

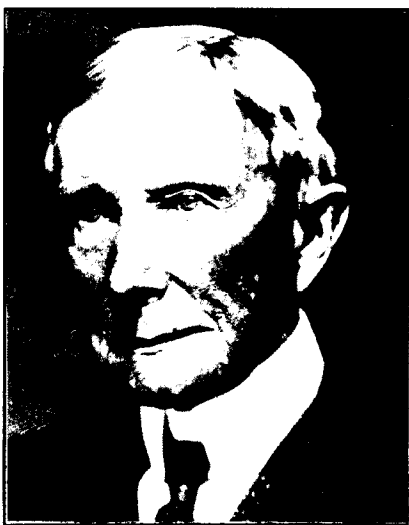
Case Study of John D. Rockefeller: Business Pioneer or Robber Baron?

NEWSPEOPLE MAGAZINE

SPECIAL EDITION: JOHN D. ROCKEFELLER

John D. Rockefeller was born in upstate New York. Serious minded and religious, he decided early in life on a business career. After high school he studied book-keeping at a small business college in Cleveland, Ohio. In 1859, at the age of 20, he and a friend went into business, trading in grains and meat. The business was successful from the start, thanks to Rockefeller's shrewdness and his attention to detail. He boldly borrowed from banks to expand the business. When the Civil War broke out, the firm was in a position to make large profits selling supplies to the Union army.

By this time, Rockefeller had become interested in the new but booming oil industry. People had long known of areas in western Pennsylvania where oil seeped through rock and floated on the creeks. A few people bottled and sold the oil as medicine, but otherwise it had no value. In the 1850s, Benjamin Silliman, a chemistry teacher at Yale University, showed that "Pennsylvania rock oil" could be purified and made into usable products, such as kerosene, for lighting lamps.



Brown Brothers

Silliman's findings showed that oil could be valuable if someone could find a way to get it out of the ground in quantity. In 1859, Colonel Edwin L. Drake drilled the first oil well at Titusville, Pennsylvania, and a new industry was born. People flocked to the region to drill for oil. The crude oil was shipped to oil refineries in nearby Cleveland. At an oil refinery, crude oil is purified and made into usable products.

Oil refining was the part of the oil business that John D. Rockefeller entered in 1867, at the age of 27. His was one of perhaps 30 refineries that competed with each other in Cleveland.

The entire oil industry—from drilling to refining to distributing the kerosene to customers—was marked by fierce competition. Rockefeller saw that if he could gain control of refining, he could control the whole industry. He would be able to name the price he would pay the drillers for their crude oil. He could also name the price at which he would sell the refined oil to distributors. In 1870, Rockefeller founded the Standard Oil Company, with the aim of

WORKSHEET 2A, "CASE STUDY OF JOHN D. ROCKEFELLER: BUSINESS PIONEER OR ROBBER BARON?"
(CONTINUED)

gaining control of the refining business. Within two years he was able to buy out most of the other oil refineries in Cleveland. A few years later, he gained control of large refineries in New York, Philadelphia, Baltimore, and Pittsburgh.

How did Rockefeller accomplish this? First of all, he was an efficient producer. Like Andrew Carnegie in the steel industry, Rockefeller put profits back into the business to pay for expansion. He used the latest methods and machinery. He saved money by manufacturing his own barrels, building his own warehouses, and buying his own pipelines, which carried oil from the wells to his refineries. These measures enabled him to refine oil more economically.

Rockefeller was also able to ship his oil for less money. As the largest shipper of oil, he forced railroads into secret deals to give

