refiners -- most of the Cleveland refiners had no money; or in other words, most of the working capital had been lost. Now, as stated by our "historian," the Standard Oil Company from 1870 on were steadily advancing in making it more difficult for the competitors to earn money. If so, where did these hundreds of thousands of dollars come from to speculate in Oil? And if indeed they had this money, they must have been making money in the oil refining, for that was their business. And if indeed they had been making money in the oil refining and were willing to sell out, and knowing, as they must have known from all the indications that the Standard Oil Company were able to make a better return on their capital, isn't it queer that they didn't

hedge and take some stock in the Standard Oil Company?

This they were unwilling to do after the five years of good demonstration of the Standard Oil Company and the friendly relations which it had established with their near neighbors and friends and with the public feeling somewhat allayed as against the Standard Oil Company.

The fact is regarding these Creek refiners that in the last period up to '70, when the Cleveland refiners were losing their money, these Creek refiners were also losing theirs. It was a common experience: it could not well have been otherwise. And as the Standard Oil Company, this secret, dreadful power, had made things steadily more difficult, the chances for profit less, how are we to explain this queer situation of this large surplus in cash of the Creek refiners, of their unwillingness to participate to any extent in the good business which had brought them the large profits, and so on, and so on?

The fact is, they were sick and tired of the refining business, the same as dear old Joseph Stanley of Cleveland, to whom reference had been made, and they were glad to get out of the refining business, and they didn't have faith that even the Standard Oil Company, with all its alleged advantages, could make it succeed, so badly discouraged they had become, or else it would seem they would have taken a little stock, just a little chance. Still, in the refining business, where, if there was anything in it, they might have a better chance of getting something out of it than as they had conducted it hitherto.

On the way to golf Mr. Rockefeller said:

I think we have rounded this up well, have shown the utter absurdity of

MR. R. VS TARBL
CHAPTER V

Tarbell's fairy story of the oppressed and crushed refiners who still had so many thousands to speculate with after years of starvation by the relentless monster. Too bad it cannot be published; but then it may amuse my son as he reads it over.

February 27, 1918.

Q. T p. 160: "In Pittsburg the same thing was happening. At the beginning of the work of absorption -- 1874 -- there were between twenty-two and thirty refineries in the town. As we have seen, Lockhart & Frew sold to the Standard Oil Company of Cleveland some time in 1874. In the fall of that year a new company was formed in Pittsburg, called the Standard Oil Company of Pittsburg. Its president was Charles Lockhart; its directors William Frew, David Bushnell, H. M. Flagler, and W. G. Warden -- all members of the Standard Oil Company and four of them stockholders in the South Improvement Company. This company at once began to lease or buy refineries. Many of the Pittsburg refiners made a valiant fight to get rates on their oil which would enable them to run independently. To save expense they tried to bring oil from the oil fields by barge; the pipe-lines in the pool refused to run oil to barges, the railroad to accept oil brought down by barge. An independent pipe-line attempted to bring it to Pittsburg, but to reach the works the pipe-line must run under a branch of the Pennsylvania railroad. It refused to permit this, and for months the oil was hauled in wagons from the point where it had been help up, over the railroad track, and there repiped and carried to Pittsburg. At every point they met interference until finally one by one they gave in. According to Mr. Frew, who in 1879 was examined as to the condition of things in Pittsburg, the company began to "acquire refiners' in 1875. In 1877 they bought their last one; and at the time Mr. Frew was

under examination he could not remember but <u>one</u> refinery in operation in Pittsburg not controlled by his company.

A. The railroad companies, finding that they had so long conducted an unprofitable business in the attempt each to get the oil business away from the other, as had been clearly set forth hitherto in these memorandums, found it necessary to divide the business, giving to each a portion, and in so doing it recognized as part of the transportation system to an extent and for a time also the means of getting the oil from the wells to the various lines. It could not carry out this system, so obviously fair to all refiners, whether in the Standard Oil Company or out, and depart from it for the purpose of giving outside refiners the preference which they sought. These outside refiners were not located at all refining points. They were located at some particular point, as for example in the case cited, Pittsburgh; and in their earnest desire to outdo the Standard Oil Company there, made, with our "historian," to complain; though it is to be said in many cases they did not do as much complaining as suited the purpose of the "historian." However, they were making efforts to make through this arrangement so fair to the railroad transporters not only but to the refiners at all points, and it would have been manifestly unjust and unbusinesslike to have undertaken a special arrangement or preference for the benefit of these at this particular location, say, for example, Pittsburgh, which would have been at the cost of the whole system which sought to give protection to the railroads and the refiners at all points.

I need not enlarge upon this for the subject has hitherto been thoroughly gone over. The benefit to all interests concerned I think must have been apparent, Of this arrangement, which, after all the competitions and the struggles on the part of the refiners and railroads to get the business away

from the other refiners and railroads, recognized the fact that each could take its chances of the survival of the fittest by being placed on a parity.

It is true there might have been some advantage to the men owning the pipe-lines over those who had no pipe-lines. It is also true that those refiners who were interested in the many collateral industries, the products of which were used in refining, had some advantage over the refiners who simply refined the oil; but this constituted no reason why this arrangement, so beneficial to all parties concerned, should be broken up because the refiner of Oil Creek, Pittsburgh or elsewhere conceived the idea that if he could break through his individual interest would be advanced, disregarding the fact that thus would be restored the chaotic conditions existing, which were so ruinous and unsatisfactory in the past. But some of these showed the same lack of business ability which the irresponsible refiners had been showing in years past in selling their products below actual cost of production and continuing to do this, even though, like Samson, they pulled the structure down on their own heads and incidentally wrought havoc to their neighboring competitors as well.

It must be apparent to the unprejudiced reader that we could not have both conditions existing at the same time; namely, the one that proper consideration must be given to all refining points and all transporters, and at the same time in some way give such consideration to unsuccessful individual competitors who were willing to co-operate for their own benefit and the benefit of the whole and do the dog-in-the-manger act so long as they could be patted on the shoulder by prejudiced "historians" and could throw dust in the air, covering the real situation, and charge all their misfortunes to the Standard Oil Company. And they could not have done a more unjust thing; for the effect of the entry of the Standard Oil Company in the business in buying

out this very class of men, who not only had done themselves great harm by their unwisdom and by their inability to hold their goods for fair and remunerative prices, but by their course had wrought harm to all their competitors whom, it is to be remembered, could not disregard the fact of a price being made in the market, even though under these circumstances of great stress to which I have referred, without its placing them to a disadvantage with the buyers unless they sold at the same price. It is to be remembered that the Standard Oil Company, in common with the other first class competitors, did not want their customers to feel that in dealing with them the products would cost them more than as though they went shopping and buying here and there the small quantities from this class of refiners. They, the buyers, in order to continue as customers, must rest with the assurance that they would get from the Standard Oil Company and others the best quality and the best service and fair prices, equal to any prevailing in the market. These things are well understood by merchants and manufacturers better than by some of the academic writers who had no experience in business. It is the last thing that a large dealer, a merchant, wants to have go forth to the public, that, even, though his goods are all right, it is not pleasant to have dealings with him, because if you do deal with him you must expect to pay the very highest price.

But as we go further on we find this same class of refiners who sought to be treated by the railroads and pipe-lines in some preferential way differing from the general arrangement referring to all refiners; we find these same men with their running mates, the "historians," who were seeking to bolster up an unnatural and untenable position in order to enable the members of their families in the competitive struggle in business, complaining that the Standard Oil Company were selling at lower prices. The Standard Oil Com-

pany found, with all the steps of progress it was making, that it could sell at lower prices as the years went by, and that it could well safeguard the interests of its stockholders, who now had greatly increased in numbers and represented all classes of investors, and even among the most conservative and not a few widows and orphans, who had come to realize that this much abused concern against all opposition was making for itself an enviable record, not only for fair, just and honest dealings but for a return on invested capital.

The Standard Oil Company could not be a party to breaking these arrangements, so far-reaching in their beneficent effects, to which I have referred upon transportation and the recognition of all refining points on a parity, to meet the views of narrow and whimsical competitors at any one point who were still insisting on a restoration of any condition that would enable them their own way and to rule or ruin, and even if it did restore the old conditions, the worst of all from which all rational men representing the railroads and the pipe-lines the refining interests were seeking to flee away as would those from a city attacked by a pestilence.

But remember all this time that these unhappy men, unsuccessful men, unbusinesslike men, had always the opportunity on fair and reasonable terms to take their full share of whatever of good could come out of the business by uniting their interests with those of the best ability who were demonstrating the benefits of the co-operation and were evidently getting some fair and reasonable return out of the concerted movements, and leaving the doors open as stated all the time that these who claimed to be less favored might come in and improve their condition; and when they did come in from time to time, especially when they took stock for their ppor old refineries, they were made to say how unwise they had been in holding out so long against a proposition

so reasonable and fair.

The Pennsylvania Railroad, in common with all railroad companies, in securing its rights of way, got a certain position in the transportation business which was of recognized value to it. It did not get these considerations without much labor and cost. It did not secure them for the purpose of carelessly throwing them away and thereby benefitting another, whose entry tended to ruin the business for which its shareholders had contributed their cash to secure and had a right to expect they might have the enjoyment of. It could hardly be expected that this competing pipe-line referred to would easily yield up its pipe-line rights to a competitor. And why should it, any more than a refiner should yield up any of his advantages including patents or superior methods to one less advantageously circumstanced?

It is simply the academic nonsense that has wrought so much mischief and discord in this world and entailed so much loss of revenue to those who had a right to expect different results when they invested their money in public enterprises, hoping for the protection to which these enterprises were justly entitled.

February 28, 1918.

Mr. Rockefeller said:

It is to be remembered that though each refining point in turn would have desired to do all the refining of the oil, now that the interest had been created and created at a time when the profits were so large as to stimulate the over-production in building refineries which afterward brought the wreck and ruin, we have a condition that had to be recognized: in other words, the will of each separate refining point -- for, of course, no one point was an exception -- as has been stated, each point desired if possible to do all the business. In the nature of the case this could not be done. At all

events, it could not be done without utter ruination to the large interests that had been created.

We go back now to the fears expressed by refiners at certain points, if not all the points, that the carrying out of the views of the Standard Oil Company would result in taking away their business, and they could hardly realize after all that had been said against the Standard Oil Company that it would really in fact exercise its influence to hold the business at all the points. Now this, the railroad companies, each of which in turn had desired to secure the greatest possible amount of railway traffic in the oil, came to recognize, in common with the Standard Oil Company, that there could be no lasting prosperity in the business without some fair recognition of the facilities created for the transportation and the refining, even though there might have been some inequalities respecting the advantages of some location over another considered geographically.

Now, the recognition of this principle was of vastly greater importance to the large invested capital in the business of transporting and refining oil than could be the interest of any one small refiner or transporter. Now, if these small refiners had been left out in the consideration of those who were making superhuman efforts to save the business, the case must have been different. It is to be remembered that the wreck and ruin of the refining business was brought on not by the Standard Oil Company. What the Standard Oil Company was doing was to assemble these fragments of the wrecks, at Cleveland not only but at each point, and marshal them under one control, so that a fair return might be made on this aggregation of capital. This was accomplished. The railroad companies found the Standard Oil Company, instead of desiring to injure their business, was their most helpful agency to build it up. Each refining point found by actual experience that with the incoming of the Standard Oil Company and its improved methods there came life and

health and prosperity to its particular locality. And so wherever it went it brought health and the evidences of a resurrection from the deplorable condition in which the business had been plunged by the ruinous competition.

This, however, could not have been accomplished if the wishes of each picayunish, short-sighted, reckless man who was striving to prevent the accomplishment of this desired object was carried out. Had the views of these obstructionists prevailed, they would have continued the deplorable conditions existing in the business for themselves and for all others.

Was it not better, then, was it not indeed a Godsend to this business, that the spirit of co-operation here and now took such strong hold? We have only to look to the results for the answer; and the men who did not profit have only themselves to blame, and they had abundant opportunity in the actual demonstration to correct the false impression of the Company and its methods not only, but to see that it was an actual success, while they were not succeeding. And while its doors were open and they were cordially welcome to come in and participate in its advantages which their many old associates who, in common with themselves, had not been able longer to succeed single-handed, had come to realize as they found themselves actively at work as Standard Oil Company representatives in carrying out its ideas for progress and protection and service to the people.

"Q T p. 161 says that "to Mr. Rockefeller the independent shipper was an incubus," and says that Adnah Neyhart, the largest of these, was represented by W. T. Scheide. She adds:

"Some time in the fall of 1872 Mr. Scheide began to lose his customers in New York. He found that they were making some kind of a working arrangement with the Standard Oil Company, just what he did not know. But at all events they no longer bought from him but from the Standard buyer, J. A.

Bostwick and Company. At the same time he became convinced that Mr. Rockefeller was after his business. 'I knew that they were making some stremuous efforts to get our business,' he told the Hepburn Commission in 1879, 'because I used to meet Mr. Rockefeller in the Erie office.' At the same time that he was facing the loss of customers and the demoralizing conviction that the Standard Oil Company wanted his business, he was experiencing more or less disgust over business conditions in New York. 'I did not like the character of my customers there,' Mr. Scheide told the committee. 'I did not think they were treating us fairly and squarely. There was a strong competition in handling oil. The competition had got to be so strong that "outside refiner," as they called themselves then, used to go around bidding up the price of their works on the Standard Oil Company, and they were using me to sell their refineries to the Standard. They would say to refiners: "Neyhart will do so and so, and we are going to continue running." And they would say to us that the Standard was offering lower prices. I recollect one instance in which they, after having made a contract to buy oil from me if I would bring it over the Erie Railway, broke that contract for the 1-128th part of a cent a gallon. I sold out the next week.'"

A. Referring to the testimony of Mr. Scheide: Mr. Neyhart, to whom reference is made, was a shipper and dealer in crude oil. J. A. Bostwick & Co. was also a dealer and shipper in crude oil. J. A. Bostwick & Co. came into the Standard Oil Company and continued to deal in and ship crude oil, and in the nature of the case the refineries allied with the Standard Oil Company would naturally get their supplies through their own agencies, which they had a perfect right to do; and, though our "historian" might desire to make this a grave offence from a somewhat academic view of business affairs, it was what business men, able to stand up and meet the competitions of business, would

expect and encourage as a matter of course.

Q. T p. 162: "When Mr. Scheide went to the freight agent of the Erie road, Mr. Blanchard, and told him of his decision to sell, Mr. Blanchard tried to dissuade him. During the conversation he let out a fact which must have convinced Mr. Scheide more fully than ever that he had been wise in determining to give up his business. Mr. Blanchard told him as a reason for his staying and trusting to the Erie road to keep its contracts with him that the Standard Oil Company had been offering him five cents more a barrel than Mr. Scheide was paying them, and would take all their cars, and load them all regularly if they would throw him over and give them the business. It is interesting to note that when Mr. Scheide sold in the spring of 1875, it was, as he supposed, to Charles Pratt & Company. Well-informed as he was in all the intricacies of the business -- and there were few abler or more energetic men in the trade at the time -- he did not know that Charles Pratt and Company had been part and parcel of the Standard Oil Company since October, 1874."

A. There was no occasion for the Standard Oil Company interests to go outside and build up a competitive agency to get their crude oil supplies, and there was no necessity for adding the burden of all the commission charges and profits of another business. What the Standard Oil Company were trying to do was to simplify the business and reduce the costs of the middlemen as well as any other cost that would add to the burden of the consumer and prevent the attempt to bring the costs of the business down to the minimum. The Standard Oil Company could not be chargeable with the fact that the other customers whom Mr. Neyhart supplied did not keep their contracts. We would judge by the writings of our "historian" that the Standard Oil Company had sins enough to be charged with without in any way complicating the situation

by stating that Mr. Neyhart found that he was compelled to do business for less, and in so doing, instead of the responsible and high-grade customers whom he had had more to do with in the past, he found himself relying upon the lower grade of refiners, some of whom indeed did not, it is quite likely keep their contracts with him, were not able to keep their contracts with their bankers, and were not able to keep their contracts with the men to whom they promised to furnish oil in competition with the Standard Oil Company.

And, supposing all this were true, why charge it to the Standard Oil Company? Why make mention of it, as though the Standard Oil Company had anything to do with it? The Standard Oil Company had a perfect right to buy their own oil and ship it. Mr. Neyhart had no mortgage on the Standard Oil Company, to expect that they would do business with him at a cost of profits which they could save to the business. It is simply nonsense and more of the nonsense that confused the minds of readers as they perused the pages of the "historian." And this was not unlike the writings of other authors, who thought they were doing God service in attacking the Standard Oil Company and bringing all the prejudice against it possible, however unfair the methods they employed in so doing. But all these attempts could not lead the thinking and unprejudiced people, especially those who had some knowledge of business, to think that black was white. And so the Standard Oil Company went serenely on, reducing the costs of doing business. But it made enemies of those whom it could not carry along on its back as extra burdens and still be of service to the people.

This did not apply to the Standard Oil Company alone but to any company doing public service, cutting down waste and unnecessary expenses. Although the "historian" would make much of this incident, Mr. Neyhart himself was too much of a man, too much of a business man, to plead the baby act and not

give and take as a man among men and succeed or fall on his own merits or demerits. The time was past for conducting business under the primitive methods which had burdened it down, and the process of reconstruction brought complaining from those who had been fattening on the duplication of unnecessary taxes upon the business in handling the product.

That remarkable contribution of the "historian," that Mr. Scheide said, "I knew that they were making some strenuous efforts to get our business because I used to meet Mr. Rockefeller in the Erie office" -- that from this fact this important disclosure was made that the Standard Oil Company must be trying to get away the business of the competitor.

Remarkable if true! And, if true, what does it amount to?

But it adds so many words, and with certain people might have contributed to an extent to obscure the issue and make much ado about nothing.

March 1, 1918.

Again, why say that the Standard Oil Company would give the Erie Railroad Company five cents a barrel more than Mr. Scheide if the Erie Railroad Company would throw over Mr. Scheide? Why not say, in all fairness, that Mr. Blanchard wanted to retain the business of Mr. Scheide, even though he could get five cents a barrel more from the Standard Oil Company and let it go at that, instead of trying to make something prejudicial against the Standard Oil Company out of nothihg?

This sort of thing, however, may not have been the common practice of the railroad companies: ordinarily they would take the business that paid them the most. But it affords our fair "historian" -- I was never privileged to behold her face, but I will call her fair: we love to speak of all the gentler sex as fair: we wish we could speak of all the writers as fair — an opportunity to make something out of nothing.

MR. R. VS TARBL
CHAPTER V

Supposing, as our "historian" states, Mr. Scheide "did not know that Charles Pratt & Co. had beem part and parcel of the Standard Oil Company since October, 1874, "when he sold out in 1875? Well, what of this? There might also have been in the business world, even not connected with the oil business, many equally important business transactions that the business men who were accustomed to keep their own counsels had kept to themselves, as they had a perfect right to do.

Q T p 163: "Of course, securing a large crude shipping business like Mr. Neyhart's was a valuable point for the Standard. It threw all of the refiners whom he had supplied out of crude oil and forced several of them to come to the Standard buyer -- a first step, of course, toward a lease or a sale."

A. From the record of our "historian," it would seem as though it was a great misfortune to the competitive refiners that the profitable business of Mr. Neyhart as a crude oil dealer and commission agency had been sold to the Standard Oil Company, or Charles Pratt & Co., or whomever. I myself do not recall the transaction, and could not state whether the business was bought or not. But, assuming that it was bought by some interest allied to the Standard Oil Company, I must say in all fairness it was a good fortune to the competitive refiners that these enterprising men, ambitious to increase their business in handling crude oil and make themselves more serviceable to all the petroleum interests with which in any way they might be connected or associated, carrying out the idea that governed them from the beginning of their endeavor for co-operation in the oil business, which was the idea of the best service at the lowest cost, by which they hoped to increase the volume of their business and still further reduce the cost, and thus increase the chances for retaining the business against all comers. That was a foundation principle -- a good and safe principle to act upon and one which gave the

greatest promise of the increase of business which naturally flowed in to the Standard Oil Company interests as the best servants of the people as the water will run down the hill.

But the Standard Oil Company, even had they been false in their protestations of neighborly and kindly interest in those engaged with them in the refining business and their willingness to co-operate with them in all reasonable ways for the betterment of the business, the Standard Oil Company were seeking, against all the misrepresentations of our "historian" and others to make it plain to these competitive refiners that they were their best allies and friends and that they wanted them to come into a close relationship, believing that thereby their mutual interest could best be served.

Now, in view of this, is it possible that they would be so unwise as to antagonize these very men by any acts of injustice or unfairness to them when they were seeking to win their confidence and to undo the false impressions created against the Standard Oil Company by those who were seeking, night and day, by every means to prevent the progress of this movement? The Standard Oil Company was charged with many things, but the fair observers of its growth and progress will not charge it with being so short-sighted as to antagonize these very men whom they were eager to have come into a close and profitable relationship with them.

Here was another opportunity for the Standard Oil Company to disabuse these weaker competitors of the unfavorable impressions which had been made upon their minds by opponents of the Standard Oil Company, and by showing them the falsity of these impressions and by taking advantage of the occasion of this new trade relation with them avail of the opportunity thus afforded to make it more and more clear that hearty and cordial co-operation among the refiners was the thing that would contribute most to that which was best for

their interest; and I am bound to say the Standard Oil Company succeeded in winning these men, in winning their confidence, in winning their esteem, in winning their lasting gratitude, and that many of these remained in the most pleqsant relations with the Stamdard Oil Company to the end of their business careers, never repenting that they broke over the narrow prejudices which controlled them in staying away so long from that association, which the long years proved to them was the best thing that could have happened to them. And they were not wanting in giving manly expression to their gratitude that the views of the Standard Oil Company prevailed and greatly advantaged them as well as all others who accepted the same.

On the way to breakfast Mr. Rockefeller said:

It was all right to go so far into detail with this matter. I think we have made q good point in logic this morning. Would we oppress and harry these men we were trying to do business with? Is it conceivable that we, knowing that they had been kept away by stories of unfair treatment, and doing everything in our power to show our good faith, would "make it difficult for the refiner to get his raw product," as the "historian" declares? What kind of an alliance could we have built up on such a foundation? And see how the men who came in with us at this period stayed in, enthusiastic fellow workers as long as they lived -- or, at least, as long as they were in business. Mr. Neyhart was a good friend of ours. I wish I could remember the names of his family -- descendants -- in Boston, with whom we were on the most friendly terms for years.

I am surprised to find that I am not irritated by going over these pages day after day. In the face of such a continuous vicious attack one might expect to feel resentment and irritation. But I do not. It is interesting

to note how far the author's prejudice and bitterness have carried her, but it stirs no feeling of anger or wish for revenge. It would be amusing to have her read some of our record and note her surprise at how easily her wild mis-statements are blown down by the plain truth. Oh, no, no! not for the world would I engage her in a controversy by suggesting such a thing in earnest. Her book is dead now, and we will not revive it. I am glad to make this record of the true history of our Company, glad that those who come after will have it to read, and grateful that I have been spared, even though almost the last of our number, to put the facts on record.

:_____:

March 2, 1918.

Mr. Rockefeller said:

Referring again to our memorandum of yesterday: Our "historian" presents evidence to show that the Standard Interests were willing to pay five cents a barrel more than the Scheide interests for the facilities, the warehousing facilities at Communipaw -- if this was their oil terminal, and I think it was. She also presents the testimony that Mr. Scheide sold out the business to Charles Pratt & Co. I think it is also in evidence in her "historical" record that J. A. Bostwick & Co. seemed to be an efficient agency in competition with the Neyhart concern.

As stated yesterday, J. A. Bostwick & Co. were engaged previous to their connection with the Standard Oil Company in the business of dealing in and transporting crude oil and its products. It is true that there was profit to the Neyhart concern, a large profit, too much profit, too large a tax upon the New York refiners, who were competing with the Creek refiners -- though we might believe from the record of our "historian" that there should be no New York refiners; that the oil refining should be done in the regions, on

Oil Creek. Yet the New York refiners took a different view. They were not conducting their business as academic sentimentalists; they had about them on every hand in the metropolis examples of the best business men. When they could buy oil from J. A. Bostwick & Co. for less than they could buy if of Mr. Scheide as representing Mr. Neyhart, of course they would buy it. Why not? If Mr. Bostwick could run the warehouse and make money where Mr. Scheide could not, why not?

It was Mr. Bostwick's privilege, and if Mr. Scheide did not succeed in the competition it was not chargeable, or, rather, Mr. Bostwick should not be chargeable, nor the Standard Oil Company, with the inability of Mr. Scheide or Mr. Neyhart to succeed. But Mr. Neyhart had made a great deal of money out of the business. It was a tempting field; and this astute young Mr. Bostwick from Ohio, who had come to New York for his business career, found a very inviting field in transacting this business at lower prices, and he had the assistance of the knowledge of the economic methods of the Standard Oil Company in administering a warehouse; so that here and now could be demonstrated, and was demonstrated, one of the steps of progress of the Standard Oil Company association in, first, being able and willing to pay the Erie Railroad Company five cents a barrel more for the use of its terminals.

Now, while our "historian" would picture the Standard Oil Company as fattening on the rebates and drawbacks and considerations received from railroads, we have her own testimony in this particular case of the willingness of this Company to pay more; and we repeat again that this is but typical of the business relation of the Standard Oil Company with the railroad companies, in rendering to them as efficient business men a service greater than any consideration of whatever kind or character which it received from them; so that with the increasing knowledge of the efficiency of the Standard Oil

Company it was not surprising that the railroad companies vied with each other to secure its business.

I repeat here that the business of conducting a warehouse and selling oil to New York refiners was a profitable business, though it gave the railroad company, according to the testimony of our distinguished "historian" a higher price for the use of the warehouse, and it evidently gave the competitive New York refiner the crude oil at a lower price; and the New York refiner was a business man, not an academic sentimentalist, and he was conducting his business on business principles, and he had no such fear of the Standard Oil Company or prejudice against the Standard Oil Company as to lead him to pay Mr. Neyhart a higher price for crude oil.

