

## 242. *The Efficiency of Concentration, 1899*

J. D. Rockefeller, testimony, December 30, 1899,  
*Report of the United States Industrial Commission*,  
I, 796-7.

Q. To what advantages, or favors, or methods of management do you ascribe chiefly the success of the Standard Oil Company?—A. I ascribe the success of the Standard to its consistent policy to make the volume of its business large through the merits and cheapness of its products. It has spared no expense in finding, securing, and utilizing the best and cheapest methods of manufacture. It has sought for the best superintendents and workmen and paid the best wages. It has not hesitated to sacrifice old ma-

chinery and old plants for new and better ones. It has placed its manufactories at the points where they could supply markets at the least expense. It has not only sought markets for its principal products, but for all possible by-products, sparing no expense in introducing them to the public. It has not hesitated to invest millions of dollars in methods of cheapening the gathering and distribution of oils by pipe lines, special cars, tank steamers, and tank wagons. It has erected tank stations at every important railroad station to cheapen

the storage and delivery of its products. It has spared no expense in forcing its products into the markets of the world among people civilized and uncivilized. It has had faith in American oil, and has brought together millions of money for the purpose of making it what it is, and holding its markets against the competition of Russia and all the many countries which are producers of oil. . . .

Q. What are, in your judgment, the chief advantages from industrial combinations—(a) financially to stockholders; (b) to the public?—A. All the advantages which can be derived from a cooperation of persons and aggregation of capital. Much that one man cannot do alone two can do together, and once admit the fact that cooperation, or, what is the same thing, combination, is necessary on a small scale, the limit depends solely upon the necessities of business. Two persons in partnership may be a sufficiently large combination for a small business, but if the business grows or can be made to grow, more persons and more capital must be taken in. The business may grow so large that a partnership ceases to be a proper instrumentality for its purposes, and then a corporation becomes a necessity. . . . Our Federal form of government, making every corporation created by a state foreign to every other state, renders it necessary for persons doing business through corporate agency to organize corporations in some or many of the different states in which their business is located. Instead of doing business through the agency of one corporation they must do business through the agencies of several corporations. If the business is extended to foreign countries, and Americans are not today satisfied with home markets alone, it will be found helpful and possibly necessary to organize corporations in such countries, for Europeans are, prejudiced against foreign corporations as are the people of many of our states. These different corporations thus become cooperating agencies in the same business and are held

together by common ownership of their stocks.

It is too late to argue about advantages of industrial combinations. They are a necessity. And if Americans are to have the privilege of extending their business in all the states of the Union, and into foreign countries as well, they are a necessity on a large scale, and require the agency of more than one corporation. Their chief advantages are:

- (1) Command of necessary capital.
- (2) Extension of limits of business,
- (3) Increase of number of persons interested in the business.
- (4) Economy in the business.
- (5) Improvements and economies which are derived from knowledge of many interested persons of wide experience.
- (6) Power to give the public improved products at less prices and still make a profit for stockholders.
- (7) Permanent work and good wages for laborers.

I speak from my experience in the business with which I have been intimately connected for about forty years. Our first combination was a partnership and afterward a corporation in Ohio. That was sufficient for a local refining business. But dependent solely upon local business we should have failed years ago. We were forced to extend our markets and to seek for export trade. This latter made the seaboard cities a necessary place of business, and we soon discovered that manufacturing for export could be more economically carried on at the seaboard, hence refineries at Brooklyn, at Bayonne, at Philadelphia, and necessary corporations in New York, New Jersey, and Pennsylvania.

We soon discovered as the business grew that the primary method of transporting oil in barrels could not last. The package often cost more than the contents, and the forests of the country were not sufficient to supply the necessary material for an extended length of time. Hence we . . . adopted the pipe-line sys-

tem, and found capital for pipe-line construction equal to the necessities of the business.

To operate pipe-lines required franchises from the states in which they were located, and consequently corporations in those states, just as railroads running through different states are forced to operate under separate state charters. To perfect the pipe-line system of transportation required in the neighborhood of \$50,000,000 of capital. This could not be obtained or maintained without industrial combination. The entire oil business is dependent upon its pipe-line system. Without it every well would shut down and every foreign market would be closed to us.

The pipe-line system required other improvements, such as tank cars upon railways, and finally the tank steamer. Capital had to be furnished for them and corporations created to own and operate them.

Every step taken was necessary in the business if it was to be properly developed, and only through such successive steps and by such an industrial combination is America today enabled to utilize the bounty which its land pours forth, and to furnish the world with the best and cheapest light ever known, receiving in return therefor from foreign lands nearly \$50,000,000 per year, most of which is distributed in payment of American labor.

I have given a picture rather than a detail of the growth of one industrial combination. It is a pioneer, and its work has been of incalculable value. There are other American products besides oil for which the markets of the world can be opened, and legislators will be blind to our best industrial interests if they unduly hinder by legislation the combination of persons and capital requisite for the attainment of so desirable an end.

## 248. *The Sherman Antitrust Act, 1890.*

An Act to Protect Trade and Commerce against Unlawful Restraints and Monopolies. *United States Statutes at Large*, Vol. XXVI (1889-91), 209-10.

EVERY contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several states, or with foreign nations, is hereby declared to be illegal. Every person who shall make any such contract or engage in any such combination or conspiracy, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court.

Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several states, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments. . . .

Every contract, combination in form of trust or otherwise, or conspiracy, in restraint of trade or commerce in any ter-

ritory of the United States or of the District of Columbia, or in restraint of trade or commerce between any such territory and another, or between any such territory or territories and any state or states or the District of Columbia, or with foreign nations, or between the District of Columbia and any state or states or foreign nations, is hereby declared illegal. Every person who shall make any such contract or engage in any such combination or conspiracy, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments. . . .

The several circuit courts of the United States are hereby invested with jurisdiction to prevent and restrain violations of this act; and it shall be the duty of the several district attorneys of the United States, in their respective districts, under the direction of the Attorney-General, to institute proceedings in equity to prevent and restrain such violations. . . .

Whenever it shall appear to the court before which any proceeding under section four of this act may be pending, that the ends of justice require that other parties should be brought before the court, the court may cause them to be summoned, whether they reside in the district in which the court is held or not;

and subpoenas to that end may be served in any district by the marshal thereof.

Any property owned under any contract or by any combination, or pursuant to any conspiracy (and being the subject thereof) mentioned in section one of this act, and being in the course of transportation from one state to another, or to a foreign country, shall be forfeited to the United States, and may be seized and condemned by like proceedings as those provided by law for the forfeiture, seizure and condemnation of property imported into the United States contrary to law.

Any person who shall be injured in his business or property by any other person or corporation by reason of anything forbidden or declared to be unlawful by this act, may sue therefor in any circuit court of the United States in the district in which the defendant resides or is found, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the costs of suit, including a reasonable attorney's fee.

That the word "person," or "persons," wherever used in this act shall be deemed to include corporations and associations existing under or authorized by the laws of either the United States, the laws of any of the territories, the laws of any state, or the laws of any foreign country.