

# The Family Heritage Series

A weekly discussion of Americanist truths and traditions for those "heirs of all the ages" who will have to preserve that most important inheritance of all – freedom. Produced by the Movement To Restore Decency.



Volume II

Lesson Eighty-Four

## John D. Rockefeller

### LESSON IDEA

To examine the rise to wealth and power of John D. Rockefeller, and to see how he used capitalism to create a monopoly and an economic dictatorship.

\* \* \* \* \*

**J**OHAN DAVISON ROCKEFELLER, one of the world's most infamous capitalists, was born July 8, 1839, in a small farmhouse near the village of Richford, New York. His father was a glib-tongued, fast-traveling patent medicine man who claimed to be a "Celebrated Cancer Specialist" but who probably specialized in the proverbial "snake oil" cure-all and similar medicinal quackery. One thing is certain: Whatever the elder Rockefeller sold or did caused the family to move frequently from town to town – often on short notice under cover of darkness. And it was only after the head of the house did a con man's disappearing act that Mrs. Rockefeller and her two sons, John and William, were able to settle in one place for any length of time.

John D. finished his formal schooling in Cleveland, Ohio, and enrolled in a business course at B.S. Folsom's Commercial College. Graduating at the age of sixteen, he took a job in the office of Hewitt and Tuttle, commission merchants. (A commission merchant is anyone who buys or sells another's goods for a commission.) According to biographer Ida Tarbell, young Rockefeller was an admirable accountant, "one of the early-and-late sort, who saw everything, forgot nothing and never talked." His salary, \$3.50 per week or fourteen dollars per

month, was raised to twenty-five dollars a month after a year's employment; and from this meager sum, he was always "saving a little money to put away." In 1858, at the age of eighteen, he pooled his savings with an ambitious associate, Maurice B. Clark, and launched his own business as a commission merchant.

The new firm, Clark & Rockefeller, cleared \$4400 the first year and \$17,000 the second year. "When he was twenty," writes journalist John T. Flynn, "Rockefeller was a successful businessman and recognized as such in Cleveland. He was a quiet, handsome, dignified, serious, earnest young man, utterly absorbed in the important business of getting along. He had joined the church – the old Erie Street Baptist Church . . . where he acted as usher, took up collections, [and] taught Sunday School . . . He went to no plays, played no games, took part in no movements, acted on no committees, but resolutely 'minded his own business.'"

Had he bothered to venture from the small circle of his own self-interests, Rockefeller might have become involved in the political debates of that backwoods lawyer from the nearby state of Illinois – Abe Lincoln – or he might have joined the fortune-seekers' stampede to neighboring Pennsylvania where on August 21, 1859, oil – the product that was to make him a millionaire – was discovered. But he did neither.

A year passed, in fact, after the discovery of oil before John D. took any interest in the liquid gold that was gushing out of the Pennsylvania subsoil –

and then only because some Cleveland merchants commissioned him to investigate the possibilities of the infant industry. He spent two months touring the oil towns, poking into every detail of the drilling operation, taking notes, asking questions, and adding up the facts and figures. It would be near suicidal, he concluded, to invest or become involved in the oil business. All he could see, he told his associates, was "chaos and disorder, waste and incompetence, competition at its worst."

There were too many wells in and around Titusville; there was too much oil being pumped; the overabundance would lower the price and destroy the profit. And if that didn't happen, there was always the chance the wells might run dry and the whole madcap adventure end as abruptly as it began. In short, Rockefeller was unimpressed with the future of oil. And, the oil men of Titusville were equally unimpressed with John D., whom they referred to in their kindlier moments as "that bloodless Baptist bookkeeper."

**B**UT "THAT BLOODLESS Baptist bookkeeper" was right about one thing — oversupply sent the price of petroleum nose-diving from twenty dollars a barrel to twelve, to seven, to two; and in 1861, when the War Between the States began, it plummeted to ten cents a barrel.

"It was at this point," says Flynn, "that Rockefeller decided to go into oil. He was twenty-two. Lincoln was calling for men. But Rockefeller . . . had his own business to consider. He went on no committees, joined no movements, got mixed up in no wars."

Instead, he and his business partner, Clark, invested in a small Cleveland refinery which made kerosene for lamps. "After two years," comments Flynn, "both . . . saw the golden profits in oil. Rockefeller made up his mind he was done with [selling] vegetables [on commission]. He sold his interest in the commission business to Clark. He bought Clark's interest in the oil business for \$72,500 and paid for it in cash. That was in 1865. The circumstance that decided Rockefeller was the discovery of oil at Pithole. That revealed to him that there was plenty of oil in the ground . . . His amazing career was soundly launched."

The end of the War Between the States would be

the beginning of another great oil boom, Rockefeller decided. It would also be the beginning of another wild roller-coaster ride in oil prices. Too many men would go into the business; too much oil would be produced; surpluses would mean low prices; and low prices would mean low profits. It would be another vicious circle of feast and famine. But John D. meant to short-circuit the circle. He meant to control production, limit competition, and to keep prices up so there would be a profit for all. According to Flynn: "Rockefeller looked upon the small oil producer and refiner first as a shockingly wasteful and inefficient businessman. Second, he regarded him as upsetting the whole industry. Next, he felt that the industry as a whole could be operated upon a more secure and efficient basis if the small producer were eliminated. And finally he disliked, was indeed horrified at, the losses suffered by these little men and the losses of profits suffered in consequence by the larger producers."

The "bloodless Baptist bookkeeper" had no stomach for the zestfulness of competition, or for the rugged individualism of the oil men. His gods were efficiency and profit. In the interests of both, he resolved to eliminate all competitors. [*Discuss the importance of competition. Show how consumers benefit from lower prices and better service when there are competing businesses. Rockefeller, of course, had no interest in anything except his own profits. He was never a competitive, free-enterprise capitalist, but always a monopolistic capitalist, aiming for economic dictatorship.*]

**T**HE ROCKEFELLER march toward monopoly and economic dictatorship took several different paths, the first being a conspiratorial scheme with other refiners to fix prices and control production. The weakness of this idea, and of similar schemes, was the lack of enforcement power. If one refiner in the group deviated from the dictated prices, the association had no means to force the offender into

#### FOR SERIOUS STUDENTS

We recommend reading John T. Flynn's *Men Of Wealth* for a well-rounded history of capitalism and capitalists; and Ida Tarbell's two-volume study of *The History Of The Standard Oil Company* for a detailed account of Rockefeller's rise to power.