The wonder is that Mr. Neyhart continued so long in this profitable business, but the handling of the crude oil for New York refiners, as well as other departments of the Oil Business, was destined to be done in a more business-like way and in larger volume by one concern and at less cost of handling in common with all other departments of the business, as it became better organized and administered by the best business talent. Gradually it was being brought up to a parity with other business.

Our "historian" fails to record a possible reason why Mr. Neyhart could not conduct a business of this character in New York City quite as advantageously as gentlemen living there and making it a constant careful study. Mr. Neyhart was an oil regions man, having more or less of the speculative tendencies of the men who had produced the oil, and it would not be surprising if, in common with his fellows who took a flier occasionally in crude oil, he had not always succeeded. He had, however, another handicap -- he was obliged to live in Minnesota, as he was in ill health with consumption.

There is nothing in this record which would justify anything but commendation of the progressive Standard Oil Company in coming in at an opportune

time in aid of the New York refiners who were struggling to maintain themselves against the Creek refiners, who were ordained by Divine Providence, if we may believe what we have read, to do the refining business -- and to do it all. This, however, did not prove to be a confirmation of the law of trade, and so the refining business did continuously and actually increase in New York City, notably a large and growing export trade. But this was no fault of the Standard Oil Company and was greatly in favor of the producers of oil in enlarging their market; and all this renders it rather difficult and embarrassing for me to adopt or to promote to any extent the views advanced by our "historian;" and for this I must apologize.

That these New York refiners, with this closer contact and better acquaintance, should come into the Standard Oil Company was not at all surprising. Indeed, it was the inevitable result of the decision and action of sane, intelligent, progressive business men, with all the stimulus of the business methods on every hand in enterprising New York. They couldn't stay out. They could not be hookwinked as were some of the refiners in the oil regions may be by writings and pleadings of those who wanted them to stay out in order that they might be used to pull out somebody else's chestnuts. They were keenly alive to their own interests not only, but not slow to recognize the importance of the co-operation which was being preached by the Standard Oil Company to the end that the refining industry might be saved from the ruin due to over-production.

Referring to this question of the competition between the Standard Oil Company and other refiners: while the Standard Oil Company was always willing to share profits with the other refiners in all fairness according to their representation of business in the value of what they could contribute in service and actual property and good will, a fair-minded public, and es-

pecially a fairminded business public, will not permanently charge that the Standard Oil Company should take from its treasury the legitimate profits which belong to its shareholders to bolster the competitors who by their folly, their foolhardiness and their reckless competition were destroying themselves not only, but in so doing proceeding in the direction of pulling down all others. No good purpose could be served by this. Furthermore, the Standard Oil Company had secured assistance from numbers of the leading capitalists of the country; and surely these men would not have continued the use of their capital or had confidence to continue with the Standard Oil Company if it had resorted to the childish and unbusiness-like methods which the academic "historians" and inefficient sentimentalists might urge.

As we were starting for breakfast Mr. Rockefeller said:

Poor sick Mr. Neyhart! He couldn't keep up with modern methods.

And do not fail to remind me on Monday of the trouble we had with Mr. Warden -- of our own company -- because we could do the coopering cheaper than he could. He couldn't believe it. We had a great time proving it to him. So it is not to be wondered at, perhaps, that outsiders were hard to convince.

:----------:

March 4, 1918.

Mr. Rockefeller said;

A further word in respect to this question of management of a warehouse for receiving and shipping oil:

I recall that even among our supposedly best informed and ablest warehousemen there were those who were not yet up to the advanced methods of the Standard Oil Company. Indeed, I have one particular case in mind where the

administrators, though members of the organization, now having been bought out by the Standard Oil Company, were so positive and so insistent upon their views being carried out that the question was brought to the attention of the board of trustees. I recall how grateful I was that, after a serious and earnest discussion of the matter, we reached conclusions that resulted in the steps of progress by that particular concern which brought them on a parity with the regular warehouse methods of economy of the Standard Oil Company. This concern refused to -- could not -- believe that the Standard Oil Company could accomplish what it claimed, and rather rebelled when it required of this concern a showing of a cost per barrel for handling the oil as close, or approximately as close, as it showed in its regular method of procedure.

It could not be expected to show as low a cost because the Standard Oil Company were doing a larger business, and there, as in many other cases, it had constant evidence reproduced in different departments of the value of doing the larger volume of business with the same facilities.

The party referred to was no less a man than Mr. W. G. Warden, and his concern was the Atlantic Refining Company of Philadelphia, and he thought that his man at the head of his coopering department and his warehouse administration was equal to or superior to any. But Mr. Warden was a man of progress and was one of the most enthusiastic men in support of the idea of cooperation and centralization and reducing the costs and improving the quality and doing the business so as to retain it and not tempt competitors to come and take it away.

If I may refer to the transaction to which our "historian" refers in the testimony of Mr. Scheide in regard to a fact which he alleges, that, when he sold out the business of Mr. Neyhart to Charles Pratt & Co., he did not know that the business of Charles Pratt & Co. was owned by the Standard Oil Company

of Ohio: I conceive that it is possible that some historians, desiring to present judicially and without any prejudice all the facts obtainable in regard to the development and growth of this new business idea, might have inquired at least if there were any reason for Charles Pratt & Co. taking title to this business.

As I recall it, the Standard Oil Company was then an organization under the laws of the State of Ohio. There were limitations in respect to its capacity to own properties or businesses outside of the limits of this State. Previous to the organization of what was known as the Standard Oil Trust, say, in the year of 1882, the properties which this group of men controlling the Standard Oil Company of Ohio owned were held by trustees, who served, as I say, pending the determination in 1882 to form what was known as the Standard Oil Trust. These trustees held the various properties outside of the State of Ohio for whom it might concern.

Charles Pratt & Co. were organized in the State of New York. They could own this business of Neyhart-Scheide, and it was under the direction of the legal advisers of the Standard Oil Company that it should be thus taken, and it would be covered and controlled through these three trustees. Business as conducted previous to these years had not felt so much the need of the larger view. It became apparent now that there must be some way of expanding business and having it under one control, even though it reached beyond the confines of one State; and as this was rather of a world-wide proposition, the Standard Oil Company representatives were forced to study, and the study was continued year after year with the attorneys until finally this first of trusts was organized, in 1882, when it became more apparent to the general public how the legal titles to the different properties had been held up to that time.

MR. R. VS TARBL
CHAPTER V

I am quite certain that the men having to do with this transaction of purchasing the Neyhart business, directly connected or more remotely connected, had not thought that they had not a perfect right to hold the property in the way that they did; and I am not to this day able to see a reason for a just and fair historian justifying the reference to the transaction in a way that would seem to cast reflections upon the individuals or the companies connected, and I can imagine that it is quite possible that another historian, without an axe to grind by reason of family connection with the oil business in the Regions, would have made less effort to make this transaction appear as one of the many acts of this company of men in violation, if not of the law of the land, of good morals, of good business ethics. But in this, as in other instances, we could not expect the academic contemplation of the theme to represent necessarily the true business conception, however high and lofty that conception might be.

:----------:

March 5, 1918.

Q. T p. 162, says that one of the "favorite manoevres of the combination" was to make it difficult for the refiner to get his raw product. She instances the firm of Morehouse and Freeman in Cleveland; says that in 1871 Mr. Morehouse made 25,000 barrels of lubricants and 120,000 boxes of axle grease: "At this time he was buying his residuum from one or another of the twenty-five Cleveland refiners. Then came the South Improvement Company and the concentration of the town's refining interest in Mr. Rockefeller's hands. Mr. Morehouse, according to the testimony he gave the Hepburn Commission in 1879, went to Mr. Rockefeller, after the consolidation, to arrange for supplies. He was welcomed -- the Standard Oil Company had not at that time begun to deal in lubricating oils -- and encouraged to build a new plant. This was done at a cost of $41,000, and a contract was made with the Standard Oil

Company for a daily supply of eighty-five barrels of residuum. Some time in 1874 this supply was cut down to twelve barrels. The price was put up, too, and contracts for several months were demanded so that Mr. Morehouse got no advantage from the variation in crude prices. Then the freights went up on the railroads. He paid $1.50 and two dollars for what he says he felt sure his big neighbor was paying but seventy or seventy-five cents (there is no evidence of any such low rate to the Standard from Cleveland to New York by rail.)"

A. The Standard Oil Company found that it was much better for it to work up all the products of the crude oil, and consequently did not have these products for sale. It is true that some of the similar refiners had, but there was destined to be a great change in respect to these products. The Standard Oil Company soon found that taking these by-products in connection with its regular business for distribution to the trade and having the same salesman look after a department of business embracing different products and in other ways using the economies that it could use by increasing the volume of business, it was greatly to its advantage to conduct the business in the by-products as well as in the illuminating oil.

The result of all this was that prices were greatly reduced to the consumers. It was a matter of great surprise to these consumers, and, of course, naturally of some disappointment to the men who had been manipulating these by-products, when the Standard Oil Company began producing a superior quality and selling the same at so much less per gallon that it was difficult to have the dealers and consumers -- to make them believe that the quality was there. But this they soon demonstrated; and when they found that they could buy for 20 or 30 or 35 cents a gallon products that they had been made to believe were difficult to produce at 70 or 80, they were not slow to avail of the advantages afforded by the Standard Oil Company. This, however, was not the

fault of the Standard Oil Company.

I note our "historian" intimately links this change with the South Improvement Company, which leads me to repeat simply that the South Improvement Company, as I have so often stated before, never was engaged in the business of oil refining. Any progress in the reduction of these prices and acquiring the trade by the Standard Oil Company was entirely apart from the bugbear of the South Improvement Company, which, as our "historian" either knows or could know, never in fact was engaged in the oil business.

Q. T p. 164: "Now it was impossible for Mr. Morehouse to supply his trade on twelve barrels of stock. He begged Mr. Rockefeller for more. It was there in the Standard Oil works. Why could he not have it? He could pay for it."

A. I note the testimony of Mr. Morehouse. Mr. Morehouse was a railroad conductor. I don't know how he got into the work of selling lubricating oil. Mr. Morehouse also had some gift at magnetism or laying on of hands. I am not certain, but I have an impression that he had some tendencies toward spiritualism. He had a vivid imagination. I think he dreamed dreams more or less, and some people thought that the products which he manufactured and sold at fabulous prices before the enlightening influence of the Standard Oil Company had the merit to command such prices. My impression is, in his connection as a railroad employee, he found some who were made to believe that the statements of Charley, as he was called, were good for one hundred cents on the dollar. He was a kind-hearted, well-meaning, visionary man -- and could give a good treatment of massage. He had a number of qualifications, and my relation with him was always of a most pleasant, kindly amd neighborly character; and I was utterly amazed at his testimony not only, which was referred to by our "historian," who was industriously collecting whatever would seem to be

prejudicial to the Standard Oil Company, but within a few years, I think, he or some of his friends sought to bring possibly before the Walsh committee or in some other way to public notice -- the Walsh committee should have been a good agency for such exploitations as Charley would naturally have, including his views on spiritualism, for he was very prolific along this line also -- but, in a word, the Standard Oil Company never did an unfair thing toward Charley Morehouse, and no one knew it better than he did. The Standard Oil Company never made a contract with him that it did not keep, and never held out any inducements to him which would justify the statement that being misled by their representations he expended $41,000 or any other sum of money which was jeopardized by any wrong act of theirs toward him.

Charley Morehouse was so much of a visionary, unbusiness-like, academic, an all-round kind of a character, that he could not be expected to conduct a business and make a success for any length of time in competition with improved modern methods.

Nowithstanding all this, if there had been anything of value in his plant or that of Morehouse & Freeman, he could have had full representation for the same in stock of the Standard Oil Company, and even though it might not have been a plant that they could utilize they would have done anything in reason, or beyond any reasonable requirement, to have helped Charley out of the embarrassing position of trying to make water run uphill. He couldn't fool the people any longer in regard to the superior quality of his goods, and he couldn't succeed in these representations in getting two or three prices for the same, for the simple reason that the Standard Oil Company could make lots of money at one-half or one-third of the price he charged.

And so, as in the many cases hitherto referred to, the ox-team and the little wayside hotel had to give way to better and cheaper transportation and other facilities for looking after the traveling public more serviceable

to them. I never ceased to be friendly to Charley Morehouse, and would have at any time done anything to help him, and I regret that he was so unfair to himself and so unfair to us as to make the misrepresentations which appear in his testimony and to charge his misfortunes then to anything else than the natural operations of the laws of trade, which could not be disregarded if the Standard Oil Company was to exist.; and it had a right to exist, because it came to serve and did serve a most valuable purpose, though it was somewhat of a disappointment to many visionary, academic enthusiasts who continued on trying to make a whistle out of a pig's tail until by force of circumstances they were led to see that this could not be done.

On the way to breakfast Mr. Rockefeller added the following:

Referring again to the Walsh committee; if I mistake not, it expended $500,000 of the people's money in a vain attempt to besmirch the Rockefellers, and made an utter failure in the attempt. I think that three reports were brought in of its doings, but I repeat, my belief is it made an utter failure and spent $500,000 of the people's money. But our "historian" could not afford to spend any such sum of money, much as she might desire to accomplish what this Walsh committee failed in accomplishing.

I wish you could have heard the proceedings before the Walsh committee. They tried so hard to badger my son, to harrow him into saying something that they could use against him, against us. It was like the trial of Joan of Arc. I don't know where he got his answers, his language, so quick, so instant to every question. If he had studied them for hours he could not have had his facts more correct nor his reasoning from them more just. Many of our friends heard him. He surprised us all. He seemed to answer like one inspired. Indeed, I believed that his sainted mother must have inspired him;

he was so kindly, so right in his attitude and in all his statements. He made them his friends. Why, the Socialists came up and made friends with him. I never saw such a thing. No one could understand it at first. It almost seemed as if some of the wild ones were looking for a chance to do him harm. It needed true courage to go with them as he did; but he went, made them his friends, his guests.

Now, as to poor Charley Morehouse: I feel sorry to speak of him in the way I did this morning -- but what am I do to? Here he is, paraded by this author as a great man, as a great merchant doing so many thousands of dollars of business a year until he was "crushed" by the devilish Standard Oil Company. I always felt friendly toward poor Charley -- I do still. But it would not be fair to those associated with me nor fair to myself if I were to let all this solemn stuff of hers go past without setting forth a true picture of the situation and of poor Charley.

:----------:

March 6, 1918.

Q. T p. 164: "Now it was impossible for Mr. Morehouse to supply his trade on twelve barrels of stock. He begged Mr. Rockefeller for more. It was there in the Standard Oil Works. Why could he not have it? He could pay for it. He and his partner offered to buy 5,000 barrels and store it, but Mr. Rockefeller was firm. All he could give Mr. Morehouse was twelve barrels a day. "I saw readily what that meant," said Mr. Morehouse, 'that meant squeeze you out -- buy your works. They have got the works and are running them; I am without anything. They paid about $15,000 for what cost me $41,000. He said that he had facilities for freighting and that the coal-oil business belonged to them; and any concern that would start in that business, they had sufficient money to lay aside a fund to wipe them out -- these are the words.'"

MR. R. VS TARBL
CHAPTER V

A. As to the words alleged in the quotation: "He said that he had facilities for freighting and that the coal-oil business belonged to them; and any concern that would start in that business, they had sufficient money to lay aside a fund to wipe them out": my statement here and now is, with a full knowledge of what I am saying, that no such words were ever uttered to Charley Morehouse or his partner by me, nor was anyone on my part or as representing the Standard Oil Company ever authorized to make use of such words to him or anybody else. But Clarley was not alone in making such statements.

People of his type who could not compete by fair and open methods, and who, finding that the Standard Oil Company were utilizing the tar which he had been enabled to buy for little or nothing in times past not only, but who were finding a very profitable field for a legitimate expansion of their oil business in selling the lubricating oil and that, too, at prices far less than he had been obtaining, made it more and more apparent that the conditions existing in the oil business, when refiners could get ten cents, fifteen cents and twenty cents a gallon profit on refined oil and throw away their tar and benzine at that, and pay exorbitant rates for teaming and transporting the crude oil -- as I say, these conditions had passed in the refining department of the business, and now in turn more intelligent methods, such as were being employed by the Standard Oil Company, readily brought to it a gratifying increase of its business in this specialty.

Why should the Standard Oil Company throw away its tar and benzine, or any other product that it could utilize in making any of the many by-products which, by its skill and experience and enterprise and perseverance were sure to be added to the list of productions which would make more valuable the crude oil? Thus, while it was serving itself and making most satisfactory and increasing returns on the oil and decreasing prices of the lubrica-

ting products, it was enabled to supply its refined oil to the market at decreasing prices, and thus strengthen its hold on the whole general business. There was nothing mysterious or strange about it; no justification for the repeated expressions regarding some mysterious power working, which in those days was supposed to be rebates and drawbacks -- rebates and drawbacks which the writers and others who misrepresented would seek to have the public believe were given only to the Standard Oil Company. But this was a great mistake.

Now, Charley Morehouse being acquainted with the railroad men, having been a railroad conductor and being also a smooth talker and one who seemed able to talk continuously without weariness, did have for a period a certain hold on the railroad and other trade (perhaps cigars or something now and then?) in lubricating oils which he could not hold when the Standard Oil Company began in earnest to compete; for it insisted upon real demonstrations of the actual value of the lubricating oils, and the higher railroad officials, who were not so much influenced by Charley's peculiar abilities, which gave him a certain control of the boys who used these lubricants -- as I say, the Standard Oil Company, finding this a good field and worthy of their attention, presented their claims to patronage upon what they could actually accomplish, and proposed to the railroad companies that they would furnish lubricating oil on this basis in competition with all comers.

And it is fair to say they won out on this fair method of determining the intrinsic merits of the different mixtures, and there were many, which were hawked about, each in turn claiming to be the simon pure article. But this was in the regular way of trade, and the Standard Oil Company never complained of Charley's talking, although he did at times seem to talk excessively. They went right on with their demonstrations, and as Charley lost his

customers when the minor officials on the roads had to report nearer up to those who owned the property, it became necessary for Charley, who did clearly see the handwriting on the wall and that the old and successful methods of humbugging his friends and old associates, the boys on the road, would no longer prevail, he must now betake himself to some testimony or some newspaper influence or the assistance of some wise, able sympathetic "historians," or, it might be, talking politicians, who could join with him in hymns of hate against this rising, intelligent, enterprising concern, which, by doing business on business principles was steadily gaining in the confidence of the business public and steadily discouraging those who had maintained untenable positions in the past in the oil business on account of haphazard methods prevailing and more or less of accidental conditions which, in the nature of the case, could not long exist when those conducting this business got down to the same practical business ideas which governed other lines.

In common with others who found they could not fairly compete with the open, honorable and advanced methods which were steadily progressing on the part of the Standard Oil Company, the next best thing to do was to try to make it apparent that they were and had been always making large sums of money; that their businesses were exceedingly profitable; that each plant in turn that these different concerns owned had peculiarly valuable construction, and was indeed from its construction and from the remarkable organization controlling it so very valuable that it would be a great good fortune for the Standard Oil Company to buy it. Now, of course, these men who were so extremely anxious to get out of a sinking ship had never once thought, if you please, of the possibility of any power in heaven or on earth persuading them to part with such valuable possessions as they had in these remarkably well constructed plants and the good will of these valuable businesses.

MR. R. VS TARBL
CHAPTER V

But the bookkeeping, which, by the bye, they were not parading before the public, told the story; and the Standard Oil Company had had much experience in dealing with this type of men, and while it was willing, in keeping with its assurances in times past of the willingness to consider all interested in the business in its scheme of centralization, it was not willing to pay two, three, four and five times the value. Hence, as I say, the necessity for a little more talk, a little more abuse, of the Standard Oil Company; a little more testimony, some new alliances with politicians, stump speakers, and any and everybody who could be made to join in the hue and cry. But all this did not win out.

The Standard Oil Company steadily continued to deepen the channels of trade, and found it easier all the time to secure the patronage of any and all who gave it the opportunity to demonstrate the value of its services to them, and to the men best informed in this Company there was no mystery about its success. And in the review now it is more than ever apparent that it was the inevitable result of the improvements which it inaugurated and the persistency and industry and enterprise and the singleness of purpose with which it prosecuted its business.

After the regular session Mr. Rockefeller spoke about Charley Morehouse, enacted a scene of Charley giving a massage treatment, calling upon his subject to "see how big my right arm is!" etc., while in the meantime he was relating what a wonderful oil man he was before the wicked Standard Oil Company came along and put him out of business; how rich he was, what fine dresses his wife had, etc., while now he had nothing at all!

On the way down to breakfast Mr. Rockefeller stopped and dictated this:

If I have not made it clear, I want to add that the method of abuse and

misrepresentation adopted by Charley Morehouse in all its various ramifications was supposed to be of assistance in enabling him to sell out his works at some exorbitant price to the Standard Oil Company long after they ceased to have any particular value at all. And, of course, men of this type -- and there were numbers of them -- who could not meet competition with first-class business men on a fair business basis and who had made money on account of the crude and fictitious conditions existing in the infancy of this business, had repeated all these arguments employed to sell their works and to justify themselves before their families and others and furnish a reason for their failures, had this ever as a fruitful theme: "Oh, what might have been! What might have been had it not been for the dreadful Standard Oil Company, who wanted to advance the price of tar or manufacture it into lubricating oil themselves, and having manufactured it were mean enough to sell it at prices lower than I had been selling it in times past! Oh, those good old days, those good old days when it was so easy to make them believe that my lubricating oil was worth 75 cents and $1 and $1.25 a gallon! But this wicked, unprincipled Standard Oil Company afterward made a great fortune in selling at the miserable pittance of 25 and 30 cents a gallon!"

The feeling was very natural that the man who made the failure because of the introduction of better business methods and who had been prosperous so long as he could obtain fictitious values was naturally desirous that his family and friends -- and such men also supposed that the whole public were interested in his little business affair. But the public were interested in getting the better quality and the lower price and the better service; and so we note "the passing of the wild."

But we must not deprive such of the pleasure of complaining of the Standard, though the public long since ceased to accept that. The prices and the

service of its goods were too satisfactory to compel it longer to pay tribute for the maintenance of such nonsense.

On the way to breakfast Mr. Rockefeller said:

Poor Charley's grievance did not grow any less as time went by. I heard that he was to appear before the Walsh investigation two years ago; that he came on fully prepared to tell his story -- but that was all. He died, I heard, not very long afterward.

While playing golf Mr. Rockefeller said:

While we paid Charley all his business was worth, he himself was not invited to become actively associated with our Company, and that, of course, was a source of great dissatisfaction in him. He had to get even for that slight. But what could we do? We had no massage department -- and Charley really did not know how to make lubricating oil. There was nothing for us to do but pay him for his business and let him go. Of course, he could have taken the payment for it in stock of the Standard Oil Company, the same as all the rest who came in. He preferred to take the cash and let that opportunity go. That, too, must have been a bitter thing for him to remember as he saw the stock growing more and more valuable each year. It would have made him rich, if he had had faith in it. So here was another grievance; and he had to make a good story to account for his not taking our stock in exchange for his business. You can see him, giving his massage and talking to his customer incessantly about what a great oil man he was until the Standard came along and spoiled the business. His was like the Backus case.

And how quickly we found that by using care and intelligence we could sell the lubricating oil at a fraction of what he used to charge, and still make a good profit! I well remember the report of the lubricating oil com-

mittee on that and how extraordinary it seemed. But it proved true.

If Charley Morehouse, by the way, had been able to make and sell lubricating oil cheaper than the Standard Oil Company, do you suppose he would have hesitated to do so, regardless of what became of us? Of course, that would have been a very different matter -- at least, he would have looked at it from a very different point of view.

:--------------------:

March 7, 1918.

Mr. Rockefeller said:

I have spoken very plainly in reference to Mr. Morehouse, though notwithstanding all he said and testified to I do not feel unkindly. But he was not of a type to meet actual strong business competition and succeed, nor was he of a type to comprehend as strong business men less academic and sentimental the reasons for his failure to continue to hold his own in actual business competition; and in the case of the lubricating oils the opportunity was greater than in the case of the illuminating to surround the situation with a mystery, and this, with abundant talk, made many buyers pay high prices for lubricants which had not the intrinsic value to command the same.

The Standard Oil Company were less sentimental, and when the lubricating committee of the Standard Oil Company announced, as I well recall, they did, that it was their deliberate opinion that it was wise and best to make an open reduction and a large reduction in the prices of lubricating oils with a view to stimulate trade and to increase our volume of business, while the change was quite radical and took me somewhat by surprise, I yet welcomed it in common with others of our leading administrators as a step of progress and in perfect accord with the policy we had inaugurated.

And every step we took in increasing the demand for by-products from tar and benzine, as has been previously stated, enabled us to push the sale of

the illuminant at home and abroad, and thus it became more and more apparent to the intelligent producers that this organization, which they had been taught to believe was opposed to them, was indeed their most efficient servant and best ally and friend.

But to his dying day poor Charley Morehouse, in common with some others of his type, undoubtedly felt that the steps of progress inevitable with a concern representing the picked elements of the oil business, full of enterprise and initiative and progress, were moving not with reference to his destruction or with reference to harming any individual competitor but with reference to such a conduct of this business as would enable them to hold it as a permanent, legitimate undertaking against the competitors who would naturally arise with large capital if the temptation of a wide margin were left open to the view of the capitalist, who, with keen eyes, was ever alert, seeking new channels for the employment of his funds.

The Standard Oil Company did thus well serve and hold itself in check from demanding prices which it could have often obtained as with the improvement in its quality and its splendid service against all competitors who were seeking to press other illuminants it succeeded in steadily expanding the trade. Then, too, the fairness with which it dealt with the people brought many friends to it not only, but to our country. And this in addition to the vast revenues in gold that came to us from all parts of the world. It is no secret, as I may have previously intimated, that by virtue of these good relations in connection with the administration of the business of the Standard Oil Company with the peoples of the Far East, we as a nation have been placed in a more favorable position. The fact is that no company has ever commanded the confidence and respect of these faraway people as we have done, and I say it without fear of successful contradiction. And the men whom we have educated in our schools commercial and have sent in these far

away countries to represent us have been sought out by the travelers from our country and from other countries as well and have proven themselves to be most agreeable and serviceable.