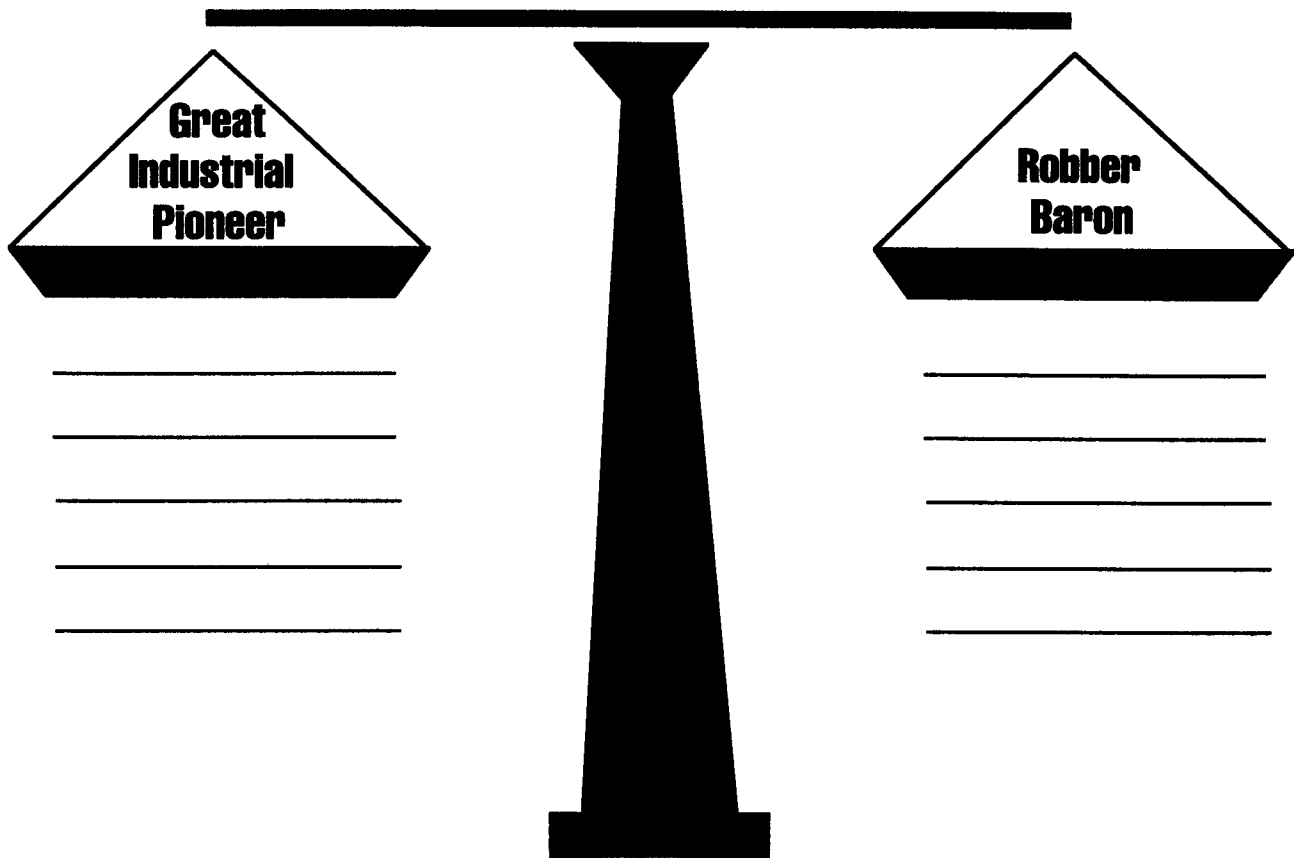
him rebates—that is, to pay him back a portion of the freight rates they charged him. In Ohio, Rockefeller could ship oil for only 10 cents a barrel, whereas his competitors had to pay 35 cents. After a time, he demanded that the railroads also give him a share of the freight charges his competitors paid! The railroads had to agree or lose Rockefeller's business.

With these advantages, Rockefeller could sell oil for less than his competitors. He gave other companies a choice: sell out to him at a fair price, or be driven out of business. Standard Oil was quite willing to sell oil at a loss for as long as it would take to drive another company out of business. By 1879, Rockefeller had used these methods to attain a monopoly of the oil industry: he had gained control of 90 percent of the oil refining business in the United States.

WORKSHEET 2, "CASE STUDY OF JOHN D. ROCKEFELLER: BUSINESS PIONEER OR ROBBER BARON?"
(CONTINUED)

EXERCISE

Use the scale below to determine whether John D. Rockefeller was a great industrial pioneer or a "robber baron." In the spaces provided, list as much evidence as you can to support each point of view. After you weigh the evidence, decide which way the scale would tip.



Based on the above scale, I think John D. Rockefeller should be considered more a _____ because _____