Indeed, this idea of service has been the foundation stone of the building of this structure which still stands and becomes stronger each day, notwithstanding all the injustice of its opposers, including what it believes to have been very unfair treatment and discrimination against it on the part of our own Government, notably in the administration of Theodore Roosevelt, and not excepting the present administration led by a President who had declared himself against us from the academic standpoint -- for he was not trained as a business man -- and has not been able thus far, notwithstanding repeated and most valuable services which we have rendered the Government in this trying war period, going back to relief which we afforded the great missionary organizations who were embarrassed after the beginning of the war in making their exchanges and getting funds to their representatives on the field, in consequence of which they rushed to Washington, hoping for assistance and protection from our Government, and after repeated and unsuccessful efforts they were sent by the then Secretary of State, William Jennings Bryan, to us, and so satisfactory was the result of our interposition on their part in the exercise of means easily at our command by reason of our complicated relationships in connection with the network of agencies we had established the world over, we rendered such conspicuous services as led Bryan finally to say: "I can't help you. Go to the Standard Oil Company!"

And they did in many instances, and we helped them, and nothing could have given us greater pleasure.

Here let me add: I hope I shall be pardoned for this seeming egotism; but though I have been for a quarter of a century out of active relationship to this great enterprise, as I review the history of the past, standing al-

most alone as I do today, with my old associates gone, all the old enthusiasm is aroused, and indeed, if the actual truth were known, in the dreams running through the last night I was back again in the harness, desperately in earnest and hard at work in the endeavor to meet embarrassing situations, to overcome the difficulties, among other things to satisfy my own conscience and to bring as much comfort as possible to the complaining grumblers such as poor Charley Morehouse and others, who, finding they could not succeed, sought a scape-goat -- and where was there a better one than the much abused Standard Oil Company, which by virtue of its advanced methods and conspicuous service had aroused the jealousies of competitors and all like the middlemen so many who were amazed and confounded at its rapid strides in cutting down the costs between the point of production and the delivery of the oil in the tank wagon at their doors, presenting a net cost that they could not meet, and of course they grumbled and the people got the benefit! And we got a benefit. And we served well our day and generation, and I know it.

And yet I think if I had been a wholesale grocer and lost a lot of my business because the Standard Oil Company established tank stations and carried the oil to the doors of the people who had previously bought of me, giving me a large profit, I would have grumbled, too.

But I am perfectly willing to leave to <u>just</u> historians in the future the record we have made. Mistakes there were: this was inevitable: in an organization so rapidly assembled and so widely distributed it could not have been imagined that in our choice of men to represent us we would in every case have surely hit the nail on the head; but we must be judged not by these isolated instances but by the general trend and the beneficent results.

There! I had no idea of launching on so long a narration. But it will do no harm to put it all down in the face of the silly stuff she has piled

up in this part of her book. It will offset the misrepresentations about Charley Morehouse and his alleged grievances. It is the plain truth. Come; let us go to breakfast!

:----------:

March 8, 1918.

Q. T p. 164: "At every refining centre in the country this process of consolidation through persuasion, intimidation or force, went on. As fast as a refinery was brought in line its work was assigned to it. If it was an old and poorly equipped plant it was usually dismantled or shut down. If it was badly placed, that is, if it was not economically placed in regard to a pipe-line and railroad, it was dismantled even though in excellent condition. If it was a large and well-equipped plant advantageously located it was assigned a certain quota to manufacture, and it did nothing but manufacture. The buying of crude, the making of freight rates, the selling of the output remained with Mr. Rockefeller."

A. It is true the purchasing of refineries at each point was made by the Standard Oil Company connections at that point, and it is true for economic purposes the best use was made of the old junk which was purchased from the competitive refiners possible. It is also true that it would have been a waste of money to appoint a buyer to buy the particular crude oil which was refined by each one of those refineries, and the same would be true of many other economies which were practised in thus centralizing the work of refining as well as the work of selling and distributing and any other work pertaining to the conduct of the business.

It would seem from the earlier statements of our "historian" that "Now-or-never-and at-the-price-the-Standard-dictates-you-must-all-sell-your-works was the rule. If this had been true, how does it occur that these same refineries, in existence in, say, 1869 and '70, when the Standard Oil Company

began buyins so many of them, were still in existence in 1872, '73, '74, '75 and later on?

The Standard Oil Company did not take this position with these refiners as alleged by the "historian." On the other hand, the attitude of the Standard Oil Company was toward the weakest of these competitors practicalay this:

"Neighbors, brothers, friends: It does not need argument to convince us that by reason of the extraordinary inducements to build refineries in the beginning of the production of crude oil too many refineries were built. We have suffered from over-production; we have suffered from competition with reckless and bankrupt men, who, in order to obtain their crude oil and other supplies and in order to make their refined oil and secure cash for the same as quickly as possible after it was ready for the market, and, furthermore, by virtue of the fact that there were so many more refineries than were necessary to distil all the crude oil, and so many sellers of the oil when refined, that there was a made and destructive scramble in the business, which resulted in loss not only but depletion of the working capital of most of the refiners, and they were living at a poor, dying rate and continuously becoming less able to continue in the competition and were confronted with absolute bankruptcy with no assets available, until the Standard Oil Company conceived the idea of an attempt at unification of the interests, a utilization of the best of the construction and the best of the talent, marshaling the whole refining force under one direction, and thus, as a well disciplined army is guarded, it sought to protect and to build up from the ruins a substantial, respectable, successful business."

I repeat that it said:

"Brotherm: We all recognize the condition in which we are left. We, a responsible representation of the successful refiners, with capital sufficient, and with the recognized leading ability in the business, offer to you the

opportunity of becoming partners with us on fair, just and reasonable terms, of sharing with us the labors of the administration of the business so far as you have ability. We must have the best ability in the business. We do not want shoemakers; we do not want masseurs; we do not want railroad conductors; we do not need schoolmasters; we do not need the sons of merchants who are placed in position not because of their ability but because their fathers, having nothing else to do, have put in capital, having heard of the great profit in the refining in the earlier years, now finding themselves stranded, with their inefficient scions unable to extricate themselves from the embarrassing position in which they are found.

"We do not want this type of men. We want men of force, men of experience, men of enterprise and high purpose, who believe in themselves, who show that they are high-minded men in their ability to believe in other men and to trust them. This type of men we want to unite together and struggle earnestly for the success of this undertaking.

"Much as we would like to employ all the men you have in your organizations in this effort to upbuild and secure the success of the enterprise, this is impossible in an organization economically administered. You can go back, then, the shoemaker, to his shoemaking, the masseur to his massage, the conductor to his railroad, or whatever occupations seem most attractive to every one.

"We will manage the business for you as we would for ourselves. You do not need a demonstration of our ability to do this, for we have steadily made money while you were losing. We are today making money, as we have been making it for two, three, four years. We have cash capital. We have credit with the banks. There is a growing confidence in our ability to succeed. And now, brothers, as we said to you in the beginning, we ask you to come in with us on these terms. Now, at the end of one, two, three, four or five

years, though you were in a sense doubting Thomases in the beginning, can you not see that, though you have not made profits -- though we have helped you by our operations -- can you not see that it is better for you if we can manage this larger volume of business, which is limited -- the total production of crude oil at this time being only a few thousand barrels --?"

No one could have foreseen this. In various periods of the oil business-- one in the early '90's -- it really looked as if we were coming to a determination of this.

However, our offers to these men remained. These explanations were made. This kindly attitude was maintained. It was not fair to the Standard Oil Company to conclude and to allege that because they went about the conduct of the business for themselves and for those associated with them -- the refiners not only but the capitalists and others who were attracted by the novel and new idea of centralization -- they could not be expected to devote themselves to the conduct of the business for their less fortunate neighbors, to furnish capital for their less fortunate neighbors, and to impart the knowledge which they had and to which they were justly entitled and by virtue of which their business was made to succeed while others were failing.

Now I repeat that, contrary to the allegations that in the outset these refiners were led to believe that if they did not come in now they would be wuined, was simply preposterous. These refiners did not take this seriously, though our "historian" would have the public believe this was the case. It was not the case, as is shown by the actual history of the delay in decisions to abandon the hopeless undertaking in which the competitive refiners so many of them, were engaged, and accepting these unprecedented terms of the stronger and the successful.

Of course, as the Standard Oil Company said, as they did distinctly say,

"Now, brothers, if you do not adopt our views, if it does not seem to you wise and best to come in, much as we regret it, it is all right: it is your own affair. But we still think it is the wise and best thing to do, and we still desire you to consider; but take your time. Much as we would desire this consummation today; much as we desire to advance our mutual interest, take your time." And so they did, day by day, week by week, month by month, year by year.

Meantime the demonstration was plain and more and more convincing that the Standard Oil Company had come to stay and to survive. So, one after another of these refiners, remaining as they did in neighborly competitive relations, came in and united their fortunes, and always to their lasting profit and satisfaction. And their conditions were uniformly bettered.

So that while the process was slow, it gained in the confidence of the general public not only but in the confidence of the refiners, who were forced to the conclusion that the Standard Oil Company was entitled to the position of supremacy already accorded it so generally.

What a mercy it would have been to some of these slow-thinking, slow-acting, unsuccessful men if some power could have taken hold of them at the beginning and compelled them to do what the "historian" says we did compel them to do! But we did not employ force. We exercised patience. We invited them cordially, consistently, always leaving the door open, as I have said before. It was well known in the trade and to the many people associated with us who attended to these negotiations at the refining points; and, as I have probably stated, these negotiations were not conducted by the original officials of the Standard Oil Company, but by the men chosen to represent the Company, picked from among the competitive refiners for the qualities which I have hitherto today enumerated -- acquaintances, competitors and friends of the competitive refiners, best calculated to explain to them the

situation, best fitted to succeed in the negotiations because of their intimate acquaintance, kindly relations and the mutual confidence of neighbors and friends.

But the principle upon which they proceeded was not, as has been alleged, now-or-never; and the whole record of the absorption of these competitive interests shows it -- a record extending over many years. And how absurd the statement seems of the forceful procedure of the Standard Oil Company compelling these men to come in: today -- immediately -- now-or-never!

But it is just as true as much of this prejudiced "historical" work from beginning to end, and is the product of jealousy.

On the way to breakfast Mr. Rockefeller said:

I think we have presented the truth about the taking of the competitors into the Company in a different way this morning, and it is worth the time given to it. When you analyze it, how absurd Tarbell's story is. Why, if we or anyone else should go to you or any other business man and growl: "Come in with us this minute or we'll destroy you!" what would be the result? You would say: "You go to so-and-so, where you rightly belong! You can't bluff me!" That would be the attitude and the behavior of any American business man. What we really did was to persuade. Remind me tomorrow morning, and I will say more about what a good fortune it would have been for many of the slow-thinking men if only some one had the power and did compel them to come in with us. It would have made their fortunes.

:----------:

March 9, 1918.

Mr. Rockefeller said:

MR. R. VS TARBL
CHAPTER V

Going back over our history, beginning with conditions existing in the late years leading up to 1870 which have been hitherto described and in which probably all the refiners at Cleveland with hardly an exception lost money, and recalling the fact that many refiners did not sell out to the Standard Oil Company until years afterward, if the deplorable conditions pictured by our "historian," which we may assume were growing worse and which did exist as stated, we can but reflect how much better it would have been if the statement of our "historian" or the impressions which our "historian" sought to establish by testimony of chosen disgruntled competitors, how much better I say, if all this had been true, would it have been if all the refiners had sold out in 1868, '69, '70, and from that time shared, as did those who did actually sell out, in the prosperity that attended the Standard Oil Company !

And this, of course, refers to those who took stock from the Standard Oil Company in payment for their property, and it also refers to the others, because they had been long losing money, up to 1870 in the late years, and the record of our "historian" would seem to justify the statement that as the Standard Oil Company grew in power the difficulties and embarrassments and losses consequent to these remaining competitors were steadily increasing. If they had sold for money they would at least have saved their capital and had some return from interest and been able to devote their time and attention to some other calling which might have brought them some return. It might have brought them fair salaries or moderate business returns in some other business connection. So they might have saved three, four, five, six, seven years, more or less, which they lost in the years when the "oppression" of this rising concern, as our "historian" would have us believe, was steadily increasing.

Now, over and against this statement, I want to be clearly understood as saying that every time the Standard Oil Company bought out a reckless,

inefficient, irresponsible refiner, it to that extent placed the refining business in a safer and better position for all competitors. And so upon the Standard Oil Company fell the whole burden of resurrecting the business, and as a matter of fact these who remained in it were not worse off. They were better off than before. The Standard Oil Company did not do business to lose money. It did not sell oil because it was obliged to do so at prices below cost in order to pay its obligations at the bank. It conducted a safe, legitimate refining business. But as it increased its volume with the facilities which naturally came, its chance for eventual success was increased; and it is to be remembered that, though there were fewer buyers for the oil, as it found itself able to buy the oil and make a profit and to the extent that it took the place of those inefficient bankrupt refiners it bought out, at least to this extent it was unwilling to yield its opportunity to secure the crude oil necessary for its refining purposes; and as it had borne the burden of paying out its good money and issuing its valuable stock for these competitive interests, it was manifestly unfair that it should be expected to wait until these competitive refiners which it had not bought out should secure their pro rata of supply, if you please, not only, but, as they would have it, an increased supply which they were stimulating and desired with the better chance of profit resulting from the protection afforded them by the Standard Oil Company, which protection had not cost them one farthing, and the more they found that the Standard Oil Company was disposed to press equally with themselves for the opportunity of doing all the business it could do at a profit, they resorted to abuse; they sought the public ear that they might vilify the Standard Oil Company, that they might prejudice it in the eyes of the producers in an effort to make it appear to the producers that they were their real friends and supporters and indispensable to their success and prosperity. Unfair, unreasonable methods, I repeat, were continuously

resorted to, resulting in their joining sympathetically with interested "historians," politicians, and any and all others whom they could stimulate to join their ranks in order that more pronounced expression might be given to their jealousy of this growing company, and in explanation of their inability to keep pace with its steps of progress.

It could not be expected that the Standard Oil Company would lessen its efforts to secure customers for its products, and it was easy for it to obtain customers because of its superior quality and better service and because it always kept its contracts. This the unreliable, weak and bankrupt competitors were unable to do.

Meanwhile this concern, the Standard Oil Company, continued to grow in favor. It was no more called "a rope of sand." Its shares were steadily rising in value and being bought by the most conservative investors. And the sad and unreasonable representations of the jealous and unjust competitors and critics were having less power to influence the public mind. Then, too, in all these years it became more and more apparent that these men of enterprise and push, the picked men in the oil business, who had joined themselves together to save the refining business, were responding promptly and cheerfully to the calls for assistance to worthy objects on every hand and increasing their contributions with the increase of their prosperity. And so it became more and more apparent that you could not draw pure water from a bitter spring.

And as defeat or pronouncedly adverse conditions were staring the opposition in the face, these competitive refiners, with the example of their neighbors and friends before them and the prosperity attending them, and with the consciousness that they had been humbugged by the false representations against the Standard Oil Company, one by one came in and joined enthusiastically in the progressive movement. And when they did so, when their eyes were

opened and the scales had fallen off, how they regretted the unwisdom of all their delay and opposition!

But this picture represents nothing new in connection with the history of progress in every direction. So we have the utmost of charity for all and sympathy for those who threw away the opportunities of a lifetime, like so many spoiled children, who are bound to have their own way and to keep their eyes shut against all progress and enlightenment.

:----------:

March 11, 1918.

Q. T. p. 165: "The contracts under which all the refineries brought into line were run were of the most detailed and rigid description, and they were executed as a rule with a secrecy which baffles description. Take, for example, a running arrangement made by Rockefeller in 1876, with a Cleveland refinery, that of Scofield, Shurmer and Teagle. The members of this concern had all been in the refining business in Cleveland in 1872 and had handed over their works to Mr. Rockefeller, when he notified them of the South Improvement Company's contracts. Mr. Shurmer declared once in an affidavit that he alone lost $20,000 by that manoeuvre.

A. In reference to the Cleveland refinery referred to: The Standard Oil Company bought out Alexander, Scofield & Co. in 1869 or '70, and the particulars in regard to that transaction as it related to different members of the firm have already been given somewhat in detail. Daniel Shurmer was a member of the firm of Clark, Shurmer & Co., and the members of Clark, Shurmer & Co., were: Maurice B. Clark, my old original partner in the produce business, whom I bought out in 1865, but who re-engaged in the business though in buying him out I did not anticipate his re-engaging. This was also true of his brother James, who became a member of the firm of Clark, Payne & Co., whom we bought out. And after buying James out on this occasion --

which was the second time -- I think he became interested again in the business, perhaps through his sons or otherwise. But we have hitherto referred somewhat particularly to his case.

As for the original Scofield of the Scofield firm, he did re-engage, taking with him a Mr. Daniel Shurmer, formerly of Clark, Shurmer & Co., and Mr. Teagle.

It is to be remembered that this same Mr. Scofield is one of the men who united with the Clarks in bidding to buy out my interest in the old firm of Andrews, Clark & Co. While there were antagonisms and jealousies among this group of Englishmen, yet they sometimes united, as in these cases, against others.

As to the testimony of Mr. Shurmer: Mr. Shurmer came into the employ of the Standard Oil Company after selling out, if I mistake not. He was not a man of remarkable intelligence or vision, and though he seemed pleasant and kindly yet he showed in different ways a vindictive spirit which, coupled with his ignorance, did not make him the most attractive and pleasant personality. This I say in all kindliness and with the desire to correctly record, for I personally never had any trouble with him; although, after seeing the mistake he made in not taking the stock in the Standard Oil Company for his interest he seemed to nurse these unpleasant feelings and re-engaged in the business, as I say, with Scofield & Teagle and continued for many years.

And the more he saw of the success of the Standard Oil Company and the more he realized that he did not make a great success in going on in his bull-headed English way, he made himself unhappy and he made others unhappy about him, and he continued on in this firm, and the members of the firm were not happy among themselves. They had their jealousies, these three Englishmen, Scofield, Teagle and Shurmer, until at last they again sold out to the Standard Oil Company.

MR. R. VS TARBL
CHAPTER V

My old partner, Maurice Clark, did take the stock (for his share of the business: W.O.I.), but it is to be said that he was another of this same type of Englishmen, without, it may be safe to say, the greatest vision or comprehension of things new and progressive -- without a desire or willingness on my part to say anything to his discredit. He did take the stock; but although he did so, it was not long until he came to me in the most pleasant and friendly way and said: "John, I think I would like to sell my stock. I have another enterprise I'd like to invest in." The fact being, however, that he was frightened to death and very happy when he found he could get a check for the stock, which he promptly accepted.

I think that Shurmer never took any stock. I think that the reason was that he didn't have the money to do so or an equity in the business that would give him much representation, on account of the hard condition of his business in the late years before he sold out. The $20,000 loss that he refers to was undoubtedly the loss that had been made in the business; for, as we have stated, they had been poor for several years.

There was still another member of the firm of Clark, Shurmer & Co., whom I have not referred to -- another Englishman, Henry Lewis, and he had a brother, George Lewis, and they both came into the employ of the Standard Oil Company and remained with us happily in a relation entirely pleasant and satisfactory to them for long, long years, till we followed them to their last resting place, in Lakeview cemetery. We never heard from either of these two partners anything of an unpleasant character respecting the sale to the Standard Oil Company and they quite understood poor, jealous, prejudiced, ignorant Dan Shurmer. And he carried his childishness so far that when we were at the funeral of one of these brothers he would not recognize the remaining brother, though they had been old acquaintances, partners and friends for long years back.

BIOGRAPHY
ORMOND

MR. R. VS TARBL
CHAPTER V

We can readily understand how Mr. Shurmer would be ready to unite with our "historian." He surely had a sympathetic interest with her; and one of the troubles, however, in his attitude, as was entirely apparent to his associates and best friends, was that he overshot the mark in his senseless talk. It proved to be a boomerang, and his life was no doubt shortened and embittered by nursing his unwarranted prejudices and jealousies.

But such is life, and all that I've related in regard to this Mr. Shurmer and to the other men more or less of his own type does not at all lessen what I have had to say in regard to the fairness of the Standard Oil Company in dealing with all these men notwithstanding the bad faith different ones of them showed, the foolish excuses they made in breaking their contracts, in turning away from what was right and fair in connection with their business dealings with the Standard Oil Company.

But the Standard Oil Company had other experiences of this kind with other men, and they went forward, patiently attending to their business and trying to cherish kindly feelings, and had pity for these men who placed themselves in such ridiculous plights in continuing to do the ostrich act. But they didn't fool the people; they didn't fool their own families; and today the son of Mr. Teagle is President of the Standard Oil Company of New Jersey -- and "the world do move."

This is a very pleasing reflection to me and a confirmation of the belief, based on a perfect knowledge of all the history of this case, that we were right -- we of the Standard Oil Company -- and because these men were wrong toward us, different ones of them, they sought justification which they never could get, even in their own families, where education and contact enabled them to act independently, exercise their own judgment, and not persuade themselves continually to call white black.

But how much I regret, as I make these notes this beautiful, sunny morning in the sunny south, that all of these men had not taken stock for their interest in the Company and helped on the good work of resurrecting the refining business and made a record for themselves which they and their familite would have been proud of! But such is poor human nature, not at its very best.

The Mr. Teagle referred to is the son of Mr. Teagle not only, but a grandson of my old original partner (Maurice B. Clark: W.O.I.), but, as I have previously noted, a man of education and breadth, a man who, while believing in himself yet gives careful heed to the views of others and is broad-minded; and after the sale to the Standard Oil Company of the business of Scofield, Shurmer & Teagle, and he was freed from the fetters that bound him in that old business concern, he manifested the keenest interest in the progress of the views of the Standard Oil Company, and was at once one of our most ardent and efficient representatives, growing rapidly, filling the different positions of responsibility assigned to him, and commanding our confidence for his integrity not only, but for his ability, vision, broad-mindedness. But what a contrast he presents to this group of men from whom he broke away! What a deliverance that he was set free from an environment in the old business connection of Scofield, Shurmer & Teagle! It is certainly greatly to his credit. But what a commentary on the poor old abused Standard Oil Company.

But these notes are not for publication, and I hope they never will be published. I am glad, however, to make this contribution from my recollection respecting this history, which is almost as clear, or quite, as though the incidents occurred only yesterday. I have occasion to know that the younger generation coming after these men took a very different view, broader,

more comprehensive and, in common with others, very appreciative of what the Standard Oil Company has done as the leader in all our great American business institutions.

So that I have been paid a hundred-fold for all the unjust criticism and abuse, and I may say that this criticism and abuse emanated very largely from just such sources as this -- jealous, dissatisfied men who failed for lack of vision to grasp the opportunity of a lifetime, and saw that opportunity availed of by one whom they thought in the infancy of the business to overthrow. But this they could not do; as his foundations were laid not only in a fair measure of ability, perserverance and pluck, but upon the eternal principles of right, fair play and justice, which made a structure they could not tear down, and which was apparent to others familiar with all the steps in this interesting history, which steps steadily increased the confidence of the public in me and my associates, and proved more and more the narrowness and unfairness of the attitudes of these opposers.

On the way to breakfast Mr. Rockefeller said:

Poor old Dan Shurmer! I have made a scathing exposé of him. Nothing could have been further from my mind when I sat down to work this morning. But the extract you read aroused my memory of him, and things came back to mind that I have not thought of in years and years. That incident of his wretched behavior at the funeral of Lewis I had not thought of in a long time until his name came up this morning. It was at the burial, at the actual interment, that the surviving brother went up to speak to Mr. Shurmer, but poor Shurmer drew himself back and exclaimed to his old business associate: "I do not know you!" How badly warped must a man's mind be when he acts like that toward an old friend on such an occasion.

I hate to tell of such an incident here. But what can I do when our

"historian" drags in such a character as he to bolster up her spiteful mass of untruth and distortion? This must never be published; never! I give it here; you hand it on to John, so that he may have the complete record before him; but not for worlds would I have a line of these things published. The best it could do would be to revive old malice against us and contention, and it would be too unpleasant for the descendants of these men.

How glad I am and how grateful I am that you had that talk with Mr. Halle in Cleveland last summer! He had had his fill of experience with that type of Englishman -- indeed, Mr. Scofield, as you remember, was his partner in the oil business. He knew what they were. I am so glad that you heard the story at first hand from him who actually had the experience.

:----------:

MR. R. VS TARBELL
CHAPTER V

March 12, 1918

Mr. Rockefeller said:

A man named Dean had perhaps the first refinery in Cleveland, and Samual Andrews, John Alexander and, I think, Daniel Shurmer, all being in his employ and there acquired some knowledge of oil refining, which made the beginning of their business connections in other firms. The knowledge of cleansing the oil was not known to many; so that in the beginning these men were sought after. These and the Clarks and the Scofields were all, I think, from the same neighborhood in England and about the same type of men, all possessed of the rather undesirable qualities of egotism and pigheadedness.

Alexander showed this in his unjust criticism in the testimony he rendered, as well as Shurmer. As Andrews was fortunate enough to remain longer with the Standard Oil Company, he acquired a larger fortune; but he could not stand prosperity, and left the concern because his views on some financial question were not adopted by the remaining ten directors of the Company at the time. And after selling out and seeing his mistake he showed this same unpleasant disposition. He also manifested this disposition toward the other Englishmen, regarding himself, as having made more money, as on a different plane. And, indeed, on account of his connection with the Standard Oil Company, he had had a different association. His son, a deformed young man, married a daughter of Daniel Shurmer, but the marriage was not pleasing to the Andrews family, and they did not associate with the Shurmers.

I mention this only to show that this ill disposition toward the Standard Oil Company was characteristic of these ignorant men, who had suddenly made some money and could not stand prosperity and could not bear to see others prospered, and especially as the prosperity of the others in question was in consequence of their pursuing a policy which these men were not large enough

and did not have confidence enough in others to grasp and to trust. So the contrast between their different conditions became more and more apparent, and their unhappiness and dissatisfaction with themselves led them to say and do many things for which we must graciously throw the mantle of charity about them.

I may be pardoned this more personal reference, but it may not be amiss in illustrating this spirit of jealousy and unfairness which characterized these ignorant and untrained men and was not confined to their unjust attitude toward the Standard Oil Company. How different it would have been with Daniel Shurmer if he had retained an interest in the Standard Oil Company and enjoyed with the others the prosperity which they enjoyed and which they desired him to share because he had been engaged in the business and because they were united together for the purpose of redeeming the business and making it worth while, and he in his ignorance was selfishly making it more difficult to accomplish this! But, in common with Scofield, who had previously violated good faith with the Standard Oil Company of New Jersey, they nursed these feelings which were unworthy of them and unfair to the Standard Oil Company, and, as I have previously stated, had an unhappy business association among themselves; and after pursuing the business with unsatisfactory results for a long period of years, and on account of this unsatisfactory result and their inability to live together longer the cat and dog life which they had lived for so many years, they sold out to the Standard Oil Company. And it isn't a pleasant chapter to contemplate; and we were successful and they were unsuccessful, and that of itself made them the more unhappy; and I much regret that they had not spared themselves all the friction and unrest and unhappiness that came of their own folly and the attempt to block the wheels of progress.

But I repeat, here and now, that I hope these notes will never reach the

public eye. The past is past; their families feel badly about their folly, and we have great occasion to be grateful for our success, and with gratitude indeed that we cherish nothing but kindness and charity for them.

Q. T. p. 165: "The members of the firm had not stayed out of the business, however. Recovering from the panic caused by the South Improvement Company, they had united in 1875, building a refinery worth $65,000. with a yearly capacity of 180,000 barrels of crude."

A. I note the remark of the "historian". "Recovering from the panic caused by the South Improvement Company, " etc. It seems unnecessary to repeat again that the South Improvement Company never existed as a business organization. It came into notice in the year, perhaps, of '69 or '70, but never transacted any business; and we have no record of any panic at this time. A thing that was deeply impressed upon our minds and the minds of all the refiners was the fact that we had been going on up to this time for a period, conducting the oil refining business with such sharp competition that nearly all the refiners were losing money; and when there was apparently no hope left there came, through the Standard Oil Company, -- not through the South Improvement Company -- for the South Improvement Company had no negotiations for the purchase of any refineries ; the South Improvement Company was organized under a charter gotten by the Pennsylvania Railroad Company and represented the views of Thomas A. Scott and some of our Pennsylvania friends as to a way of equalizing the oil business and improving the freight rates, which, in common with the unsatisfactory condition of the refining, were most unsatisfactory. But the South Improvement Company did no business at all, and the leaders of the Standard Oil Company did not share the views of the Pennsylvania officials and the Pittsburgh and Philadelphia refiners in regard to it as the means best calculated to redeem the oil

business.

It might have been said, and quite truthfully, that a panic had been on for a considerable time in the oil refining business, and because of this panic, resulting in loss to nearly all the refiners, the Standard Oil Company came forward to lead in the endeavor to save all the refiners from impending ruin, which stared them in the face and which had progressed already so far as to absorb largely, if not altogether, the working capital of many or most of the competitors of the Standard Oil Company in the business to such an extent as I have hitherto stated; that these men were happy indeed to find a means of disposing of their refineries and to convert them into capital in some other business which might give better promise of a profitable return.

This was illustrated by the fact that they did not contribute any cash in connection with their refineries in securing an interest in the Standard Oil Company. They were not risking much of anything by putting in the old plants, the old junk, as they were so often called at that time. Had it not been for the interposition of the Standard Oil Company they could not have sold these, and would have gone on at a poor, dying rate until their resources were exhausted. The opportunity afforded by the Standard Oil Company was a Godsend to all of these.

- - - - - - - - - - - - - - -

On the way to breakfast Mr. Rockefeller said:

I am conscious that much of what I have said this morning was repetitious; but since she makes her attack by reiterating again and again her false charge that we used the South Improvement Company as the means of getting hold of the Cleveland refineries that came in with us, it is necessary to meet this reiterated falsehood by repeating the truth. Most of what my son knows of this situation is his memory of what he has read in her book, with only here and there

a statement of fact by me. It will be good for him to have the facts in this record, even with repetition here and there; to find the truth set forth in its place, face to face with her falsehoods.

:- - - - - - - - - - - - :

March 13, 1918.

Q. T. p 165 (Continuing same paragraph): "On the first year's business they made $40,000. Although this was doing well, they were convinced they might do better if they could get as good freight rates as the Standard Oil Company, and in the spring of 1876 they brought suit against the Lake Shore and Michigan Southern and the New York Central and Hudson River Railroads for "unlawful and unjust discrimination, partialities and preferences made and practised. . . in favour of the Standard Oil Company, enabling the said Standard Oil Company to obtain to a great extent the monopoly of the oil and naphtha trade of Cleveland."

"The suit was not carried through at the time. Mr. Rockefeller seems to have suggested a surer way to the firm of getting the rates they wanted. This was to make a running arrangement with him. He seems to have demonstrated to them that they could make more money under his plan than outside, and they signed a contract for a remarkable 'joint adventure.' According to this document Scofield, Shurmer and Teagle put into the business a plant worth at that time about $73,000. and their entire time. Mr. Rockefeller put in $10,000. and his rebates! That is, he secured for the firm the same preferential rates on their shipments that the Standard Oil Company enjoyed. The firm bound itself not to refine over 85,000 barrels a year and neither jointly nor separately to engage in any other form of oil business for ten years -- the life of the contract. Scofield, Shurmer and Teagle were guaranteed a profit of $35,000.

a year. Profits over $35,000. went to Mr. Rockefeller up to $70,000.; any further profits were divided."

A. Referring to the running arrangement with Scofield, Shurmer and Teagle: Had it not been for the efforts for the protection of the business which the Standard Oil Company had made at their own charges previous to this date, which charges would amount to hundreds and hundreds of thousands of dollars, and which efforts were made with reference to the improvement of the refining business, a running arrangement such as they made with scofield, Shurmer and Teagle could not have been carried out. The contribution of the Standard Oil Company in this arrangement was far greater than the contribution of this firm, members of which had been bought out by the Standard Oil Company years before, and had violated their covenants and broken faith with the Standard Oil Company. It was a very liberal arrangement toward this firm, enabling them to do a business with a far better chance of a fair return.

But these gentlemen were unwilling to recognize the fact that by virtue of the refining capacity being far greater than the requirements, it was necessary that the refining concerns in existence should either each take its fair proportion of the allotment of crude oil or return to the competition which had already proven so ruinous. But these selfish and unreasonable men thought that, after the Standard Oil Company had invested these vast sums of money to better this condition, that they could steal in and violate their agreements to restrict the amount of their allotment of crude oil as they had agreed to do with the Standard Oil Company as one of the considerations of the contract. I say these gentlemen thought they could steal in and violate this contract, which could not have been made with any other party and which was made because the Standard Oil Company had paid dearly in the investment of hundreds and hundreds of thousands of dollars to eliminate the same reckless men who had at first made profits by

but later had brought about conditions which made these men in 1870 willing to sell out. But, finding that the Standard Oil Company had made profit/ in the business and that now, contrary to the allegations of the "historian", conditions, instead of being steadily made worse, were, on the contrary, improved --

This whole affair of the complaint and the hypocritic1 assertions of this firm was nothing else but a means of voiding a contract which was a good contract for them; and the means of carrying out this contract had been dearly bought by the Standard Oil Company. But these men had already demonstrated that their contracts and agreements and covenants, made when they were greatly tempted by the profit which this contract surely gave to them, were, as our German friends of the same type stated, were a mere scrap of paper. And they went down to their death with this stigma upon them; they went down to their death with the consciousness that their children -- by reason of their wrongdoings they had failed to reap the benefits which the honorable shareholders of the Standard Oil Company received.

And this I know from personal conversation with representatives of one or more of these families who voluntarily made the statement that it was entirely apparent to the members of the family that, in the case notably of Scofield, a great mistake had been made. It would have been better if he had done as I wanted him to do and stayed in the Standard Oil Company.

But a redeeming factor in this connection is that the son of this very Teagle, after the observation of the folly, of the years of this failure to keep agreements, and the stigma resting upon his father and the firm for their unreliability and crookedness in business dealings and the knowledge of the fact that his poor mother was for long years in Hades as it were from the conduct of this conceited Englishman, John Teagle, her husband, who was also in a constant wrangle with Scofield and Shurmer for all these years --

I ask pardon for this pronounced expression in regard to these men. After the long years a resentment of their iniquitous course arouses the old feelings

of disgust and resentment caused by their mean and hypocritical proceedings, which brought them only dishonor and lost them fortunes, which they could have made by straightforward procedure and keeping their contracts.

I know what I have said on this subject this morning: I know it well. My head is clear; and I am not prompted to it by any other motive than that my son shall know the truth. I am not prompted by any desire to hurt their families; and surely I would not want to leave any testimony that would hurt Mrs. Teagle, the mother of the President of the Standard Oil Company of New Jersey, today. All honor to him ~~xxx~~ for what he has endured! I can understand what he must have suffered during the long years of that association, and how joyfully he turned away from them when the sale was made at last to the Standard Oil Company and he had the opportunity to cut loose and seek his fortune in an alliance with the Standard Oil Company as the representative coming out in a broader, more honorable relation with the business world. All honor to him! How much more difficult for him it has been than for a son who had always had the care of an honorable, upright father and honorable associates and attorneys and afterward up to his business career and up to the time when he found the deliverance which I experienced when originally I cut loose from Maurice Clark and James Clark, my old English partners and associates in my early business career! The sufferings I went through in those years, the humiliation and the anguish, I have not words to describe. And I ever point to the day when I separated myself from them by paying this large bonus as the beginning of the success I have made in my life.

And I desire to make my record this morning, the record of my gratitude for the eventful day and the results of it, for the great good fortune that has come to me and for the association with the men of a higher type, association with whom has been a great thing to me and a help and stimulus toward all that was

useful and high, not only in business association but in philanthropic endeavor.

I desire to add to this memorandum the fact, the fact which cannot be over-looked, and yet I deem it important to reiterate that the position in which the Standard Oil Company was placed, enabling it to make a contract which was so favorable to this firm of Scofield, Shurmer and Teagle was because in its effort, in which it had persisted against the continued opposition of these men whom it had bought out, or some of them, and against their violation of covenants and arrangements in connection therewith, it had persisted in its original idea of making it possible for all the refiners in the country to better their condition; and it did not allow the mean actions of such men to stop it, although it resulted in great expenditure and loss to it from time to time, accompanied with much annoyance and trouble.

And the constant endeavor of these violators of law and good morals to make it appear that they were the injured innocents when they were proceeding in such a way that the well meant endeavors of the Standard Oil Company, in which they still persisted, to bring all, the weak refiners as well as the stronger, into this compact where all would have benefited, and as I think of it now I wonder that they had not become discouraged and given up the endeavor and allowed the business to go to the dogs. Some men with less patience and persistence would have allowed the old conditions to continue to exist and the survival of the fittest in the cut-throat competition prevailing before the Standard Oil Company intervened, and would have seen all such men as these wiped out of existence.

But I am thankful that we did not do so and that I have lived to see that our course of patience, persistence and long suffering was right and that these ~~x~~ men who have gone down into the grave, as well as those living, bear testimony that they did not only the unfair thing but what was unmanly and unfair in the violation of their agreements with the Standard Oil Company; and the

Standard Oil Company had survived it all, maintained its agreements, has made a success, and today, in the case of President Teagle of the Standard Oil Company of New Jersey, and in many other cases, like positions though less important positions with the Standard Oil Company, the very opponents and those who vigorously fought the Standard Oil Company, came to see the wisdom of its course, to adopt its views, to cooperate heartily, and to administer its affairs themselves: occupy high positions in that connection.

And this history cannot be gainsaid any more than the fact, which must be patent to everybody, that this grandson of my first partner and son of John Teagle of Scofield, Shurmer and Teagle, is the President of the Standard Oil Company of New Jersey. And it is not claimed by anybody that I know that he is not an honorable, high grade man.

O ye great jurists, what higher proof do ye want of what I have been saying than this!

Q. T. p 166: "The making of this contract and its execution were attended by all the secret rites peculiar to Mr. Rockefeller's business ventures. According to the testimony of one of the firm given a few years later on the witness stand in Cleveland the contract was signed at night at Mr. Rockefeller's house on Euclid Avenue in Cleveland, where he told the gentlemen that they must not tell even their wives about the new arrangement, that if they made money they must conceal it -- they were not to drive fast horses 'put on style,' or do anything to let people suspect there were unusual profits in oil refining. That would invite competition. They were told that all accounts were to be kept secret. Fictitious names were to be used in corresponding, and a special box at the post-office was employed for these fictitious characters. In fact, smugglers and house-breakers never surrounded their operations with more mystery."

A. Strange, passing strange if true, that this transaction in connection with

most important business compacts was regarded as something belonging to the parties making the same and not to the general public! A business affair, among business men, for good business purposes, I suppose all of them regarded it as desirable, and not the Standard Oil Company representatives more than the others, that their business affairs should be kept to themselves; and the advice and counsel alleged to have been given by me in regard to making a display of their wealth, I may say, is nothing more or less than what I have been presenting to men , women and children, old and young, all my life. And it is the principle which I have practised.

As to the contract being signed at night and not in the daytime, I can not testify: I have no recollection. But it would not be surprising that, if it were signed at night, it was a matter of convenience to these gentlemen and perhaps of convenience to me, as in accordance with my custom from my early business career, I took as much of every day as was possible for recreation in the open air, and ofttimes a little business affair like this of signing papers could be attended to without interfering with the round of work and pleasure as afore stated, while we could get the full benefit of the health-giving rays of the sun.

How the poor "historian" shows her venom in the remark made in this connection in her "historical" record -- "In fact, smugglers and house breakers never surrounded their operations with more mystery"!

Poor woman! How she has degraded herself and failed of accomplishing her object to injure, to smirch, to overthrow the Standard Oil Company, to satisfy the petty spite against it because forsooth her father and brother could not compete in the oil business!

:- :

MR. R. VS LLOYD
CHAPTER 8

March 14, 1918.

Q. Ll p,84: "The people had made peace, in 1872, on the pledge of 'perfect equality' on the highways. Hardly had they got back to their work when they began to feel the pinch of privilege again. The Pennsylvania road alone is credited with any attempt to keep faith, and that only 'for some months.' 'Gradually,' as a committee of the people wrote to the managers of the Pennsylvania Railroad, 'the persons constituting the South Improvement Company were placed by the roads in as favorable a position as to rates and facilities as had been stipulated in the original contract with the company.'"

A. As to the reference of Lloyd to what the Pennsylvania road did with its shippers, I would not be so likely to know. The Pennsylvania Railroad was a past master in schemes to protect the patrons upon its lines, notably the shippers from the oil regions and from Pittsburgh, believing as they did that Cleveland had no right to have any part of the oil refining business, and being desirous as it was to monopolize and prevent the New York Central and Erie railroads from hauling the oil. With the same idea that, as it had a shorter haul, it had in the competition such an advantage as would enable it to live while others would lose or fail.

Now, what the Pennsylvania road did for its patrons at this period, which was quite an extended period, before the Standard Oil Company came to have any especial relationship with the Pennsylvania road, I am unable to say, further than that, notwithstanding the advantages presented by the larger shippers on the Pennsylvania road, which, while not nearly as great advantages as the Standard Oil Company afforded to those on the northern lines, or the New York Central and Erie; yet, notwithstanding this, as I think I have somewhere in these minutes indicated, it was found that even these most favored shippers, these large shippers on the Pennsylvania road, who supposed they would be entitled

to the best consideration, or at least to as good as anybody else; it was found that some small shippers -- though this was not discovered till some time afterward -- had been receiving rates quite as favorable as the larger shippers on the Pennsylvania road, and probably as low as the rates of the Standard Oil Company on the northern lines.

Here we are brought back again to the contemplation of the chaotic condition of the oil transportation, which was akin to the cut-throat competition among the refiners, and notably in the period of the late '60's. The sin of receiving a low rate on the part of these small shippers, who presumably were the ones our wise, academic "historian" is seeking to benefit and bless while he is seeking to stab the Standard Oil Company, by writing learnedly as he does with reference to questions which even the most astute of the oil shippers, with all the time they devoted to the freight question and with all the fears that they were constantly entertaining that some other fellow was, by hook or crook, getting some preference over them ---

The knowledge of the fact that this small shipper on the Pennsylvania lines got this low rate of freight to which I have referred did not reach us of the Standard Oil Company until the same came out in after years in connection with some litigation; and you may imagine the chagrin not only of the Standard Oil Company but of these large shippers on the Pennsylvania lines, after all their painstaking efforts to protect themselves, in the securing of the most advantageous arrangements for their transportation, some small fellows by hook or crook had gotten in ahead of them, and if not better off, were, to say the least, as well off as the most favored of these large and regular shippers. So it went.

But, of course, if we who were watching these questions night and day, as was necessary to prolong our very existence, could not discover the fact as to these shippers, we must not attach too much blame to our academic "historians,"

male or female, who had a great mission and that to overthrow this young and rising organization, which had assumed to start out upon the benevolent scheme not only of saving itself from ruin in the inevitably destructive competition which had been on for years -- notably late years of the '60's -- not only, as I say, to save itself but to do the unprecedented thing of undertaking to save all its competitors in the business. Now, this was not a benevolent scheme on the part of the Standard Oil Company, nor did they claim that it was a benevolent scheme; but they did claim that the refiners being in the same boat had a common interest, which if they did not protect they certainly could not look to the oil producers, the oil transporters, the oil consumers, the oil dealers, to the bankers, getting high rates on account of reducing credits, or to anybody else. Certainly they could not look to the railroads.

The railroads had more than they could do to take care of themselves, and in the vain effort to take care of themselves and secure remunerative rates they had brought themselves into the condition of these eager oil refiners who rushed madly into the business when it was profitable, and then were found like rats in a trap and were unable to get out until the deliverance came by the Standard Oil Company; and when the deliverance actually came, then some of these men were wise and extremely "knowledgeous," and the large losses which they had been sustaining for years were turned into profits, and prosperity was pictured where the evidences of desolation had been seen before. But why not take a more hopeful view of the situation if thereby they could unload their old junk on the Standard Oil Company, which was undertaking to carry its own load not only but the burdens of others? Having been engaged for years in the business of sinking their own ships and the ships of their competitors, why not jump on this criminal who had brought out the lifeboats to save them all? And

then, too, they were in the business of sinking ships!

How silly the whole performance was! How silly was the changed attitude of these men, talking about their "profits", when their bookkeepers knew very well, their bankers knew very well, and they knew very well, and the astute representatives of the Standard Oil Company could hardly be charged with lack of knowledge in the proceeding which they had inaugurated in the efforts to save the business from ruin; and they found, in the initial steps thus to save the industry that the larger men did not make the claim that they were prosperous or making money at all, but quickly assented to the proposition that it was a reasonable, practical thing for men in a sinking ship to consider together any means that were reasonable, fair and right to save themselves, and they were captivated with the idea that this salvation should extend not only to those who by combining together could have overthrown their weaker brethren, but to save them all -- but to save them all without these strong men outside of the Standard Oil Company having to put up one dollar of their own. They could realize what remarkable assurance, what pluck and courage these men of the Standard Oil Company had who not only volunteered to carry the enterprise through, but to carry it through and furnish all the money to do so.

Now, it was not an easy thing to furnish money. The Standard Oil Company paid as high as ten per cent. for money. They were very willing to pay it in these years to those who happened to have money. And the old original shareholders of the Standard Oil Company were thrifty, and they had credit on what were known as loan accounts, and received interest on it at ten per cent. So it can be seen that money was not a drug in those days; that money was very hard to obtain. And to obtain it the Standard Oil Company went on their knees to the capitalists of the country, some of whom decided after deliberation -- not to take one farthing interest in the enterprise.

MR. R. VS. LLOYD
CHAPTER 8

I may have said it before, but I am constrained to say, here and now, that there never was a fairer and indeed a more benevolent scheme presented to men sinking down with the competitions of business than this of the Standard Oil Company, and I defy historians, business men and all others to produce a parallel in the annals of history; and yet it was so new, so daring, and had been painted so unfairly that people were ready to believe and especially as these courageous men did meet with success, that it must have been a device of the Old Nick himself.

But it wasn't. It was fair and square and honorable. How thankful I am that it worked out all right, and benefited all who were connected with it, and is today the sustenance of widows and orphans and of countless benevolent institutions the world over!

Well, well! A great many words this morning; but I have been warmed up to it by the folly of this man's ridiculous stuff. I was averse for eight months to saying anything in response to these foolish writers; but now that I've got into it I find it interesting. It gives me many pleasant hours, not wasted, but useful as well as entertaining, and I am glad that my son will have this record.

: - - - - - - - - - - - :

INTRODUCING
HENRY L. DAVIS March 15, 1918.

Mr. Rockefeller said:

Since the minutes of yesterday morning I chanced to see in the Hotel Ormond, Ormond Beach, Florida, a tall, elderly man walking about, with the appearance of being in ill-health. To my surprise, he came up to me and spoke my name and asked if I did not know him. This was Henry L. Davis, who was W. G. Warden's right hand man in connection with the administration of the affairs

of the Atlantic Refining Company, which succeeded to the business of Warden, Frew & Co., Lockhart & Frew and others in Philadelphia. Mr. Davis remained in this corporation until 1889. He was well acquainted with Malcolm Lloyd and the two Harkness brothers of Philadelphia, one of whom is quoted by Ida Tarbell.

I had hardly seen Mr. Davis in thirty years. During all this time he had not been in any active relationship to the Standard Oil Company and had no interest in making any statements which were colored in any way regarding the old history. Furthermore, Mr. Davis was one of the many men chosen by the Standard Oil Company interests, among other reasons, for his character. Mr. Davis's statement would not be questioned by any who knew him.

To my surprise -- for I had forgotten it if, indeed, it had ever been called to my attention -- he related an incident of the old freight competitive days of forty or forty-five years back on the Pennsylvania road, in which he stated that Malcolm Lloyd of Philadelphia, a small refiner in competition with the Atlantic Refining Company, it was discovered in later years to their great surprise, had been receiving from the Pennsylvania Railroad Company lower rates of freight than they were favored with.

I mention this only as another evidence of the falsity of the statements of the upbuilding of the Standard Oil Company on rebates and drawbacks with which they were specially favored. Now, Malcolm Lloyd, was a relative of Henry D. Lloyd of Chicago, who wrote against the Standard Oil Company.

It had been said long years ago that the impression prevailed among the best informed people in the oil business that in some way the writing of Lloyd of Chicago had to do with the competitive relation of Malcolm Lloyd of Philadelphia with the Standard Oil Company interests.

Mr. Davis further stated that though the two Harkness brothers hitherto

referred to as competitors of the Atlantic Refining Company of Philadelphia and the Standard Oil Company, one of whom had given testimony for Ida Tarbell -- of these two brothers, the one only, and the one who did not testify, was actively related to the oil refining business, although Mr. Davis thinks he probably did have some financial interest in the same. But, as I have previously stated, the brother actively related came into the Standard Oil Company, occupied a high position and remained as long as he was desirous of doing active service, and retired, not only with an annuity from the company but with a competence and always with gratitude that, though he delayed to come in, he did not fail to do so in time to change his mind and reap the benefits of the co-operation which he afterwards so cordially approved of.

I will ask Mr. Davis, if I have the opportunity, as to whether the Harkness brothers had rates lower than the Atlantic Refining Company for transporting their oil. I must also ask him as to whether these gentlemen, that is to say, the Harkness Brothers, Malcolm Lloyd, or any other oil firms whom they of the Atlantic Refining Company bought out or consolidated with after they came into the Standard Oil Company, came in because they were bulldozed, threatened and told that if they did not come in, and that quick, too, that they would be ruined by the Standard Oil Company or by the phantom of the South Improvement Company which disappeared six years before, before it had an actual existence to do business, or whether they did not treat this negotiation with due deliberation, indeed with great deliberation, exchanging views from time to time extending over a long period during which they were all in business relations, in church or social relations otherwise, pleasantly related as neighbors and friends.

I only mention this recalling the strong and positive atatements from our

lady "historian", who painted the dreadful picture of the bulldozing tactics of the Standard Oil Company, when some six years perhaps before this time they were made by our "historian" and her servants who testified to say that they were informed that the Standard Oil Company had such advantages of freight arrangements and others that they could, not only but they would ruin them and drive them out of business instanter if they did not submit to their terms and sell out their business to them, then and there.

How strange it seems that those slow-going Philadelphians, who are still living and breathing the same as other people, without the threat of this nightmare over them, this threat that frightened all those who failed to listen to the war-cry of the Standard Oil Company!

But so it was; and I shall look with interest to have Mr. Inglis get from Mr. Davis's own mouth his statement, whether in all his experience or the experience of Mr. Warden, with whom he was so constantly associated, he had any knowledge of this bulldozing practice, which our correct and unprejudiced and unbusiness-like and academic "historian" laid down as one of the foundation principles of the ruthless endeavor of this wicked Standard Oil Company to crush out all rivals.

I have wondered, if this "historian" could have been willing to know the real truth in respect to this effort of the Standard Oil Company to centralize the refining business for the protection of all the refiners, weak and strong, engaged in it, ~~should~~ she could have been persuaded for love or money to tell the real truth about it, and whether if, having done so, the remainder of her life would not have been sweeter and happier, and whether with the consciousness of having done this fair thing she would not have realized that she stood much higher in the regard of fair-minded and unprejudiced people?

How trying it must have been to her in later years to be turned down by such

people when she sought to speak in public to still further vent her spite and prejudice against the Standard Oil Company and to justify if possible her wrong-doing in her "historical" writings!

This would not be recorded here with any view -- if I had any thought -- that it would go further than the private use of members of my family; but it may furnish some additional sidelight for them as to the motives influencing this woman to pursue this organization as she did, so unfairly, so persistently, a and even viciously, for long years. Although, as possibly I may have foreshadowed, I did believe at the time, and have been strengthened in my conviction since, that she would not have been moved to say as much as she did that was unfair but for some accidental conditions, we may say, respecting certain people whose relation to other business enterprises than that of the Standard Oil Company, with which enterprises the Standard Oil Company had no connection of responsibility, directly or indirectly. These doings, as I say, I fear may have led her to the extremes so unreasonable and unfair to which she went with her prejudices against the Company because of these particular individuals and actsas I say, and not at all -- for which the Standard Oil Company had no responsibility whatever.

As Mr. Rockefeller was leaving breakfast he met Mr. Henry L. Davis going in. He asked Mr. Davis if the Harkness of Philadelphia who testified and was quoted by Tarbell accomplished much as a business man.

"I don't know," Mr. Davis replied. "He was the best dressed man that walked on Chestnut Street. He was a fine gentlemen."

In response to other questions by Mr. Rockefeller as to whether Malcolm Lloyd, the Harkness brothers, or any other oil firms, were bulldozed or threatened into coming into the Standard Oil Company or the Atlantic Refining Company,

HENRY L. DAVIS
ON "CRUSHING"

Mr. Davis said: "There was no threatening that I ever heard of. They were glad enough to come in."

- - - - - - - - - - - - - - - - - -

I called on Mr. Henry L. Davis in his room at the Hotel Ormond, after breakfast. He is a very tall man, of spare build and delicate appearance. His manner is gentle, and he speaks quite without heat or display of feeling. He suffers from rheumatism; and as lying down eased his pain, he lay on his bed during our interview of half an hour. Before reading the testimony of William Harkness from Tarbell's "History of the Standard Oil Company," I asked him whether he was familiar with the book. He replied,

"No. I never read the book. I knew her attitude; knew her frame of mind, and that she didn't tell the truth; so I wouldn't waste any time on the book.

Mr. Davis seemed rather apprehensive of possibilities of publication of his talk; so I not only reassured him that it was for Mr. Rockefeller's private information but refrained from taking any notes. This report is written five hours after our conversation. Mr. Davis said:

It was not until long after Malcolm Lloyd came in with us that we found he had been receiving better freight rates from the Pennsylvania road than we had been. We made the discovery by accident. I don't know what rates the Harkness brothers had. I know nothing about the Chicago Lloyd.

All this talk about the Standard Oil Company or the Atlantic Refining Company bulldozing or threatening other oil refiners and forcing them to come into their organization is not only untrue but it is silly. That is an old tale, and I could never see any sense in it. I was in Oil City away back years before the Standard Oil Company was ever heard of -- or dreamt of either, perhaps. I was in the Oil City Savings Bank. I was not in the oil business,

but I was in contact every day and doing business with oil men. They came from everywhere, adventurers, looking for the quick fortunes that were said to be in oil. One thing I must say is that there were many honorable men among them, although there were very few, as it seemed to me, who had any business experience or judgment.

Of course, the oil business was very unsettled, fluctating all the time. A great many of the men in the regions who had plunged into the refining business found themselves deeply committeed and unable to get out of their difficulties when the market slumped. Sheriff's sales were pretty frequent The trouble was that often when the refiners were overstocked the European trade would shut down and refuse to buy a drop. The Germans had their men in the region, and when there was a big new strike they would notify their principals, who would stop buying. The refiners would find themselves swamped by their stock.

I knew Mr. Archbold, in the regions. He was a man everybody liked. He would have his joke and he was friends with everybody, and everybody trusted him. When he saw the way things were going, he was glad enough to go in with the Standard. And he persuaded most of his friends to go in with him. But as for there being any bulldozing or scaring about it, I never found anything that looked like that. I was there, right among them, and I knew what conditions were.

I was in Philadelphia with Mr. Warden long before he and his partners went in with the Standard. They had three firms. Business kept getting more and more uncertain. I remember being at a conference at which Mr. Warden and Mr. Lockhart discussed whether it might not be better to accept the offer made to them by the Standard Oil Company long before. They sat on either side of a broad desk in their office, a desk they had copied after one of the Pennsylvania people had. There was room at the end for the stenographer. I

was younger than those gentlemen; so my opinion was not asked; but I was at that conference.

The trouble was, as I remember, that they could not get their oil to the port as cheap as the Cleveland people could. The Pennsylvania Railroad was a rich company and it did not have to fight to get freight. It did not care to compete with Fisk and Gould on the Erie nor with the other roads on the north, and besides the Cleveland people had the advantage of the Erie canal. They said -- Messrs. Warden and Lockhart -- they had their money in their oil, and they couldn't get it out. They believed they had better agree with the offer the Cleveland people had made to them a long time before.

They did not buy us out. We went in with them on a basis of mutual protection. The appraisers were put in, and every plant was valued on what its productive capacity would be. And when we took in a lot of other refiners in Philadelphia and Pittsburgh we followed the same process. You see, Pittsburgh was the great oil refining center at first, but Cleveland, with its two competing railroads and the canal, came along and distanced them.

The consolidation of the different refining companies was done on a basis of saving our lives in a business way. Our three firms went in and formed the Atlantic Refining Company, and we took in thirteen refineries. Every one was appraised and valued as ours were when we came in. I was on the Manufacturing Committee, and took care of one of the refineries. Our business was to keep raising the standard of our product higher and higher. The legal tests were easily passed. We wanted to get a better product all the time. Each refinery was rated, after the monthly reports were read, according to the excellence of the product and the cost of production; and you can believe that the man who stood Number Thirteen or anywhere else down on the list would be in a hurry to visit Number one's factory and find out how he got results.

It was a Standard Oil company in earnest. And let me say, I never heard

of any of our people playing mean tricks on anyone; but all were kept up at the highest tension to outdo all others in making a first-class product.

Norris Harkness came in with us, occupied a high position and stayed on for many years. He was a Christian gentleman, a man of the highest character, whom everybody respected. I never heard what his brother did after they sold to us. I think he had some money. My impression is that they had inherited money originally. They got their investment back when they sold to us; or, rather, when they came in. Norris had a life position. We needed very many we could get hold of who had brains and character.

I always thought that the officers of the Standard Oil Company were not wise in letting all that abusive talk go by uncontradicted. I know that they said they hadn't time to bother with it; but I think they made a mistake. I remember speaking to Mr. Rockefeller about it once in front of No. 26 Broadway. He had been testifying somewhere, and he had made a very good impression. I told him that the Standard ought to be in a very different position before the public; that it ought to show how false the abusive reports were. I said that if the truth were known, how intelligently and faithfully the company worked to serve the people, it would be the most popular concern in the United States. See how safe they made the oil for everyone to use.

The outcry against the Standard Oil Company was such a false alarm! I remember reading in a Pittsburgh paper years ago a big article telling about a lot of refiners who had been "crushed" out of business by the Standard; and in the list were the names of many firms I remembered to have known & sold out by the sheriff in the oil regions years before, long before anybody had ever heard of the Standard Oil Company.

I told Mr. Davis that Tarbell declared in her "history" that Mr. Lockhart told her all about the conference at Saratoga between the Standard Oil Company

representatives and Mr. Warden and himself which resulted in the consolidation of their interests.

"What -- that canny old Scot?" he exclaimed. "That's funny! Who would believe such a story as that? Would you mind lending me the book? "

I left the book with him.

: - - - - - - - - - - - - - - -:

March 16, 1918.

I read to Mr. Rockefeller the statements of Mr. Henry L. Davis, pages 368 to 372 of this record. Mr. Rockefeller said:

Mr. Inglis has just read to me the statement from Mr. Henry L. Davis, and I am very grateful. Indeed, it seems a Providence that we should have met him. I think that there is no one left of the old Philadelphia and Pittsburgh connection with the Standard Oil Company, who also had this former acquaintance and good relationship with the oil regions by reason of a residence among the people there for several years, whose testimony could have been so illuminating as that of Mr. Davis. I rather hesitated to trouble Mr. Davis to talk about this matter, as he seemed so infirm. I was very pleased to meet him, and we talked over the good old days and the trying experiences, and I was greatly pleased that he was so willing and even desirous to add his word of testimony.

And as I get further along in this review I am coming more to the view of my son that it was wise and best for me to take the time and have recorded answers to much that appeared in the "historical" works and the newspapers which was false and which was published for the purpose of serving the selfish interest of the writers and those associated with them. But all of this was of no avail except in certain quarters it did tend to keep the people under a cloud respecting the real doings of the Standard Oil Company and its motives. And by virtue of not telling the real truth at the time, it is not unlikely

that the view which Mr. Davis entertained and gave expression to, as noted in his minutes in this connection might, as I say, have been better for us to have told the truth. But in many cases in so doing we might have revealed things in connection with our business progress and advancement that would have been advantageous to those who were abusing us and were engaged in the same business -- for this abuse was not confined to our "historians" nor to the producers, nor to the disgruntled refiners; but it was used -- that is, this prejudice which had been created by the false statements of the many different interests against the Standard Oil Company -- had been made use of by the competitors in the later years who, among other things, engaged in the newspaper business, or the magazine business, or connected themselves with other publications for the purpose of lessening our chances to get the patronage of the public and to further their own.

But in all this they failed ultimately, though the very abuse, so unpleasant, so unfair, might have been beneficial to us in certain ways. And if indeed it made us cautious, as we were always so in the limelight -- and this could not have been otherwise in the nature of the case -- if, as I say, it served the purpose of making us more careful to be certain we were doing the fair and honorable thing, very good! We were not unmindful of this; but I think so today more than ever. And twenty-five or thirty years have passed since I was in the heat of the battle, and I have had plenty of time to cool off and to review, and the convictions which I have recorded here grow stronger each day.

It is interesting to note that our friend Harkness who testified, but who was not actively related to the business of Harkness Brothers -- I refer to Harkness of Philadelphia -- who, Mr. Davis states, had the reputation of being the best dressed man on Chestnut Street, so that in his appearance before our lady "historian" we have not the only instance in which he was able to present himself

To advantage before the ladies of Philadelphia as he walked up and down Chestnut Street. This, however, with business people does not strengthen his testimony nor give any confirmation that he really had very much real knowledge about the practical side of the business. He was a different type from his brother, who afterward came into the Standard Oil Company and served his day and generation well in this connection. Mr. Harkness does not present the only example of this undesirable element -- I should say perhaps, unreliable element -- who testified to serve her purposes, the same as this Mr. Harkness, who evidently could not run a refinery in competition, or, in the words of the old-fashioned people, "couldn't keep a hotel," though he did parade up and down Chestnut street with fine clothes. And it occurs to me that possibly this tightening of the grip of a mysterious power referred to in the year of 1874 or '75, might have been that some of these new and beautiful garments had been drawn a little too closely around the waist.

Referring again to Mr. Davis's testimony, I must say that I did not suppose that in the case of this enterprising combination, including Messrs Warden, Lockhart and Frew, that they had come to a point of not making any money; but I rather judge that this must have been the case. And, if so, what shall we say of the riff-raff of other refiners all over the country? We may say, and it is a sad reflection, that poor old Malcolm Lloyd got a lower rate than they did. What a mix-up in this oil business -- in transportation as well as in refining! And what a pity that the "historians", Lloyd and Tarbell, did not come to know more about the real facts before they wrote! How interesting to note the remarks of Mr. Davis on the one hand, and how illuminating is his remark about the interview Tarbell says she had with Mr. Lockhart about the conference at Saratoga! How enlightening it was to the oil men, to think of this veteran, Uncle Charles Lockhart, unbosoming himself to the "historian"! Ha! Ha! It makes us laugh when we think of it.

But while we laugh we cannot keep back a tear when we think of the faithful and devoted services of this Warden Lockhart connection to the Pennsylvania road, and then to think of the Pennsylvania people throwing them overboard in favor of Malcolm Lloyd! Now, Malcolm may have had a secret partner who was an official of the Pennsylvania road. Indeed, I recall that in the case of Hanna, Baslington & Co. In Cleveland, who made some complaints, all of which did not avail to show the real reason for their failure in the refining business....As I say, that railroad connection did not suffice any more than did the alleged rebates with which the Standard was favored above others, form the basis of its success. It wasn't there. And the Standard Oil Company did not talk. As Mr. Davis says, they did not talk to justify themselves. But one thing they did do -- they everlastingly kept saying nothing and sawing wood -- and they did succeed. Sad to relate, but nevertheless true!

Mr. Davis states that these gentlemen in the Warden-Lockhart combination found there was nothing in it, and they thought that the Erie road must have given advantages to the Standard Oil Company. They never acknowledged to us that they had come to a point where there was no money in it. They never expressed to us the opinion -- that I have any recollection of, at least -- that they believed that we were getting any better freight arrangements than they were. And it must have been very sad and trying for them to learn that the Pennsylvania road, whom they did serve in every way, in season and out of season, to promote business in Philadelphia, to make it a great shipping point, had not responded in at least giving them as low rates as they gave to their small competitor, Malcolm Lloyd.

: - - - - - - - - - - -:

HENRY L DAVIS
ON "CRUSHING"

After breakfast today I had another talk with Mr. Henry L. Davis, mentioned on previous pages. He added a few details worth remembering. In the course of half an hour he said:

Mr. Warden told me that Malcolm Lloyd had told him he had made money, though not so much, before coming in. He came in, took stock in the Atlantic Refining Company, and grew wealthy. I never heard any complaint from the Lloyd side.

Mr. Lloyd's refinery had not the best equipment. We used the place, after a few months, only for storage: it would not pay us to use the ~~plate~~ plant.

I don't believe that Mr. Lockhart ever told Miss Tarbell a word about the conference at Saratoga, or anything else about his business. I remember that, after one of the early conferences that he and Mr. Warden had with Mr. Rockefeller, Mr. Warden told me that Mr. Lockhart had behaved like Bismarck, who could keep silent in so many languages: he simply sat there and kept silent in English all the way through. Mr. Rockefeller said afterward to Mr. Warden: "That's the kind of a man I'd like to have go fishing with me."

I noticed that, in telling of this alleged Saratoga conference, Miss Tarbell tells a lot about what Mr. Rockefeller could have said, though in her page it looks as if she were actually quoting him. And when she gives her allged authority for her story of the conference she picks out Mr. Lockhart, the only one of the four present who was then dead. All the others were alive, but she didn't quote one of them. But she made a great mistake when she picked on Mr. Lockhart as the man who told her -- or anyone else -- anything about his business.

Was Miss Tarbell's father in business in the oil regions, you ask? I do not remember him at all. But then, no matter how small he was, as I look at her, I believe she would be just as bitter if he had lost only one thousand dollars by standing out in opposition to the concern.

MR. R. REVIEWS
HENRY L. DAVIS March 18, 1918.

Mr. Rockefeller said:

I have been thinking about the statement of Mr. Henry L. Davis, formerly with Mr. Warden in the Atlantic Refining Company, to the effect that in the conference between Messrs. Lockhart and Warden at which he was present, they conceded that there was nothing in the oil business. They had been talking with us, on and off, of the Standard Oil Company, for years, and we were always hoping they would decide to come in and join interests with us; but, as I stated the other day, I had supposed that they had, at least, made a little something each year.

The picture Mr. Davis draws of the thirteen refineries which the Atlantic Refining Company bought out, or consolidated with, and the difference represented in the scale of the thirteen in the cost of refining, is a good example of what we were confronted with. And some of the poorest examples in the endeavor for economic reform we found with men who had been longest in the business, men of the type of some of these Englishmen, such as Scofield, Alexander, Shurmer, Teagle, Clark and others; and I am amazed when I review the history of those days to recall how utterly impossible it was for some of these men to bring themselves to the steps of progress necessary in reducing the costs, and in other ways to keep abreast with the times. Of course, this was illustrated also by the fact that, including other reasons quite good and sufficient, they had become imbued with the idea that no power on earth or in heaven could resurrect the business, so sick were they and disgusted with it, and that, too, after so few years had passed since the harvest time in which such large profits were reaped by the saloon-keepers and preachers and tailors and men from all the walks of life who were fortunate enough to find an oil still and apply the chemicals and cleanse the product so as to make illuminating oil.

These deep-seated prejudices to which I have referred were strengthened

by the fact that my associates and myself had not been familiar with the oil business as long as some of these men; and then, too, some of them were older, and it was very difficult for them to bring themselves to understand how men trained, as we were, in the conduct of other business in severe competition, could figure so closely and apply the teachings we had received in the hard schools in which fortunately we had been trained, where to live, to survive, to succeed, meant the closest attention to every expenditure and the most ingenious application of every progressive method, doing our own work as far as possible keeping our forces reduced to the minimum, looking always to the question of efficiency, and furthermore knowing the business from beginning to end so thoroughly that we were not dependent upon others whom we might employ.

My brother and myself notably, as well as Mr. Flagler when he came in later, had been trained as thorough accountants and office men, and had been made familiar with a variety of business undertakings in a broader contact in our earlier business lives, in which we seemed to have been specially favored.

What a school -- the school of adversity and stress -- to train a boy in! And how highly favored the boys are who have that training! My brother and I enjoyed exceptional opportunities in this regard; for we were trained from the earliest boyhood by our father, who was very remarkable as a young business man and sound and safe in his business undertakings, most liberal and kindly with his employees, yet eminently practical and keen and wide-awake and resourceful; so that, as I say, from our earliest childhood, with this environment, we imbibed these ideas with our daily food, and where we did not emphasize them enough this wise, able and positive man found ways, without difficulty and very readily, to re-enforce his teachings. And we can never be grateful enough for this training and experiences through which we passed, which, though very trying at h

the time to both, have helped to safeguard us in meeting the stress and strain and competition of busy, active, eventful lives, full of care, full of anxiety, it is true, and yet full of happiness that words cannot express: happiness because we were accomplishing from the earliest of our business experience we were triumphing over the difficulties; we were being strengthened and prepared to meet the larger responsibilities; and I think we had the experience of not feeling that any undertaking, however great, in which it was our lot to be engaged in after years seemed too difficult for us. But each new and greater work brought new and greater stimulus and strength and satisfaction, as we used our own wits and surmounted the obstacles and rode along easily to the success which has uniformly attended us through our long and busy careers.

When we reflect that ninety-five or one hundred per cent. of all business men in our country sooner or later fail, I must recall this morning with a grateful heart, for my dear brother as well as myself, feelings of gratitude which I have not sufficient words to express.

But, as I review, it is not so difficult to see why many of these men untrained fell out by the way when we came to the close and troublous times in business competition in the oil business. But I record with increasing pleasure and satisfaction that I have had a talk only yesterday with Mr. Davis again on this point, and, being assured by his statements, I rejoice, I say, to know, and to know surely, that though we were in a ship a good, seaworthy ship, and had every reason to believe that we could weather the gales and go on in the competitive struggle until these competitors were worn out and bankrupt, we believed we could make money for ourselves, we could save them, we could redeem the business, we could better serve our day and generation without hurting them; and so we took the idea of co-operation, and we held out the hand in most brotherly way to all who competed with us in the oil business;

and, so far as possible, we fitted into the structure any who had talents and who gave us encouragement to believe they could be made useful. And it is to be remembered, as in the army, many of these men were most useful because they could fit into certain places where it was not a question of their own initiative but they were willing to hear to others more naturally skilled in leadership and better qualified by experience to take the leading part; but they could and did stay by loyally and faithfully to guard the stuff, to observe the regulations of the new order, to take the dividends, and each day to grow and progress as they saw nothing but growth and progress on every hand; and it was interesting and most gratifying to find many of these men in a sense who had been living at a poor, dying rate, growing developing, growing in confidence, in themselves not only, but increasingly growing in confidence in their associates and the idea that had seized upon us and so taken possession of us that we could hardly eat or sleep, but were ever pushing on and on each day with new encouragement. And it isn't surprising that we did persevere, because, as I review it now, it was one of the most fruitful fields for improvement, for adventure, for the adoption of new ideas, and it kept working out better even than our calculations.

How happy these men, our associates, were when:

First, they obtained good salaries, a full compensation for all the services they could render --

But, on came the dividends, delayed though they were in order that we could be sure in our financial position, but on they came with regularity; and,with this coming, these shareholders saw, as the weeks and months went by, a real appreciation in the value -- real, not fictitious.

Any man who was a doubting Thomas and could hardly believe in respect to

this additional value that the united efforts of all these earnest men had resulted in of success -- so we were all encouraged and enthusiastic; and a beautfful thing about the whole matter was that there was a growing confidence; this was the cohesive power that held us together, this band of men who had been so earnestly competing against each other, turned from the strife of this competition with the unpleasant features attaching in the years past, now turning to each other and turning with increasing confidence and respect -- and why? Because it was more and more apparent to all that these men who were leading the forces so maligned by the public were square as bricks; their words as good as their bonds; and, though it seemed to be too good to be true, their efforts were put forth for every man, woman and child, no matter how small, whose interests were represented by the stock which they owned.

But I have run on in a direction I did not intend to refer, and overstayed my time.

Tomorrow morning I want to speak about the possible reasons for Warden Frew & Co. not having made money at a time when I supposed they were atleast holding their own. For they never whimpered, and they never talked to us about rebates and drawbacks as a reason for not standing up in this competition. They were manly men; they took their medicine; they fought their battles as men, commanded our respect; our relations of friendship, existing during years of competition, were cemented when at last we came together with increased enthusiasm to make the new idea succeed. And they added with their hard work their hearty co-operation, until at last Mr. Warden was broken down in health, and died sooner on account of his hard life struggles, and we much lamented in his going, especially in these years of his great activity, when he was enjoying with us the fruits of our united labors.

Happy, happy these years were, with all the struggles through which we

passed! Happy for us not only who led in the movement; happy for all who trusted us and cast in their lot with us! Not so happy for those too conceited, too crooked, too suspicious, to see any good which they themselves did not originate, or to realize that others might have been born for greater success and progress than it was possible for men to attain with their ancestry and their environment, and especially with that certain conceit which prevented them listening to any possibility of anybody besides themselves having one single idea that was worth giving heed to.

How sorry I am that they would not listen, and, if they could/ not themselves succeed, allow us to do the work and succeed for them, sit up and take their dividends!

But such is life. And my dear son will say when he reads this: "Dear, garrulous Father! He must have had a bad attack this morning!" But I could not help it. It had to be done.

: - - - - - - - - - - - - - - - :

BIOGRAPHY
ORMOND

MR. R. VS. LLOYD 395
CASE OF BENJAMIN CAMPBELL

March 19, 1918.

Mr. Rockefeller said:

I have been trying to think of another man, a small refiner, who was always making a great noise about rebates and drawbacks -- and the Standard Oil Company was one of the biggest targets at which to fire off these missiles. I have just thought of old Ben Campbell of Pittsburgh. He, perhaps, made as much noise as any small refiner in Pittsburgh. Uncle Ben was one of those virtuous, old-time men who could see the wrong in other people and talk much about the same, sometimes for publication in the newspapers. He could also arraign the officers of the railroad company and generally make himself disagreeable. It was interesting, after all these manifestations of one who, in common with our good friend (Mr. Downer) in Boston, and others, was opposed to the whole system of rebates and drawbacks "without he was in it."

Now, "Uncle Ben was in it, but he didn't say so much about the rates he received privately as he did about the rates that others received, or he alleged others received, when he was making his onslaughts on the railroad companies and publishing broadcast his sufferings on account of the Standard Oil Company -- and everybody else and anybody else having anything to do with the oil business.

In this way Uncle Ben threw a great deal of dust in the air. But in after years when the dust had settled down and the heat of battle was over, it was found, through some legislative procedure, or perhaps some litigation, that Uncle Ben Campbell of Pittsburgh had received the lowest of the low rates -- dear, virtuous old Uncle Ben! He kept still about his own rates, and continued to saw wood. It didn't matter so much afterward, when these troublous days were past, that it became known. Anyway, the fact was indeed disclosed that this man, who turned with righteous indignation against all comers who sought any

discrimination in rates, this man, Benjamin Campbell, had the lowest rates of all!

And this is a part of the history of these days of strenuous competition, when among those who failed in the oil business it was the fashion to say the failure was due to the discriminations in favor of the Standard Oil Company, or of the South Improvement Company -- this was more fashionable to charge -- that dreadful South Improvement Company, which never had any existence at all to do business. But it served to stimulate newspaper writers and "historians."

Pardon the length of time devoted to Uncle Ben's case; but I've been thinking for days about this individual in Pittsburgh without being able to recall his name. He was an older and a wiser man than most of the riff-raff of the small refiners, a trained man. He could keep his own counsel about any advantage he had, whether of rates, control of supplies, or of anything else, but at the same time make a great noise, with much dust thrown in the air to cover his retreat.

I remember Uncle Ben with only the most kindly feelings, and laugh when I think of the funny experiences of those days and the scramble of the virtuous in their efforts to do justice to what they imagined the wicked Standard Oil Company was doing. But, unfortunately for them and fortunately for the Standard Oil Company, the secret springs of its success they failed to reach, in most instances, until long after the knowledge could be availed of to yield them profits. These were the things which the Standard Oil Company believed to be their own; the result of their own industry, originality, enterprise, thrift. So they used them for the benefit of themselves and the benefit of their competitors -- all these legitimate advantages -- and went quietly along about their business, profiting; meanwhile receiving a storm of abuse from their less favored competitors and the jealous public. And we all would rather succeed

ourselves than see some one else succeed. This is poor human nature. And we did not complain.

Their activities were not adverse to us except in the matter of talking; and of that we did not complain. Their war of words was really good advertising. So attractive was this advertising that along came Lloyd and Tarbell -- and what a merry dance they had! Oh, those good old days!

At the risk of repetition -- and I realize that, in the nature of the case, this is hardly to be avoided -- I desire to add a word in regard to Scofield, and to say,

First, that when the Standard Oil Company bought out a competitive concern, either by issuing its stock for the purchase or by payment in cash, that the spirit and the letter of the transaction, as set forth clearly in the contracts which were prepared, contemplated that whatever was of value attaching to the business and the works, including good-will, it was reasonably to be expected were to go to the Standard Oil Company. These obligations men like Scofield and Shurmer, with some others, ignored. Their contracts in this respect, if they could find any loophole out, were of no value, though all the obligations we entered into with them were religiously kept.

We turned to the litigation with Scofield, which was with reference to the question of their exceeding an allotment assigned them in a contract made after they had broken the original contract, and after we had a right to expect, or at least good reason to hope for, the successorship of the patronage which they had from the buyers of refined oil and other products. We had bought and paid for this successorship. They had no more right to re-engage in the business within a fixed term -- ten years, I think it was -- than a man would have to sell a horse and receive his pay for the same from his neighbor, and afterward go to his neighbor's stable and call the horse with

the old, familiar voice, and take his halter and lead him back to the old home.

Among honorable men, of course, this man would have been called a horse-thief. But Scofield was so desirous that the laws of the land should be observed, especially when it suited his purpose, that he violated the contract he entered into supposedly in good faith and pleaded "a restraint of trade."

Now, a restraint of trade was the last thing that could be fairly charged against the Standard Oil Company. The Standard Oil Company was doing just the opposite. It was expanding trade every day. Many others had restrained trade by putting out oil which prejudiced the people against kerosene oil, as it was termed, as an illuminant, because of its poor quality and consequent great danger and also consequent restraining of trade, or restraining of consumption which made a restraint of trade. The Standard Oil Company went vigorously about the expansion of trade by giving the people an oil that they would call for a second time and that they would use without fear of the explosions which had brought no little prejudice in many quarters against this new illuminant -- providing that it would not explode and burn up the house and family.

In the second contract made with Scofield and his associates, Shurmer & Teagle, we were obliged to deprive ourselves of the right to the volume of business which we had purchased from him and other competitors, and to that extent let our works lie idle and give to him what belonged to us and shelter him by having removed the cut-throat and irresponsible competitors who had ruined the business. We had, as I say, placed ourselves in a position where we could protect him, and that was a part of what we had agreed to do, even though he had violated his other contract and shown himself entirely unworthy of our confidence. We made this contribution for peace.

And this virtuous Scofield, with his associates, Shurmer and Teagle, when

they found that we could indeed and did protect them, and they were assured by this protection of a profit, which we had dearly bought of them and others, with a lack of the restraint which high-grade, honorable business men recognize, they could not withstand the temptation to "hog it" -- I think I'll use that word -- and, with all sorts of talk about restraints of trade, rebates, drawbacks, and what not, proceed with the endeavor to get still more of an allotment, which they did actually do without our knowledge or consent,and then when we protested, and sought to have them come back to a recognition of their agreement and continue with us, made it the pretext for all the pleadings and virtuous propaganda, which, by the bye, utterly failed and proved to be a boomerang and discrediting them before honorable business men and showing them up in their true light.

All this they did, and it was in utter disregard of all that was right and fair and honorable between men of honor. But this was a quality that the gentlemen lacked, and so they were willing to plead the baby act, or anything else, if so they might get back the horse they sold, or by hook or crook get some money that did not legitimately belong to them. And this is not an overdrawn picture respecting these men, and I say regretfully that they were a type of not a few who had not sufficient integrity to stand up and do as they agreed to do, if by breaking their contracts they thought they could make more money.

And all this procedure was against a group of men who were doing what? They were putting forth their best endeavors to save this business from destruction and to build it up against all the persistent endeavors of these crooked schemers who lacked vision and played the dog in the manger act rather than come out in the open, keep their agreements, move in accord with their less favored brethren and join heartily to redeem a business which we thought

MR. R. ON SCOFIELD
"RESTRAINT OF TRADE"

had a promise of success if it could be controlled on honorable business principles and conducted on progressive, economical methods.

But these men went their own way, made their own bed and had to lie in it; and they have gone down in disgrace, as I have previously stated, and I am sorry for it. How much better it would have been for them if they had been fair and square with themselves! But their failure to do this was on their own heads, and it was so, notwithstanding all their efforts to keep before the public as upright men and to lay the blame of their wrongdoings on the Standard Oil Company -- and anybody and everybody else! But, as Lincoln said: "You can fool some of the people all the time and all of the people some of the time, but you can't fool all the people all the time."

And so they must stand, on their own record. We are willing and happy and rejoice that we can stand on ours. And we are willing to leave to the fair-minded historians our case just as it stands; for, with all its mistakes and shortcomings, the silver thread may be found and is found all the way through -- the honest purpose, the fair dealing and the reward, a reward of merit -- pardon me for saying it! -- to a combination of men such as were never before brought together in a business enterprise.

: - - - - - - - - - - - - - - - - :

MR. R. VS TARBELL
BIG COMPETITORS
GLAD TO JOIN

March 20, 1918.

Mr. Rockefeller said:

Referring again to my minutes in reference to Scofield, Shurmer, Teagle, the Clarks and others of this type, I do not wish to be misunderstood. A long time has passed since the experiences to which my attention has been brought. Now, in the review of that early history in the oil refining business -- and I long since ceased to cherish feelings that come as I am more or less stirred up in the closer and more careful consideration and review for the purpose of these minutes -- there is nothing remaining of harshness or bitterness. I can see more in the light of history and the relation of events which I could not so clearly see in the heat of the battle, and I can exercise and do exercise tolerance for many of the things that seemed at the time unbearable.

Whatever these men may have done that was wrong toward me and toward my associates, and however they may have twisted their wrongdoing to suit their purposes and make wrong seem right, I must not forget that they were in an embarrassing situation and resorted to any and all devices to rid themselves of the stigma that rested upon them, and does rest upon them, because they failed to come up like men and respond to the kindly treatment which we were always disposed to accord them and which we did indeed accord them. So, with this memorandum I want to drop this feature from my mind and have restored to me the normal, quiet, peaceable feeling that is so helpful to me in doing the work that comes in each day, as well as for health and usefulness in any sphere.

We all make our mistakes, and I am sure some of these men, in the light of all that has transpired since those early days, would not again be guilty of the same unfairness toward us. They have found ever since that we have been fair and kindly and considerate of them, notwithstanding what they did

toward us.

They did not succeed, and we did; and we ought to be very grateful for our success, and we are; and we ought to be mindful of the obligations that come with such success; and numbers of our people, I am happy to say, have used their means and their opportunities to great advantage to help make the world better with the fruits of their toil and struggle in the business life.

But in these matters each man must bear his own responsibility. Mere talking about what a man is going to do tomorrow does not meet the obligation. How much it is to be regretted that so many men are doing this continually while wasting this period of their lives, to waken too late to their lost opportunity! The opportunities come to every man for doing good with his means and using his gifts to make things better in the world; but unless he makes a beginning -- and I think often the most successful endings along these lines of work are from the most modest and small beginnings, and the earlier in life a man is made to realize that as he gets he must give out, the less risk he runs, as with this education with the small gettings he can get, much experience indispensable indeed to him in determining the larger problems of giving; and the underlying principles he can become familiar with, even in the small affairs of philanthropy and benevolent work generally, and religious as well.

So that my counsel to every young man would be to begin to give as soon as he begins to get. In this way I have had great happiness. Time has not hung heavily upon my hands. The varied interests which have been near and dear to me have been more and more absorbing as the years went by -- interests looking to the uplift and well-being of others, and it would be difficult for me to enumerate the different ways in which these benefits have come to me. Each day of my life has been worth the living, full of happiness and

BIOGRAPHY
ORMOND

MR. R. VS TARBELL
BIE COMPETITORS
GLAD TO JOIN

hope, with something to accomplish.

I turn to Warden, Frew & Company, as I have been thinking since my last memorandum in regard to their status when they united their interests with the Standard Oil Company. We find from what Mr. Henry L. Davis tells us, as he states it, that there wasn't anything in it. Now, we can all understand that where a man conducts a business and realizes that, while he may keep his capital intact, while he may hold on, as we say, by the eyelids, and not actually lose ground, that it is a very discouraging proposition to look over the balance sheet at the end of the year and to discover that, after all the anxiety and all the risk of losses which might have resulted in wiping out a part of the business, actual working capital, which would be like the beginning of letting of the waters into the lifeboat and which would naturally fill a prudent, thoughtful man with anxiety, expecially as it would naturally result in his being obliged to look to his bankers for additional loans, and they, in turn, with their keen perception of business affairs, would begin to inquire the reason for the need of additional loans . . . .

It would be hardly possible to prevent them from begimning to reach the conclusion that dry-rot was beginning to set in, in which case we all know how quickly the banker would withdraw -- with many kind explanations; how keenly the borrower would seem begin to realize the change in his condition. Professional men cannot understand how keenly sensitive business men are to the matter of their credit, and how very important it is that it should be maintained.

Now, under these circumstances, I can see that it was not difficult to understand why a man of the type of Charles Lockhart, who, though not so actively related to the business as was Mr. Warden; a sensible, practical, clear headed, strong man; nevertheless, with his conservatism would become very

BIOGRAPHY
ORMOND

MR. R. VS TARBELL
BIG COMPETITORS
GLAD TO JOIN

thoughtful over a situation of this kind; and how, notwithstanding all his pride in his own independent business organization, his high standing in the community, a necessitous situation, such as we had in this early period of the refining business, would naturally bring him to a most careful consideration of the views presented by the Standard Oil Company of the necessity for the refiners to come together for counsel and to study well how they might proceed to bring profit where loss was at the door.

But it is to be remembered that this concern was very deliberate. They looked over more than one balance sheet. They had many different meetings, much of contact, much of study, with reference to the question whether the views of the representatives of the Standard Oil Company might not be best -- that is, that all should unite. And, when I say "all," I do not mean that all the strong and able should unite and wipe out the weaker ones, but unite in accordance with the views in reference to which the Standard Oil Company was more and more enthusiastic all the time: that all should join; that all should have ap part; that all should secure the benefit, if benefit should be secured by this united, cordial co-operation.

Then, too, these representatives of the Standard Oil Company were having a practical experience in connection with the men who came in, with the constant expressions of gratitude of these men, who began to gain in avoirdupois, to look up and to laugh, to be cheerful, to be hopeful, as they saw in contact with the daily administration of the affairs of the Standard Oil Company, in which they were now cordially and happily co-operating, and beginning to feel that on them was resting a share of the responsibilities.

These Standard Oil Company/people* in their interviews with Warden, Frew & Company were enthusiastic, hopeful, more and more all the time, as they were

* men so associated had a different viewpoint in regard to the whole proposition from what, for example, Warden Frew & Company had. Warden, Frew & Company were viewing the new scheme from the outside, while the Standard Oil Company

MR. R. VS TARBELL
BIG COMPETITORS
GLAD TO JOIN

having practical demonstrations which were reassuring, and, furthermore, they were gradually making money, which enabled them to place cash and assets worth one hundred cents on the dollar on their books in place of the old junk which they had taken from their competitors, Scofield and others; and so they were reassured financially, they were confident, and though they had their problems financial which brought no little anxiety and stress, yet they were not in a sinking ship.

They were more conscious all the time of their strength and their ability to make the thing go and succeed. Their bank account was increasing, and, as I say, they were wiping out the poor accounts which represented much of this old and worthless construction which they had taken from their unfortunate competitors who lost out in the competitive struggle; and then again these discouraged and unfortunate neighbors and friends, as I say, were beginning to have new life and hope, and with it were each day themselves more efficient as factors in the problem of upbuilding which was to take the place of the downhill movement of the preceding years.

So we were a happy company and hopeful, and our courage increased with our success, and we had constant confirmations of the wisdom of the course we had adopted, and we inspired others, such as Warden, Frew & Company, and others no doubt, in our different meetings, with the belief that the thing was bound to succeed, working on this new idea and all joining hands and all pulling together.

But note: Warden, Frew & Company, with all the enthusiasm of Mr. Warden, could not expect to bring conservative Charles Lockhart to put in his good money to make up losses -- at least, with a man of his type, this would have been a process like unto the use of a corkscrew. So that, in view of conditions evidently prevailing with these enterprising and hitherto successful

men, it is not surprising that they did not have the money to go forward with new investments collateral to the refining industry, in which we were constantly putting in the profits which were increasingly coming to us in our more progressive way of conducting the business, even in this resurrection period just beginning. We were young and somewhat plucky, and some people thought us over sanguine and said that we were a rope of sand, and that the frail bark would soon tip over; but we were not a rope of sand, and the frail bark did not tip over: indeed, it became stronger every day, and inspired confidence in our competitors to get on board.

And so they kept coming, and we kept growing, and as they came they helped with all their might, and the old ship did not go on the rocks, though she often bore down heavily on the Rockefellers, as well as other strugglers to develop this new idea.

I recall how ready the members of Warden, Frew & Company were after coming in with us not only to accept the new ideas, but also, expecially in the case of Mr. Warden, they were very fruitful in advancing new ideas for steps of progress involving large sums of money, and they were more willing possibly to urge these advanced steps because they soon became some way full of confidence that these Rockefeller boys would in some way see to it that the money was forthcoming. And it never failed to come, although the getting of it in sufficient quantities was often like pulling teeth. And my dear brother William, being located in the metropolis, where the opportunities were better for securing money, had upon him this great financial burden, and he showed marked ability in keeping a steady nerve and presenting our cause well to the bankers, and we were all careful to make sure that the bankers would have no reason to doubt or question, although competitors and jealous opponents were

fruitful in circulating reports of all kinds against us in financial districts.

Just this added word as to Warden, Frew & Company, our much respected competitors and our lifelong intimate business associates in the Standard Oil Company and warm personal friends: It was not surprising, after what I have stated referring to the explanation of Mr. Davis, which brought to me a new viewpoint, it was not surprising that they should not have gone on, as we had steadily done for years, investing money -- which history shows they did not have to invest. It wasn't there! It wasn't in the business!

But they were progressive; and no sooner had they come in with us, into the Standard Oil Company, than they were among the most prolific in suggestion and urgency for progressive steps involving larger and larger outlays of money, which, in common with our other progressive steps, brought us great prosperity in the place of the unfavorable conditions before we united our efforts as refiners to better and build up this overburdened and broken down industry.

- - - - - - - - - - - - - -

On the way to breakfast Mr. Rockefeller said:

What good fortune it was to meet Mr. Davis here! I think of it more and more. What a blow his sincere, truthful story strikes on the false structure built up by the malice and distortions of fact by Tarbell! Think of it! Here are Warden, Frew & Company and their keen, shrewd associate, Charles Lockhart, going on, month after month, not able to show a profit -- "not able to get their money out of it," as he phrases it. We had been talking to them for years, urging them to come in. You remember in our earlier memorandums I recounted that we went in along with them in the South Improvement Company, the scheme of Thomas Scott, in which they had become interested -- we went in with them, not because we believed that it was a good scheme or that it would work,

MR. RL VS TARBELL
BIG COMPETITORS
GLAD TO JOIN

but in order to keep up our good relations with them and so be able to get their sympathetic attention when we should propose our plan of co-operation for all. And now the time had come, and they were convinced as much by their lack of success as by our arguments.

And if these keen, shrewd, experienced business men were losing money in the oil refining, what chance had the smaller men, the ill-equipped man, as to whom Tarbell makes so much noise? Is not the cause of their distress apparent? Oh, her stuff is ridiculous! But we shall not bring her back to life by starting any controversy with her. The plain recital of the truth is enough.

MR. R. VS LLOYD
CHAPTER 8 CONTINUED April 18, 1918.

Mr.Rockefeller resumed today the consideration of Lloyd's "Wealth Against Commonwealth," on page 84, Chapter VIII, the point where the work was left off at Ormond, Florida.

Q. Ll p 84: "By 1874, twenty pipe-lines had been laid in the oil country. Eighty per cent. of them died off in that and the following year. The mere pipes did not die; they are there yet; but the ownership of the many who had built them died. There were conservatives in the field to whom competition was as distasteful as to the socialists. To 'overcome such competition,' and to insure them 'a full and regular' and 'remunerative business' in pipe lines, in the language of the South Improvement Company contract, all that was needed was to put into operation the machinery of that contract which no longer existed -- in name. The decease of the name was not an insuperable obstacle."
A. These could not have been trunk pipe-lines. Pipe-lines were built to the wells wherever oil was produced in sufficient quantities to pay to build such lines; but the production of the oil fell off, and these pipe-lines were left without work to do. Then, too, in the pipe-line business as in the refining business, when more economical methods began to prevail it was undoubtedly found to be much more profitable to pipe a full volume through fewer lines rather than keep up organizations at each of many lines with all the expenses attendant, thus entailing additional cost to the consumer of the oil, and the people accustomed to the haphazard methods of doing business, who were rich today and poor tomorrow, were not always careful to consider questions of this kind. Here, as in other departments of business, the academic and untutored were doomed to failure, but it was not regarded by sensible business men of the highest character as criminal or an offence in any way to pump the product of a section of country through one pipe at a cost of one, for example, rather than through ten pipes at a cost of ten, so long as thereby the greatest good was secured

to the greatest number.

You will recall in this connection that the men who teamed the oil in the former years to railway stations not far away got exorbitant prices for this work, sometimes as much as or considerably more than the cost of transporting the same to the seaboard. You will also find that these gentlemen who teamed the oil thought it a great crime for progressive people to convey the oil through pipes, and so outraged were these teamsters at the idea that anybody had a right to introduce a new method at a reduced cost that they felt it to be their due to smash the pipes and destroy them. Such methods did not permanently prevail, any more than the criticisms of prejudiced writers would permanently make rational people believe that a small quantity of oil should be sent through each of ten pipes rather than economically send the same quantity through one pipe with comparatively very little cost for the power and superintendence.

This same principle applied from beginning to end in the oil business as well as in other mining business; indeed, in many and possibly most of the businesses organized in the way in which the mining business is frequently organized in new fields of development, where multitudes rush in for a chance over night and as quickly rush out when the excitement is over. The old-fashioned economical methods were found to prevail. They could not be prevented any more than water could be prevented from running down hill, and the men who had the courage to stand up against the silly chatter of the untutored and foolish people were the ones to reap the benefits. And in their experience they had what others have had in any other realm of business where the best methods superseded the haphazard.

As to the railroad rates: After the long years of unprofitable business the wonder was when the railroad companies finally found that the

Standard Oil Company interests, with whom they all began to have dealings, were not at all opposed to their receiving fair and remunerative rates, did not seek to Jew them down, but co-operated with them to the end that they might get a return on their invested capital. But the wonder was that they had not made rates higher. However, it is to be said in reference to that, that the Standard Oil Company, while perfectly willing that the railroad companies and all others associated with them in handling the product in any way should have a fair return, based on their hope of profits, a fair, remunerative return, on large, regular business with a reasonable profit, keeping ever in mind that an excessive profit would kill the goose that laid the golden eggs and stimulate capital, ever keen-eyed, for the opportunity to rush in, and in so doing deprive the refiners, transporters, producers and others of the chance which began to seem a possibility for them all to be remunerated for valuable services rendered.

It is to be remarked here in respect to all these interests indeed that the rule is that where an industry has been greatly depressed for a long period, has been conducted without a profit and indeed at a loss, the consumer in the end has to pay for at least some proportion of this loss: else capital, always shy and cautious, would be less inclined to take the risks, ordinary risks, accompanying any business venture.

Our "historian," who yet had some things to learn about business affairs, might have taken a different view of the whole situation if he could have considered the whole situation apart from an unjust prejudice which had overtaken him, in common with some others who had allowed themselves to be misled by the false statements of yellow journals and other prejudiced utterances of unreasonable competitors and others who were always seeking to charge their own lack of success upon somebody else; and the Standard Oil Company, growing, as it did, rapidly, came to be a favorite target for many

of these who otherwise might have most naturally settled down to the conclusion that if they were to succeed in modern competition they must use, not the old, superannuated methods, but avail themselves of every step of progress.

This, we note, some people cannot do. For example, as we go through the farming country we find a successful farmer in the field adjoining the man who is still pursuing the ancient methods and always grumbling about those who in some manner to him very mysterious and probably very wrong are getting on better, sending their children to the academy, buying melodeons, painting their houses, and otherwise giving evidence of a prosperity that he knows very well could not prevail with honest methods.

Q. Ll p. 85: "In exact reproduction of the plan of 1872, the railroads, in October, 1874, advanced rates to the general ruin, but to the pool of lines owned by their old friends of the South Improvement Company they paid back a large rebate. That those who had such a railroad Lord Bountiful to fill their pockets should grow rich fast was a matter of course.

"Getting this refund they got all the business. Oil, like other things, follows the line of least resistance, and will not flow through pipes where it has to pay when it can run free and get something to boot. Nobody could afford to buy oil except those who were in this deal. They could go into the market, and out of those bonuses could bid higher than anyone else. They 'could overbid in the producing regions, and undersell in the markets of the world.'"

A. It is hardly necessary to repeat here in respect to railroad rates what we have restated at different times, and I am stating it now with clearness and without any qualification whatever, that the Standard Oil Company interests rendered a service to transportation interests generally for more than

they received from such interests which transported their products for them compared with the rates which were received by the small and scattered competitive shippers. I repeat here again that, as we have previously stated in these notes, such small shippers were found to have had rates as low as or lower than those who, they alleged, were the favored shippers. Of course, all sought to be the favored shippers. In other words, each shipper sought to make the best arrangement possible.

I regret much that the "historians" who have been misled and who have misled the people and who have been, I believe, the means of incalculable harm to the people generally, I regret that these could not have been in such an intimate relation to the oil business and to the business conducted by the Standard Oil Company from the beginning that they could have seen and known as we see and know who conducted the business, and with this knowledge I am certain that they could not have found any justification for the many complaints which they have made and which have reflected upon their lack of knowledge it may be and in many cases unfairness governed by prejudice. And I'm making this statement now, after the lapse of long, long years and without any sense of resentment or unkind feelings, and with nothing in the business way to profit by making the statement.

Q. Ll p. 86: "This was not all. In the circular which announced the bounty to the pet pipes there was another surprise. . . . The Cleveland refiners, whose location was superior only for the western trade, were to be forced into a position of unnatural equality in the foreign trade. In short, the railroads undertook to pay, instead of being paid, for what they carried for these friends, and force them into an equality with manufacturers who had builded better than they."

A. I will repeat here that the refiners in different locations were fearful

that with the growing power and influence of the Standard Oil Company their different locations, some of which were of the least desirable for the conduct of the oil refining business should not be disregarded and wiped out as places to conduct the business; but so far as possible we would use our influence to maintain with as much regularity as possible the conduct of the business, securing employment to the people who had established themselves in their homes and who had their relations established in these different centres from whence they were reluctant to move; and if this principle, the application of which met with such general satisfaction when applied to the least favored locations was applied to a location such as Cleveland, in a large and growing city with good distributing connections for the home trade to the west, there was no reason why this principle, as I say, should not be applied to Cleveland as well as to these less favorably located places where the business was conducted on a much smaller scale.

But notwithstanding the allegation of this misinformed "historian," the Standard Oil Company, much as it naturally would be inclined to do for the town in which it had its beginnings and many pleasant associations established and continued for years -- the Standard Oil Company, I say, was abused by its own people, or, rather, by its local newspapers, in the same spirit in which some other newsgatherers proceeded, even though Cleveland steadily grew and could but regard its help as very valuable in her growth and progress. Here we have again a picture of poor human nature which it is not so pleasant to look upon.

But notwithstanding all these kicks and cuffs the Standard Oil Company went steadily forward and did with each locality just what it agreed to do when it originally announced to each locality its willingness to take in all oil refining establishments on a fair basis and recognizing each refining point: that is, to see that the business was not taken away from any place

where it had hitherto been conducted.

It must be apparent to people who could take a comprehensive view of a situation so complicated that the Standard Oil Company had a large task on hand in undertaking to serve everybody and please everybody and save everybody, including the many who would not be saved excepting in a particular way that they had marked out, and who were found continually taking away all their chances for success by their unwisdom and indeed by the persistence in their reckless and unwise business administrations.

April 19, 1918.

Before beginning work Mr. Rockefeller asked to have re-read, from page 85 of Lloyd, the following:

"In exact reproduction of the plan of 1872, the railroads, in October, 1874, advances rates to the general ruin, but to the pool of lines owned by their old friends of the South Improvement Company they paid back a large rebate. That those who had such a railroad Lord Bountiful to fill their pockets should grow rich fast was a matter of course."

Mr. Rockefeller said:

The Standard Oil Company gave the railroads their most profitable oil traffic. The Standard Oil Company were not indebted to the railroads or to their competitors in the oil business for their prosperity and upbuilding. The service they rendered the railroads and the rates of freight they paid were in excess of the known rates which the railroad companies paid to the smaller shippers, but the known rates which the railroad companies gave to the smallest shippers were not the lowest rates smaller shippers received. But these lower rates were private, and some of them were not known until years afterward. The talk of the Standard Oil Company being enriched by

some contribution or favor from the railroad companies is all nonsense. The railroad companies received more from the Standard Oil Company than the Standard Oil Company received from them. And the Standard Oil Company did not desire the railroad companiex to do their business for them on an unprofitable basis, and this was well understood.

And the rates of freight which they received for transporting the oil after the Standard Oil Company came into a position of greater influence were a very substantial increase over the cutrates existing during the chaotic period in the oil refining and transporting before the Standard Oil Company began its mission of placing the whole business on a substantial foundation. And the question of whether this was accomplished or not is a matter of history of the last forty or fifty years, to which the Standard Oil Company not only but rightminded, enterprising and leading business representatives of our country look to and point to with pride and satisfaction.

- - - - - - - - - - - - - - -

Resuming the questioning where it was left off yesterday:

Q. Ll p. 86: "'Do you do that in any business except oil?' the most distinguished railroad man of that day was asked. 'Do you carry a raw product to a place 150 miles distant and back again to another point like that without charge, so as to put them on an equality?'

"To which he replied -- it was he who could not remember that he had ever seen the South Improvement Company contract he signed in 1872-- 'I don't know.'"

A. The question of hauling the oil longer distances to place all the refining points on a parity was the simplest business proposition. The men engaged in refining at all of the points, whether favorably located or otherwise, would naturally continue to struggle to retain their business, and so long as this went on the unfavorable conditions in transporting and refining were

bound to exist. Nothing but an agreement on the part of the railroads to recognize that their competitors were to have a part of this traffic, even though it did not prove in this competition to be the most profitable traffic, and the position of the refineries, even at the most unfavorable localities that they could not be forced out of business, would have been held to until they were actually exhausted and bankrupted. So that it became a question of whether it was not wiser to recognize the fact of the investment of large capital in the business at the different points and also the fact of the investment of large capital in railroad facilities which might not have been the most favorably located for the transportation of the oil, and in so recognizing make some reasonable agreements which could afford a remunerative return for transporting and for refining.

Indeed, this was the only possible way to resurrect the business, and the question of an improvement in conditions was very vital not only to the transportation interest but to the refining interest, both of which had suffered large losses; and in referring to the upbuilding of the Standard Oil Company from considerations received from the railroad companies, I may state here that after this long and unsatisfactory competitive condition the railroad companies had no money in their treasuries to waste on the Standard Oil Company or any other shipper. What they were seeking after was to save themselves from a discontinuance of their dividends. This most of the oil refining companies were forced to do, and one or two of the strongest of the railroad companies which boasted most of their ability to wipe out their competitors were forced to discontinue paying dividends for a period. Furthermore, as this reference of our "historian," who still lacked the necessary information to give a correct history respecting the oil business and some features of the same which his prejudices had led him to portray in a way that did not accord with the knowledge of those best informed in the business, if he had known

better that the product which he refers to as being hauled 150 miles away from the oil regions and then returned to the seaboard, was, as a matter of fact, not all hauled in this way, but that Cleveland had a steady, increasing trade in the country still further removed from the oil regions, and Cleveland was on the way to reach thistrade. So that to the extent of supplying this trade there was no necessity of hauling it back. But it was indeed directly on its way to the market. But the Cleveland refiners were not publishing to the world this or any other consideration that had enabled them to continue to exist, though most of them in the last few years of the strenuous competition did barely exist and were living at a poor and dying rate.

This consideration, however, was one of the reasons which justified the existence of the business at that point. It is to be remembered, also, that afterward oil was discovered further on and nearer to these points where the supply had been given from Cleveland, as for instance Lima, and later the different Western points and the far west. Then,too, as has been conceded by the different historians, Cleveland could not be ignored, and it would have been the height of unwisdom to have continued to ignore her as a refining point, because, if the railroad companies demanded excessive rates of freight she could resort to her former practice of shipping her export oil by lake and canal. This, however, could not be done by the small and irresponsible refiners for lack of financial strength. This the Standard Oil Company even before its increase by uniting with other refiners was always enabled to do; but it required a largely increased cash capital to make shipments by this slower means of transportation.

I must believe if our "historian" had chosen means for informing himself, which he readily could have done from the best informed in the oil business, he would not have allowed himself to be led on by prejudice or by the writings of yellow journals or others to make statements which were so manifestly

lacking in accuracy in representing the real conditions existing. I have been led to believe that his pursuit of this question was not so much from a prejudice begotten of the interest of his family in the oil business although a relative of his, as I was informed, by the same name was a competitor of the Standard Oil Company, though he, after some years of careful deliberation and observation of its methods, came in and became one of the earnest friends and supporters of the company.

I have found in reviewing the early history of the oil business in reference to which different historians have written, that there were many such like experiences which would mislead even intelligent and well meaning writers who had been interested and influenced hitherto by the false statements of yellow journals which were representative of the prejudices of many of the people in the oil regions who had been led to believe that the Standard Oil Company were seeking to do them harm; and it took years for the Standard Oil Company representatives as they came in contact with these people to overcome these prejudices, and it is interesting now to recall the many cases of such deceived ones who came with great enthusiasm into relations with the Standard Oil Company and with many regrets that they had been so long humbugged by those who sought to prevent the refiners from coming together. Now, this desire was shared by producers, transporters, jobbers, and dealers generally who, even in the beginning, began to feel that much of the pickings and profits that had accrued to them during the earlier and formative period would naturally go when an organized well-directed effort such as the Standard Oil Company were making should progress, as it would naturally result in economies of getting the oil directly, or as directly as possible, to the consumers, and with the least cost, not necessarily as a benevolent scheme, but to hold the business, and it became more and more apparent also that, in order to hold it and to the advantage to the consumer, it was necessary to give such a quality

of product and to maintain such a high standard of business integrity and such a consideration in the price as would continue to it the chance of doing the business; and in this connection it is to be noted, as was hoped and anticipated by these progressive representatives, there would come an increase of volume which would justify them in doing this on the closer margins.

Q. Ll p. 86: "'Could any more flagrant violation of every principle of railroad economy and natural justice be imagined than this?' the report of the New York Legislature asks."

A. Legislators as well as "historians" who did not go much below the surface of things must be pardoned for their lack of comprehending business problems so complicated and dangerous, fraught with such opportunities for loss and widespread destruction as this new business that had been thrust upon the people, and which had by its earlier rewards stimulated too many to engage in it and too many without proper business training, too many indeed who did not know as much about business as some of the legislators who made sage remarks in reference to conditions which they had no ability or perhaps no disposition to correct, but which were perhaps very vital to the men who had invested their money in producing, refining and transporting the oil, and these had become so interested in finding a way to save their sinking ships that they were willing to recognize as brothers and friends those who had been engaged in bitter competition for years, and thus they were brought to a state of mind in which they were willing, in order to save their own invested capital, to give consideration to those far less favorably situated than they were, in order that the ship should not be scuttled. And in doing all this, such as recognizing points not so favorably located for the refining and transporting of the oil, they did what was indispensable in the saving of the business; and the ship proved to be seaworthy, and all were invited to get on board. As we

are now nearly 50 years from this exciting and trying and very critical period we are profoundly grateful to have had a share in resurrecting this business and saving a multitude of men from bankruptcy who would have gone down to ruin in a business way, notwithstanding all the solicitudes of wise legislators, "historians" and others who, notwithstanding all their sage remarks, did not understand the A, B, C's of the situation and did not contribute an iota to make things better. Let us rejoice and be glad that there were men with decision, foresight, pluck and enterprise to take this most unfortunate situation and convert disaster into a lasting and most gratifying success.

- - - - - - - - - - -

April 20, 1918.

Mr. Rockefeller said:

I desire to refer briefly again to what was accomplished by the Standard Oil Company in their heroic efforts:

First, to save the refining department of the business. They had proven by an experience running over weeks and months that the refining interest could not be united in mass-meetings. In the nature of the case men engaged in the refining business were perhaps an unusually difficult company of men to unite, as they had come, as previously stated, from so many different walks of life, and many of them were untrained men in business affairs; so that it would have been a failure to try longer, as it had been up to this time, to unite this interest in one organization.

Another of the difficulties that confronted the leaders of the movement to rescue the refining business from the slough of despond into which it had fallen was the fact that among these men were those who would observe a covenant as long as it worked to their advantage but would flinch and back away when the carrying out of the contract seemed even temporarily to their disadvantage.

MR. R. VS LLOYD
CHAPTER 8

Now, the men leading the Standard Oil Company knew that cohesive power for a business organization was laid in foundations of confidence, which foundations would not be laid excepting on the basis of perfectly honorable, fair dealings with each other not only, but with all whom they had to do. And as I say, after a long period of seeking to get concerted action in other ways, they proceeded without the assistance of the banking interests in the usual way adopted since -- and very expensive way, as it has proven -- in the consolidation of many other interests who have followed the plan of the Standard Oil Company.

The method adopted I have hitherto explained. The Standard Oil Company were their own bankers. They negotiated with the different refining firms separately and were governed by the same general principles in measuring values, and in this way, though they found the burden very heavy, to secure sufficient money to make the purchases and furnish the working capital for the additional business that came in consequence of the additions to the business by virtue of taking over those whom they purchased, they proceeded with courage to place these competitors in the same relation to the undertakings that they were; and they found themselves, as we might say, all in the one boat. And thus the Standard Oil Company secured the best co-operation and none of the broubles, or comparatively none of the troubles, which they encountered in the associational endeavors which were tried from time to time where sectional interests and a variety of causes seemed to stand in the way of having a hearty co-operation.

In this way they proceeded until they were able to be a most useful factor in helping the transportation interests to recover themselves also from the unfavorable conditions which the competition had resulted in. Likewise the producing interests which felt not always as friendly as they should to the refining interests, being assisted at different times when in their folly

they overproduced and had the consequent depression in prices and found themselves with large quantities of oil which they could neither market nor store and with the need of money to pay their debts and keep afloat. In these special times of depression the Standard Oil Company came to their assistance with financial aid and hearty co-operation to enable them to restrict production, to preserve the product above ground and to bring a better return for the stocks on hand.

So that gradually the fairminded people came to see that this interest, which had been represented to them as so antagonistic not only to its associates in the refining business but antagonistic to any and every interest on the face of the earth, was really an interest favorable to every other on the face of the earth. And, as we look back today we wonder that it took the people so long to rid themselves of the prejudice as they looked at its operations and saw that they resulted in the benefit of all parties concerned, among others the laboring men, who now for a period of more than sixty years have never failed to receive their wages when due, as against the experiences of receiving none from the bankrupt concerns who were indeed unable to pay because of the severe competition which had wiped out their working capital in the years past.

Furthermore, the consuming public found the product of the Standard Oil Company reliable. Likewise they found the contracts of the Standard Oil Company reliable. And, indeed, in the days when the hue and cry was raised against this young and progressive organization it could not be said at any time that it did not keep its contracts religiously.

Thus, as has been previously stated, this new illuminant found friends who felt secure in its use and who bought it and used it, because it was the cheapest light in the world not only, but because it was a good light -- friends not only in our own country, but, by the ingenious enterprise of this

concern, its use was increased in every part of the world.

Now, if the Standard Oil Company had not proceeded with a definite purpose and with boldness and courage and with fairness, it could not have accomplished for good not only to the people having an interest in it financial but to all in any way more or less directly connected in collateral undertakings.

Q. Ll p. 86: "An expert introduced by the railroads defended this arrangement. He insisted that all pipe lines had a chance to enter the pool and get the same refund. But a witness from the pipe line country who was brought to New York to testify to the relations of the railroads and the oil combination let out the truth.

"Why didn't they go into the pool?' he was asked, in reference to one of the most important pipe lines.

"'Because they were not allowed to. They wanted to freeze them out. They were shut out from the market practically.'"

A. Referring to the statement of the pipe lines by our "historian" from Chicago and the testimony he brings, I am reminded of a statement of an old banker on one occasion when he said to me "Mr. Rockefeller, you can't keep your bread and butter and eat it, too." There were those in the pipe line business as well as in the refining business who wanted all the advantages of a concerted effort, but they were unwilling to contribute of money or effort for this. What they wanted was for other people to put forth the effort, to expend the money, and to make a good condition, and then give them not only their full share of the same but to allow them the lion's share of the good that could come of such concerted action. In other words, they wanted to be on the outside without any of the restraints which those were obliged to observe who were to share in the benefits, and then, instead of taking their representation of one if they found the thing was a success they wanted the

liberty to take ten; and it must be apparent to rational people that it was utterly impossible to carry out arrangements of this kind. If there were only ten parts it could not be expected that where there were facilities for two or three times as much as there was business for, and one-half or one-third engaged in a particular line of business were left out and left free to take all the business -- for which they had made no contribution either of time or effort -- it could not be expected that those who had made all the contributions would sit idly by and see that these, who would not co-operate, would be surely provided for before any bread was put in the mouths of the children of these who had made all the sacrifices necessary to better the conditions of the business.

But in the refining as well, as in the pipe line business and the producing business, there were many unreasonable men of that type, always complaining of anything they did not originate and always ready to pounce down and prevent any movement for the general good, and then expect in a most selfish and unreasonable way to reap the benefit of any character that came by the efforts of others for the general good.

It is somewhat like the case of Robert Hanna & Company, who, having lost money in the competition and having sold their works, got a special agreement differing from that made with other refiners, to make up their stock on hand. Meanwhile the Standard Oil Company had improved the conditions so that the firm of Robert Hanna & Company made a little profit in working up the raw materials on hand, and having done so, though this was altogether the result of the expenditures and efforts of the Standard Oil Company to better the conditions, and inasmuch also their unwisdom -- I refer to the unwisdom of the senior partner, Robert Hanna, and they wanted to pursue another course, namely, to take stock in the Standard Oil Company and benefit by its organization. This firm, as I say, having worked up the material on hand and made a little

profit, were found a willing witness by another"historian" who had an interest on account of her family connection and who was seeking an opportunity to vent her spleen and prejudices against the Standard Oil Company.

These men, who were so willing to sell their business when they reviewed the losses of years past and found that the Standard Oil Company had improved the business, and their senior member who was alone in the view which the junior members did not sympathize with, this firm, as was stated, gave testimony showing that they had made a profit in working up their stocks on hand, but they did not show or concede that this was because of what the Standard Oil Company had accomplished already for the betterment of the conditi ons. And they, in common with some others, wanted to keep thei r bread and better and eat it too.

I must be pardoned these homely expressions, but I confess to no little indignation as I review these occurrences which are as clear in memory as if they had happened only yesterday, and the unreasonableness of some of these men, who were very willing to ride over good roads if somebody else would spend their good money to make them, but who were not ready to spend money themselves to better conditions but were always ready to grumble and complain against those who had accomplished this by their enterprise and pluck in redeeming this business.

Referring again to these pipe line men, they simply cut themselves off by reason of their inability to recognize the fact that to improve the conditions they had to recognize that other people had rights; that could not expect to enjoy the benefits without a corresponding effort for improving the conditions. Furthermore, the railroad companies did not trust these men. If they would not keep faith among themselves and with the refiners, they would not be trusted to enter into any transporting scheme with the railroads. The fact is they ruled themselves out of a chance for working with others on account

of their unreasonableness and crookedness. Such men are always found, however, in connection with business enterprises, men who are accustomed to do the dog in the manger act.

Q. L1 p. 87: "Then came a great railroad war in 1877. A fierce onslaught was made on the Pennsylvania Railroad by all the other trunk lines. . . . The cause of the trouble was that the managers of the Pennsylvania Railroad had begun to reach out for the control of the oil trade. They had joined in the agreement in 1872 to give it to the oil combination, but now they wanted it for themselves. Through a mistletoe-corporation -- the Empire Transportation Company -- they set to work building up a great business in oil cars, pipe lines, refineries.

"'We like competition; we like our competitors; we are neighbors and friends, and have been all these years,' the president of the oil trust testified to the New York legislature, but he served notice upon this competitor to abandon the field. He and his associates determined to do more than compel the great railroad to cease its competition. They determined to possess themselves of its entire oil outfit, though it was the greatest corporation then in America. This, the boldest stroke yet attempted, could be done only with the help of the other trunk lines, and that was got."

A. Referring to the statement of our Chicago "historian" respecting the railroad war of 1877: It was entirely apparent to the other trunk lines that they could not rely upon the Pennsylvania Railroad Company keeping faith with them in railroad transportation unless it held to its legitimate business of transporting the oil. When the Pennsylvania Railroad Company, led by men controlling some of its favored transportation lines, such as the Empire Transportation Company, seeing the progressive steps of the Standard Oil Company and that by their persistent endeavors they had somewhat improved the conditions of the refining business, these leaders sought not only to share the full bene-

fits of railroad transportation which had been brought to them by the co-operation of the Standard Oil Company in aiding the railroad companies as an evener, giving to each such proportion as the companies agreed upon; but these leaders bethought them that they could combine the transporting and re-fining, and thus secure an advantage over the other railroad companies who were willing to keep to their legitimate business of transporting. The other railroad companies, of course, could not consent to any such advantage being taken of them on the part of the representatives of the Pennsylvania Railroad in control of its favored oil transportation lines; and the good business already secured to the railroad companies was in jeopardy. As I have previously stated, the Standard Oil Company was not unfriendly to paying full transportation rates. Indeed, it had been the only instrumentality which had worked successfully for securing to the railroad companies these better rates of freight. But now, as this new element -- namely, this combination of the officials who were fattening on the transportation of the oil and sharing in the benefits secured to them by the success of the Standard Oil Company -- sought to do what the pipe lines companies to which he has been referring sought, namely, to be in and to be out, to keep their bread and butter and eat it too.

This, however, neither the railroad companies nor the Standard Oil Company would agree to, it being so opposed to all the principles governing transportation and so destructive to the foundation on which co-operation had been secured, which so improved the freighting business that the Pennsylvania Railroad Company and these favored officials controlling the transportation lines, which were being so greatly prospered with the assistance which the Standard Oil Company had been able to render them, were not satisfied with this legitimate prosperity, but decided to make a move in the direction of securing all the benefits of the transporting and refining. For so aggressive

a party as this Pennsylvania Railroad combination would not have been satisfied with one per cent., five per cent., ten, fifteen, or twenty per cent. of this: they were not made that way. And it was well understood by the Northern lines as well as by the Standard Oil Company people. And, having endured these practical violations of the agreements which had brought such good results for a considerable length of time, they simply said: "We will not continue our arrangements with you as transporters, you of the Pennsylvania Railroad lines, unless you keep to the part of the work originally assigned to you when these arrangements were entered into which have proved so prosperous to all of you transporters of the oil."

The railroad companies not sharing in this scheme of these favored Pennsylvania Railroad officials were quick to lead in the movement, which meant simply that the Pennsylvania Railroad must do as they did and confine itself to its own legitimate business, transporting oil, and they made the reasonable request of the Pennsylvania people that they must see to it that this infringement of the spirit of the arrangements which had brought such good success to the refining and transporting business should be discontinued. If these people wanted to engage in the refining business, all right; but they could not practically combine the transportation business of the Pennsylvania Railroad and the refining business in one and hope for a continuance of peaceful relations with other railroad companies in the transportation department who held in good faith to their transportation agreements which were in effect being violated by this departure of the Pennsylvania Railroad and its favored followers.

Now the war referred to, or the aggressive efforts so characterized by our "historians", was simply the outgrowth of the efforts of the competing railroads to compel the Pennsylvania Railroad and its followers to carry out their transporting agreements with the railroads and with the Standard Oil

Company

- - - - - - - - - - - - -

April 23, 1918.

Q. Ll p. 88: "The ruling officials of the New York Central, the Erie, the Baltimore and Ohio, the Lehigh Valley, the Reading, the Atlantic and Great Western, the Lake Shore railroads, and their connections, were made to believe, or pretended to believe, that it was their duty to make an attack upon the Pennsylvania Railroad to force it to surrender. 'A demand,' says the New York Legislative Committee of 1879, 'which they' -- the railroads -- 'joined hands with the Standard Oil Company and proceeded to enforce by a war of rates, which terminated successfully in October of that year' (1877)."

A. I have given the origin of this. As previously stated, the good arrangements which had been in existence for some time for the protection of the railway transportation of oil were in jeopardy by virtue of the fact that the Pennsylvania Railroad Company and connections which had controlled the Empire line for transporting oil and had brought good returns to the favored view in this connection were proceeding in a way which was prejudicial to the interests of the stockholders of the great corporation, the Pennsylvania Railroad Company, and in a way which the other railroad companies, all of whom were profiting by the co-operation with the Standard Oil Company in the division of the business which each should secure, and only for the wisdom and prompt action of the president of the Pennsylvania Railroad Company and some other wise counsellors having at heart the best interests of this great corporation, the selfishness and, I might say, the shortsightedness of these officials and hitherto pets of the Pennsylvania system who had met with such great financial success in connection with these favored connections of the Pennsylvania -- these people had become somewhat blinded to what was very apparent to other railroad companies, and though the president of the road

had not objected to these individuals who had participated in this profitable arrangement for transporting under the favor of the Pennsylvania Railroad, the thing had become so flagrant that it could not be continued with any sense of justice to railroad compacts or compacts with the oil refining interest. And so with characteristic promptness, Thomas A. Scott, the president of the Pennsylvahia Railraod Company, took the bull by the horns and accepted the views of the other railroad transporters of oil that this was an injustice to the other companies as well as to the refining interests which could not be longer tolerated.

In this connection came the attempt of the railroad companies to protect themselves, and the wonder is that they waited so long with their eyes open to the fact that these favored Pennsylvania interests were and had been for some time acting in violation of the letter and spirit of the compact which for a considerable length of time had been of such value to the general railway freighting interest.

Q. Ll p. 88: "The war was very bitter. Oil was carried at eight cents a barrel less than nothing by the Pennsylvania. The Pennsylvania was the first to sue for peace. Twice its vice-president 'went to Canossa,' which was Cleveland. It got peace and absolution only by selling its refineries and pipe lines and mortgaging its oil-cars to the oil combination. It 'was left without the control of a foot of pipe line to gather, a tank to receive, or a still to refine a barrel of petroleum, and without the ability to secure the transportation of one, except at the will of men who live and whose interests lie in Ohio and New York.' (Appeal to the Executive of Pennsylvania, Congress, 1888, p. 354.)"

A. How unfortunate it was that, by reason of the greed and the bad faith -- I must be pardoned for using expressions that seem harsh -- of a few individuals

this great transportation interest, which had been for some time receiving fair and remunerative rates, should be subjected to all this loss and a return of the bitter feeling which had prevailed in railroad circles in former years owing to unreasonable and cut-throat competition! But the overt acts on the part of these representatives of the favored transportation Pennsylvania Railroad lines could not longer be winked at, though their violations had been endured on the part of the transporters for a time no doubt with a feeling of great reluctance to forego even the lessening returns to them by virtue of the reduction of volume which was being steadily appropriated by this new refining interest, which was a transporting interest and had been so treated and had been greatly benefited by the contracts in which the Standard Oil Company were invaluable. Here was injustice and ingratitude; and the real owners of the Pennsylvania Railroad property, the stockholders, who were not interested in these transportation schemes, recognized that good relations could not be maintained with the other railroad companies without maintaining good faith.

So, reluctant as they were to return to another railroad war, they were forced to it rather than allow the Pennsylvania Railroad interest to continue longer to whip the devil around the stump through the Empire line and its subsidiary schemes. All there is, then, to this railroad war referred to by our "historian," who was not possibly so conversant with the real inner history was simply a resort by the railroad companies, who were keeping their covenants, to compel the Pennsylvania Railroad and its connections to do as they had agreed to do. And this was far more profitable to them than to foster the interests which were working their ruin by acts of bad faith under cover.

I may add here: the Standard Oil Company did not desire the war; the Standard Oil Company did not desire a reduction of the freights to the low rates, and had no responsibility in the connection further than the right as a

party to the contracts to insist upon the contracts being carried out in good faith in the letter and the spirit of all parties concerned.

Q. Ll p. 88: "It was only seven years since the buyers had organized with a capital of $1,000,000. Now they were able to give their check for over $3,000,000 for this one purchase. 'I was surprised,' said Mr. Vanderbilt to the New York Legislative Committee of 1878, speaking of this transaction, 'at the amount of ready cash they were able to provide.' They secured, in addition to the valuable pipe lines, oil cars, and refineries in New York and Pennsylvania, the more valuable pledge given by the Pennsylvania Railroad that it would never again enter the field of competition in refining, and also a contract giving the oil combination one-tenth of all the oil freights received by the Pennsylvania Railroad, whether from the combination or its competitors -- an arrangement it succeeded in making as well with the New York Central, Lake Shore and other railroads."

A. In reference to the wonderment at the cash in hand by the Standard Oil Company to make such a large purchase: the officials of the Standard Oil Company will well remember the superhuman efforts which they put forth to borrow the money from banking interests wherever they could secure it, and mortgaging themselves for the purchase of these properties, in the endeavor to restore peace and harmony to the oil interests connected with the railroad companies and the refineries with which they were identified. I recall very well, when it was finally announced that a meeting was to be held in Philadelphia for the purpose of consummating this transaction and I was expected to attend that meeting, that I personally went in great haste to all the Cleveland banks with whom the company had relations and requested them urgently to give us all the money they could possibly spare, and that quick, too! And I rushed on with the checks to Philadelphia to meet my associates in this last and final effort to again redeem

these interests from the slough of despond. It was a long time before these loans were paid up.

I am sure our "historian" would not have spoken so freely of these great cash reserves if he had known that the cash reserves referred to were the cash reserves of banking institutions the country over who knew us of the Standard Oil Company, and had confidence in us to an extent that they so quickly handed us out these vast sums of money, leaving us to perfect the deposits of securities and complete the transactions later, on account of the great haste tn catch the noon train from Cleveland to Philadelphia.

I may add here that this had been characteristic of the courage of the representatives of the Standard Oil Company from the inception of the endeavor to centralize the business, and it could never have been accomplished had the raising of the money been dependent upon contributions of cash or credit from individuals who were willing to come into the organization but had not confidence enough in its success to pledge anything but their old refineries, the workings of which had become unprofitable on account of ruinous overproduction and unreasonable competition.

It must be apparent to those who review this history that if we had waited until there had been a disposition all along the lines -- I refer to the refining interest generally -- to unite and contribute funds for the purpose of centralizing the business, it never would have been accomplished. Furthermore, it was accomplished upon careful business principles and without the extravagant employment of banking agencies which characterized many of the great upbuilding of combinations since those days. And the men who stood together unflinchingly, conscious of their right intent, and against all opposition persevered in the endeavor to save the business for themselves and their old competitors, presents a record which should entitle these men to lasting gratitude. And

this will be the record of the future time. They were fair to themselves and fair to their weaker brethren, and so fair that it seemed impossible to their weaker and unfortunate competitors who had wasted their capital in the vain attempt to survive -- it seemed incredible, as I say, to these that the Standard Oil Company would do all they promised. But they did, and it is a record of history that cannot be blotted out.

- - - - - - - - - -

April 24, 1918.

Q. Ll p. 89: "One of the earliest members of the oil combination was present at the meeting to consummate this purchase. Something over $3,000,000. of his and his associates' cash changed hands. The meeting was important enough to command the presence of a brigade of lawyers for the great corporations, and of the president, vice-president, and several directors of the Pennsylvania Railroad, and, representing the Poor Man's Light, the vice-president, the secretary, and five of the leading members of the combination, besides himself.

"But when asked in court about it he could not remember any such meeting. Finally, he recalled 'being at a meeting,' but he could not remember when it was, or who was there, or what it was for, or whether any money was paid.

"Three years later this transaction having been quoted against the combination in a way likely to affect the decision of a case in court, the treasurer denied it likewise. 'It is not true as stated . . . . directly or indirectly . . . .'

"Eight years later, when the exigencies of this suit of 1880, in Cleveland, had passed away, and a new exigency demanded a 'revised version,' the secretary of the combination told Congress that it was true.

"'The pleasures of memory' are evidently for poets, not for such millionaires. That appears to be the only indulgence they cannot afford. (Foot-notes

refer to testimony in the suits of the Commonwealth of Pennsylvania vs.Pennsylvania Railroad et al., and of the Standard Oil Company vs W. C. Scofield et al.)"

A. That is mysterious to me. I should think that would be W. G. Warden to whom he refers. I think the reference to "one of the earliest members" must be to W. G. Warden. I was there; for I brought the borrowed money from Cleveland to help pay for the property, and I do not remember any representatives of the Pennsylvania Railroad beside Thomas A. Scott, although there may have been one or two others. I cannot imagine why there should have been any hesitancy on the part of anybody representing the Standard Oil Company in respect to the testimony regarding this transaction. The transaction could not be hidden, so large a transaction as this and known to so many interested people. I have no recollection whatever of being called upon to testify in respect to this question.

What was the date? October, 1877. You may add: the first testimony which I recall pertaining to such questions was in 1887 or 1888, before the New York Legislature, which was ten years later, and I have no recollection of its being called at that time.

The Standard Oil Trust, which took over all these properties, was organized in 1882, and previous to that time the public supposed that generally -- the supposition was that it was all Standard Oil Company of Ohio. This, however, must have referred to people who were not well up in legal matters, because the lawyers knew that the Standard Oil Company of Ohio could not have owned these properties. I certainly do not think -- I know -- that Mr. Warden would not have testified except according to the facts, if he testified at all; but it may be that I am wrong in supposing he was actually at that

meeting when this transaction was consummated.

I think if the thing could be exactly unraveled we would find another case like that on another occasion, when I was alleged to have given false testimony when I said I was not connected with the Southern Improvement Company. Just some little technicality, and this technicality might have come in a statement which was perfectly correct, in some statement that the Standard Oil Company did not buy these properties.

It must be apparent that, in any testimony given so few years after this actual transaction, that neither the representatives of the Standard Oil Company nor their attorneys, who were of the highest character, would have permitted testimony to go out which was not exactly right. But it might have been exactly right and called exactly wrong, just the same as in the case that I have stated pertaining to the Southern Improvement Company with which company I never had any connection, and so testified. The charge that I had incorrectly or falsely testified was made because the man who asked me the question did not know what he was talking about.

We may rest assured that the explanation of this allegation to imply that some representative of the Standard Oil Company testified falsely pertaining to this matter is summed up in some such way as this; and it is to be remembered, also, that the method of holding the properties which were claimed to be possessed by the Standard Oil Company of Ohio was not known to the public generally until the properties were transferred from Vilas, Keith, and Chester, Trustees, in '82, to the Standard Oil Trust.

From not having a recollection of this thing, the explanation which I have given without any review, is probably the closest approximation I could make to the riddle of just how this technical situation came in with alleged

testimony which probably referred to Mr. Warden and Mr. Henry M. Flagler; for as I said I cannot now recall any testimony of this sort before 1888, and that was before the New York Legislature, and this allegation is that this testimony in one instance was given about three years later, and it is possible that this was in Washington. He did appear some time during these years, after '70, before a Congressional Committee. But if his testimony had not been correct, we would have known it, and it would have been corrected.

This does not imply that Mr. Warden might not have taken advantage of the knowledge he had of the ownership and technical situation which was not known to the public and which was the confidential possession of the owners of the properties.

In respect to the testimony in the Scofield case, I know that my own was a deposition. I did not appear in court. That deposition was carefully drawn by attorneys who knew the technical situation, and no person was ever more careful than I to have an intelligent conception of just what the testimony was, though it might not develop what the public might be seeking to know, in reference to organizations, the knowledge of which was known only to the companies interest and their attorneys.

Q. Ll p. 90: Lloyd tells of independent refiners protesting to the third vice-president of the Pennsylvania Railroad: "'Shall we after the first of May have as low a rate of freight as anybody else?' they then asked.

"'No,' he said; 'after the first of May we shall give the Standard Oil Company lower rates than to you.'

"'How much discrimination will we have to submit to?' the poor 'outsiders' asked.

"' I decline to tell you' was the reply.

"'How much business must we bring your road to get as good rates as the combination?' they then asked --

MR. R. VS LLOYD
CHAPTER 8

"'I decline to tell you,' was the only answer they got.

"' If we will ship as much, will;you give us as low freight rates?'

"' No.'

"' We have been shipping over the Pennsylvania Railroad a year,' they persisted; 'why can we not continue?'

"' It would make them mad; they are the only people who can make peace between the railroads.'

"' I think,' said he, 'you want to fix it up with them. I am going over there this afternoon to talk with those people about this matter, and,' he continued, 'you will all be happy and everything will work along very smoothly.'

"' We gave him very distinctly to understand that we did not propose to enter into any "fixup" where we would lose our identity, or sell out, or be under anybody else's thumb; we are willing to pay as high a rate of freight as anybody, and we wanted as low as anybody has it,' they told him.

"But the reply to all of it was,'you cannot have the same rate of freight!"

A. I, of course, cannot be expected ro unravel the alleged chatter between interested shippers and representatives of the Pennsylvania Railroad, or any other railroad company, respecting the rates of freight they were to pay after the first of May, or any other time. The shippers were the same persistent, aggressive men who had always been and continued to be clamoring to get the very best arrangements for freighting their oil, if possible a little better than the Standard Oil Company or any other company; and, as has been previously stated, this they did accomplish on other occasions.

This fact remains, however, that the Standard Oil representatives were so related to the business that they could render a service which was in helping the railroad companies to divide the business and get remunerative rates. These services not only, but in the other ways of furnishing facilities of different kinds, furnishing the prompt loading and unloading, etc., etc.,

furnishing warehouse facilities, etc. So, as I have stated before, I state again emphatically, that the favored shippers, considering all that the Standard Oil Company interests contributed, were the small shippers, just such men as these to whom our "historian" refers, who made it very clear to the Pennsylvania Railroad and to anybody and everybody else who could hear their chatter on these themes that they would not co-operate on any of these questions, though they well knew that only by co-operation could their own interests be protected, in common with those of everybody else in the business -- producing, refining, transporting.

But these men eventually came to see that this dog-in-the-manger policy would not help them, and would harm all the rest, as well as themselves, and one by one they came into hearty co-operation with the idea that only by a concert of action could the business be made most productive for all interests concerned.

Q. Ll p 91: "As the magnate of the railroad seemed to be determined not to permit them to move to market along his rails, one of the independents referred to a plan for a new pipe line then under consideration by them, the Equitable, as perhaps promising them the relief he refused.

"'Lay all the pipe lines you like,' the vice-president retorted with feeling, 'and we will buy them up for old iron.'"

A. It must be apparent that these complaining men were of the most pronounced type of adventurous miners generally, and when they came to see the error of their ways and realized that each individual man could not have his own way, in utter disregard of the interest of all concerned, their excess of energy was turned in the right direction. Many of them made useful men in carrying forward the legitimate undertaking of building up the oil business on sound principles, so that all engaged in it, from producing to refining, including transporting, could have some fair return for their investment.

MR. R. VS LLOYD
CHAPTER 8

The whole history was like that of any other department of business that had been overdone, but now that it was overdone and there were too many men engaged in it, they had to proceed differently from what they did in the earlier period, before the excessive construction and consequently the excessive competition brought it to a stage where some orderly, concerted efforts recognizing the rights of all should govern.

I might more clearly illustrate what I have in mind by assuming that these unreasonable men were like unto a group of men who were trying to build a house large enough to shelter all the persons interested, and a part of the men who needed most the shelter and protection of this home were all the time engaged in digging under the foundations and seeing, if possible, if they could pull the structure down, and apparently were willing to pull it down even though it fell on them, so that their narrow selfish prejudiced views might be carried out. When it had been demonstrated year after year that each individual could not have his way, utterly disregarding the rights and interests of his brethren engaged in the same business and secure thereby the best results for all... The time for co-operation in this business had fully come and passed years before, but in these years the idea of the co-operation was new, and these very complaining men had been led to believe that the leaders of this idea were enemies of theirs, and not their best friends which was really the case. And the railroad companies had also partaken of the same view to an extent, until at last the Pennsylvania Railroad officials became fully satisfied that the Standard Oil Company was not working to ruin their business of freighting oil but were willing that their company, in common with other companies, should get full, fair, remunerative rates. But this was such a new experience to the railroad companies that they were very slow to believe such a state of affairs.

It was a new era. It was a new development, and fortunately it was led

by men who, as history has proven, knew what they were talking about. They were careful not to promise what they could not fulfill, and it soon came to be known that, while the Standard Oil Company were very careful about making promises, they were equally careful to carry them out to the letter. And their fairness was a factor of no little importance in bringing other men in this industry, who had been less careful along these lines, to adopt a better method of conducting their business, not only on business principles but upon a high grade of business principles.

- - - - - - - - - - - -

April 25, 1918.

Q. Ll p. 91: "The independents appealed from the third vice-president to the president. . . . Since their interview with the third vice-president rates had been advanced upon them, and not only that, but when they had oil ready to ship at those high freight rates, the railroad on one pretext or another refused them cars. One of them had contracts to deliver oil from his refinery in New York to go abroad. When he ordered the cars that were needed to take the crude oil to New York to be refined they were refused him. The ships lay idle at the docks, charging him heavy damages for every day of delay; at the wells his oil was running on the ground.

"'You had better go and arrange with the Standard Oil Company; I don't want to get into any trouble with them,' the president said. 'If you are business men, you will make an arrangement with them. I will do all in my power to bring it about.'

"'We will never take our freight rates from them,' they replied; 'we are not willing to enter into any such arrangement.'"

A. I do not, of course, know anything about what the railroad men said to the oil shippers. That I could not be supposed to be accountable for in any way; and it is to be remembered that in all the excitement of those times in

regard to freight rates, and oil up and oil down, and all the changes that were taking place, that stories grew as they were passed along from one to the other. It would not be surprising if the railroad people, being desirous to be popular with all shippers, did make a variety of excuses now as they had always been accustomed to do, and especially in these severely competitive years, with the many people in all lines of traffic who were constantly importuning them, fearing that somebody else, one way or another, here or there, might get some advantage over them.

We had nothing to do with the railroad companies but to carry out our contracts with them. This we did. That was more than many others did, and they were realizing meantime that we were their most valuable shippers not only, but that they could rely upon any agreement made with us. It is to be remembered that these very men who were demanding of them preferential rates, preferences in shipments, preferences in deliveries and what not, were the men who, the railroad companies knew, were pursuing a course which if successfully persisted in, in opposition to all concerted action, would do away with the whole attempt at bettering freight rates.

So that while the railroad companies were desirous to keep pleasant with these people and everybody else in doing business with them, they could not dismiss from their minds the fact that to accede to all their requests regardless of any control of allotments or apportionment of business, that they would bring on again the disastrous condition from which they were seeking to flee; and, under the circumstances, it would not be surprising if these shippers might have made extravagant statements to further their ends, drawn in many cases more from their imaginings than from the real facts.

It is to be remembered that there is a class of men in labor circles, railroad circles, and in almost every department of business there is a class

of men of whom we might say they are absolutely impossible. And I could not have wished to be placed in the position of a freight agent in those times. A man was expected to please everybody -- with the result of pleasing nobody; and so long as men could not do business at a profit in any line they did then as they do now, charge that it was because of the freight rates, some way or other. Now we hear a protest from every side when any proposition is made to advance freight rates, though it is known that the rates are not remunerative and that there is a lack of the opportunities offered to the railroads for financing their improvements or to make the freighting business at all attractive as compared with many other businesses which have been in late years greatly prospered.

These observations have to be more or less of a general character, as I had not personal knowledge of these alleged conversations, some of which no doubt emanated from the fertile brains of the disgruntled men who were watching to profit by every advantage secured not by their own efforts but by the contributions of time and money by others; in other words, as has been characterized hitherto, simply watching out and always on the alert to do the dog-in-the-manger act and see whom they could hold up and what progress they could hinder or be paid a price.

Q. Ll p. 91: "'Why don't you go to the other roads?' the president asked his suppliants.

"'We have done so. It's of no use. On the New York Central the cars are owned by the combination, and the Erie is in a like position. We have been shippers on the Pennsylvania Railroad a long, long while, and you ought to take care of us and give us all the cars we need. We are suffering very greatly for the want of them. Can we have the same rate that other shippers get?'

"'No.'

"'If we ship the same amount of oil?'

"'No.'

"'If you have not cars enough, will you, if we build cars, haul them?'

"'No. You will hot have any peace or prosperity,' contimued the president, 'until you make terms with the combination.'

"Like the third vice-president he offered to intercede with them to get transportation over his own road for his own customers. Like men they refused the offer."

A. I don't know that I can add anything. If I were asked to make specific references to the number of specific utterances of railroad presidents and third vice-presidents, I would say simply that shippers desiring to lead railroad officials into statements that would enable them to begin lawsuits would be very pleased to have just such conversations recorded; and that Thomas A Scott and his corps of most able assistants were not the men to be caught making such statements.

- - - - - - - - - - -

Mr. Rockefeller sat by the open fire and mused, his memory carried back to those times by the matters he had been discussing. He spoke, not for the formal record; but before going to breakfast I wrote from memory what he had said, as follows:

These men resorted to so many desperate expedients, of which we may well assume that our "historian," unfamiliar with practical business affairs, was quite ignorant, and he would be apt to take their say-so as the truth, especially if it came to him as testimony in a formal investigation or as part of a petition to a court.

But see what a position they were in. They were in a losing business before we began this co-operative work. It was only a matter of months before the business would all go to wreck. We called to our aid, as you have seen,

the ablest men of best character in the business and, all working together, we put in effect this plan for saving the business. But these men -- as this "historian" shows by quoting their alleged utterances -- would not join the co-operative movement: they were just as smart as anybody else, "they would not be under anybody's thumb," etc. They went on in the old way.

The railroad companies meanwhile had suffered in the wars in freight rates until our combination came in, and, by co-operating with them, established rates that were fair and remunerative to all. They did not want to go back to the old, haphazard way of doing business.

But these refiners who continued to do business in the old way went on for years skirting the edge of a precipice. Their pride would not let them stop or admit how close to the edge they were. In buying oil or shipping it they were borrowing money to carry on the deal, borrowing money or exchanging checks -- kiting -- always in the hope that tomorrow conditions would be better. They had not the advantage possessed by the strong cash buyer. And they had to keep going: they dared not stop their refineries for awhile, for that would bring their bankers down on them and would scatter their workmen.

- - - - - - - - -

At this point Mr. Rockefeller began to dictate, as follows:

It is not at all improbable that these shippers, with their allegations of interviews with the railroad officials, having the idea that the railroad officials, the Standard Oil Company and others were co-operating together for the establishment of better rates, and realizing that in the business as they were conducting it they were losing, and they had before them only the prospect of losing -- it is not at all improbable that these men were making these very talks with the railroad officials for the purpose of putting up a bluff, hoping that the railroad officials would communicate the same to the representatives of the refining interests which were co-operating with the Standard

Oil Company, and thus better their chances of selling their works or their business at a higher price.

"Historians," unfamiliar with competitive business and with matters of business generally, could not be expected to know all these manoeuvres of keen, aggressive men who were always watching out for the opportunity to get something for nothing, and I must say that these men were not fair. They were not fair in stating their real condition of business, seeking to make it appear that they were prosperous when others well informed knew it was quite the reverse, and that all this talk was simply for the purpose of making a bluster, to cause somebody to make concessions to them rather than continue to endure their vexatious annoyances all along the line. That seemed to be the order: keep up these methods of blustering until they had made a good trade.

- - - - - - - - - - - - -

At breakfast Mr. Rockefeller added the following:

The line of bulldozing, repeating interviews complaining of freight agents, complaining of the Standard Oil Company and complaining generally, was akin to practices which possibly some of these competitive and irresponsible refiners were not strangers to; such as selling small quantities of oil in certain markets at prices lower than they could be produced and lower than the current quotations, in order that the Standard Oil Company might realize how good a thing it would be to have their competition removed, and how well they could afford to pay a good price for such removal.

So that we cannot attribute all the reckless competition to financial stress and to some other reasons. But such competition as this to which I now allude would be more of a spasmodic character, as to continue it would soon so deplete the treasuries of these "wise" or unwise and reckless competitors that they could not get the wherewithal to continue. . . .

In other words: "Think of the power of harm we can do to your refining schemes, to your freighting schemes, if you don't buy us out and pay us a good price!"

- - - - - - - - -

April 26, 1918.

Mr. Rockefeller said:

Referring to our memorandum of yesterday regarding the importunities of the oil shippers and the answers of the officials of the Pennsylvania Railroad, it is within the range of possibilities to suppose that these aggressive gentlemen had two strings to their bow -- the one to get a lower rate of freight, and the other to serve notice upon the Standard Oil Company through the Pennsylvania Railroad that if the Standard Oil Company meant business and wanted their co-operation they must bid up, they must pay them higher prices, for they had already made a good deal of trouble, made it difficult for other refiners to make money, and they could bluff, and take sufficient further risks, and even lose some money on sales in order to make it more clear to the Standard Oil Company that it would be a great blessing to it to have them out of the way and that it could well afford to pay a high price rather than have them continue the work of the dog in the manger.

Considering all the conditions of the oil business and the fact that the Standard Oil Company to better these conditions had spent hundreds and hundreds of thousands of dollars and that these men knew it, it would not be difficult to contemplate their course of procedure as a piratical or blackmailing endeavor. But, of course, before the public and with their untutored "historians," we find them in the guise of the only virtuous, fair-minded, well-deserving men, who would sooner sacrifice the whole oil business, the freighting business and anything and everything pertaining to it, than move one step toward bettering conditions for themselves and competitors, if

forsooth they could in their selfishness thereby drive a sharper bargain, and possibly also they might have thought that thereby they would have secured a little political help.

I say political help, for if by reason of these hypocritically virtuous manifestations they could by chance get into the legislature, then their opportunities might be better for "holding up" both the Pennsylvania Railroad and the Standard Oil Company, or, I may say, if it were any other than these very virtuous men, advertised so long as the most virtuous -- or compel either of these organizations to come down with a good round sum; and to be a virtuous politician and get a big return from the Pennsylvania Railroad or any other corporation would be a very "virtuous" deed.

Hard words. No harm. It was the "virtuous" thing to do.

Failing to get a good, round sum of money, they might make themselves so useful to the Pennsylvania Railroad or some other great railroad corporation that they might secure votes and place themselves in positions of great usefulness to their country -- and incidentally make somebody pay tribute.

That's the type of men, out for a "strike," and as contemptible and mean as could be. They couldn't complain that the conditions were not favorable. They couldn't protest that they were not advantageous to the general interest; but they simply thought that by standing out and pursuing these tactics they could get out of the business with a good sum of money which was, practically blackmail. A very mean proceeding, especially toward the Standard Oil Company, which had already done so much for the improvement of the business; and this was being recognized on every hand, and notwithstanding this was true, these men were representing to the "historians" and others just the opposite -- that since the entry of the Standard Oil Company and its influence their business was more difficult and less profitable. If this had been so, how could they have held out for the four, five, six, or seven years since

the Standard Oil Company began?

They could not have stood ONE YEAR of the competition existing immediatedy preceding the efforts of the Standard Oil Company to unite the refining interests.

Indeed, we found in the case of one concern, which we supposed to be among the very strongest, the admission -- and that, too, after persisting in the endeavor to maintain their "independence" regardless of all other interests for a number of years, even though we, the Standard Oil Company had bettered conditions -- they conceded that anyway there was nothing in it and there was no risk in joining their fortunes with the Standard Oil Company, which they did in good faith at last and to their entire satisfaction.

Q. Ll p. 92: "A little later a rich and expert refiner, who had sold out in 1876, made up his mind to try again. The Pennsylvania road had a new president by this time, but the old 'no' was still in force.

"'When I was compelled to succumb I thought it was only temporarily, that the time would come when I could go into the business I was devoted to. I was in love with the business. I took a run across the water; I was tired and discouraged and used up in 1878, and was gone three or four months. I came back ready for work, and had the plan, specifications and estimates made for a refinery that would handle ten thousand barrels of oil in a day. I selected a site near three railroads and a river; I would have spent about five hundred thousand dollars, and probably a couple of hundred thousand more. . . I called on the president of the Pennsylvania Railroad; I laid the plans before him, and told him I wanted to build a refinery of ten thousand barrels' capacity a day. I was almost on my knees begging him to allow me to do that.

"'What is it you want?'" he said.

"'Simply to be put upon an equality with everybody else -- especially the Standard Oil Company. I want you to agree with me that you will give me

transportation of crude oil as low as you give it to anybody else for ten years, and then I will give you a written assurance that I will do this refining of ten thousand barrels of oil a day for ten years. Is not that an honest position to be in? I as a manufacturer, you the president of a railroad."

"'Icannot go into any such agreement."

"'I saw the third vice-president. He said in his frank way, "That is not practicable, and you know the reason why.'"

A. Now, let us consider the gentleman -- the poor man who had been "crushed out" by the Standard Oil Company.

First, the spirit of transactions of this character, that the man would either discontinue the business, or,

Secondly, and preferably, on the part of the Company, if he had integrity and ability, to join them, for they needed men and brains and experience as well as money.

Now, the entire production of crude oil at the time when he proposed to build a refinery -- this poor man -- and spend $500,000 or $700,000 doing so -- furthermore to refine 10,000 barrels of oil a day. Let us consider the absurdity of this proposition, and let us consider his stupendous bluff.

Isn't he putting up a fine interview to enable him to go before some commission and produce testimony that will bring the Pennsylvania Railroad and the Standard Oil Company to time!

Can we see here the possibility of another turn of the screw on these corporations, on the part of this virtuous but very poor man who, though "crushed out" by the soulless corporations, would put $700,000 into a refinery that would distil 10,000 barrels of oil a day? Where was he going to get the oil? The absolute absurdity of this proposition must be apparent to any oil man. The oil wasn't there to get unless he was to take the oil away from

the Standard Oil Company and the others refiners, who had expended great fortunes to get the allotments of the previously existing refining corporations.

Where was he going to get the oil? Even the threat of building such a factory as that ought to entitle him -- even though the contract had not been awarded -- it certainly ought to entitle him to a good, round sum from the Pennsylvania Railroad and the Standard Oil Company. Because, poor though he was, ill though he was -- he had gone to Europe to recuperate -- he still had health enough, still had wealth enough, still had bluff enough to make it hot for these corporations if they would not come down with a good sum of money, and, failing in this, he could pay the way politically so that the people might recognize that his services as a congressman would certainly secure to an oppressed people all their rights and privileges.

Now, he hadn't any $700,000. Men so poor as he was -- "crushed out", ruined by the hard competitions, especially competition with the Standard Oil Company -- broken in health, couldn't so easily write a check for $700,000, and surely couldn't get 10,000 barrels of crude oil a day to run a refinery.

But this is a sample of the type of men who sold their refineries, who built again, and over and over, and who made it their business to go about to see where they could turn the screw on somebody, and pirate on some industry, and do some illegitimate and outrageous thing in the way of business and pocket the money and advertise themselves as high-toned, virtuous men who were doing the business of fighting the Standard Oil Company.

Now, if this very individual had taken stock in the Company and gone to work and been an honest and useful man in the business, instead of, with his lack of faith in the possibility of the refining business being resurrected, selling out his old junk for cash and being mighty glad to get out -- if this same man, I say, if he had taken the stock and done as he agreed to, he would

would have told a very different story. But the fact is that, contrary to his expectation, contrary to his hopes, the thing had succeeded, contrary to the fact that he had been steadily decrying it. He had seen the water rising about him; he had seen his own narrow, selfish views fading out of sight; he had seen honest, capable men come to the front. He was full of venom; he saw that he had made the mistake of his life; and now, having recovered his health by a little trip to Europe, he returns with his $700,000 -- with his $700,000! -- and now he is ready to -- simply do the impossible!

He is a type of many men the Standard Oil Company had to deal with, who made it their life work to lie, to misrepresent, to use every means in their power to create false impressions about this Company, to satisfy the bitterness which he experienced more and more with each day that passed, because they were right and he was wrong; that they had succeeded in spite of all his opposition, and that they were growing in favor every day with the public. It was a bitter disappointment to him.

But he was a great and good man! I don't know who he was, but he was a type. But he could draw his check for $700,000 and secure 10,000 barrels of oil a day! That 10,000 barrels was not there for the Standard Oil Company or anybody else. But he could secure it: he was a mighty man of valor!

It is all BOSH and a part of the material which has gone to make the unfounded prejudices against the Standard Oil Company. But, praise to Allah! it survived them all. No concern stands higher in the eyes of the world today than this much abused company. But I am free to record again that the change from the old cut-throat competition to this co-operative upbuilding -- for such it has proven -- was so great that it is not surprising that even the fairminded and well intentioned men who could not so readily as our poor persecuted friend whip out a check for $700,000 -- these well meaning men who could not invest were, nevertheless, fairminded enough to give credit to the

Standard Oil Company for all it had wrought, for itself not only but for all connected with the business.

- I may say just here that it would be of great interest to these "historians" to read the numberless letters which have come to me from thousands of consumers of oil in this country and many in other countries in respect to their sense of obligation to the company of men who had accomplished so much for giving the poor man the world over the cheapest light at the lowest cost. They go so far as to call this band of robbers, of the Standard Oil Company group, "missionaries."

Well, it depends upon our point of view!

Well, it depends upon our point of view; and we have nothing but sweetness and charity for those who did their best to prevent a successful operation of this first great effort for industrial co-operation.

Referring to the gentleman who was going to get this 10,000 bbls. of crude oil a day, I cannot speak from memory of what the exact production a day was then, but I incline to the opinion that in the years just preceding or following this time, the entire production of the Pennsylvania regions was down sometimes to 12,000 or 15,000 bbls. a day. Now, if, instead of one enterprising poor rich man, we had had a dozen taking 10,000 barrels a day, even those who are not given to quick mathematical exercises would believe there would be some difficulty in his getting the 10,000 barrels a day!

- - - - - - - - -

At breakfast, Mr. Rockefeller said:

My son or whoever reads this record must pardon me for what may seem intemperate speech. But the fact is that when you read that man's testimony this morning, it brought back to me the whole history of those times as vividly as if it had all happened yesterday. I felt myself right there in the thick

of it with these poor faithless, scheming, unprincipled men doing everything in their power to discredit the orgainzation which had succeeded in spite of their misgivings and their efforts against it.