

2 A Bookkeeper Named Rockefeller



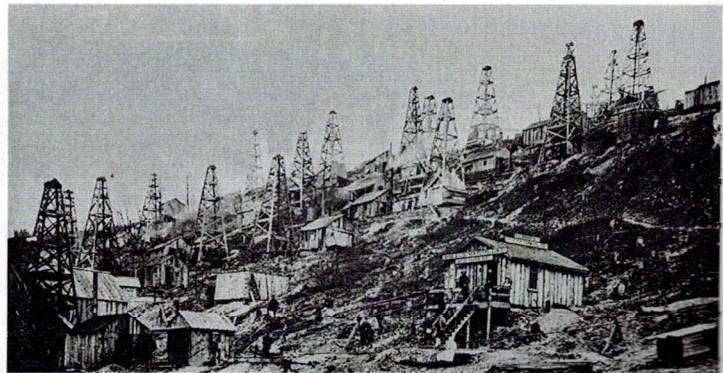
"Mad about money," a friend of Rockefeller said of him, "though sane in everything else."

In 1858, a small-time prospector named Edwin Drake sank a hole 70 feet into the ground near Titusville, Pennsylvania. Black slime soon filled the hole. That slime was oil. When the news got out, people raced for the hills and gullies of western Pennsylvania. Before long that state was a wild and hurly-burly place—something like California in the gold rush a decade earlier. Trees came down and derricks went up. Oil wells caught fire and black, smelly fumes filled the air. Railroads pushed in, towns sprouted like dandelions—and disappeared just as fast. Pithole, Pennsylvania (which was well named), had a hotel that cost \$65,000. When the prospectors left, the hotel sold for \$50.

One day a quiet, unflappable young

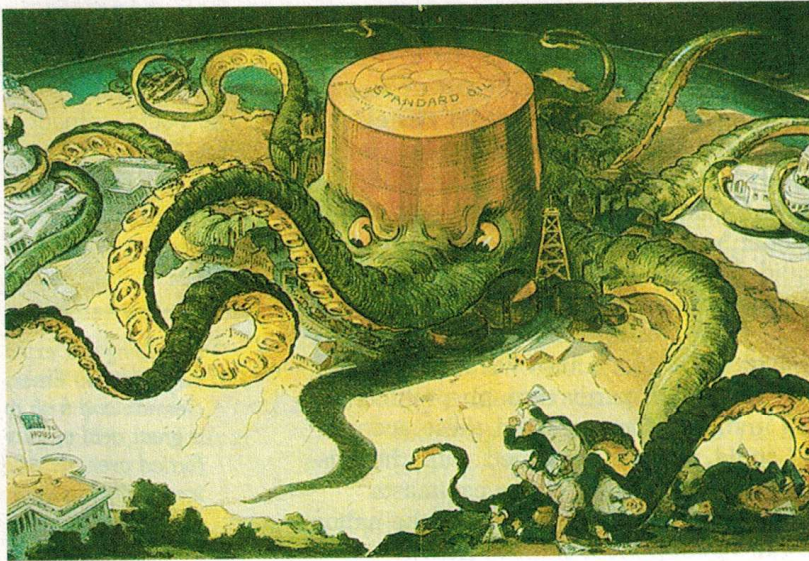
bookkeeper was sent to this disorganized area to see what was going on. "Is the oil business worth investing in?" His employers had sent him to find out. "No," he told them, and then went on to invest in it himself and to become one of the most successful businessmen the world has ever known. His name was John Davison Rockefeller.

Rockefeller's Scottish Baptist mother had raised him to be orderly,



As early as 1865, the year this photograph was taken of Pioneer Run in Pennsylvania's Oil Creek district, the U.S. exported 30 million gallons of crude oil and oil products.

A HISTORY OF US



Rockefeller's crushing of competition made Standard Oil—with its tentacles in every kind of business—the most hated company in America. Rockefeller bought oil direct from the wells; made his own barrels; and built his own wagons, like this kerosene van (kerosene was the most important oil product before gasoline).



hardworking, and exact. Once, he and his brothers went skating on a frozen river. They were not supposed to do that, but they saved the life of a boy who fell through the ice. When their mother heard what they had done, she praised them for their courage and then whipped them for their disobedience.

The boys were encouraged to work. John raised turkeys and saved \$50. When a neighbor asked to borrow the \$50 he lent the money—and charged \$3.50 interest. It was a lesson he never forgot: money could

be made to earn money. That is what capitalism is all about. Some say John D. Rockefeller was the greatest capitalist who ever lived. Others say he almost destroyed capitalism for everyone else in America.

One thing is certain. He soon brought order to that disorderly oil business. But not by being a prospector. He could see that the money to be made was in oil refining. In 1863—he was 24—he and a partner bought a small refinery. With his efficient methods, it quickly grew large. Rockefeller began buying his competitors.

If you have oil to sell, there are two costs that are important: the cost of the oil and the cost of transportation (you need to get the oil to buyers). Because there were competing railroads, and because he had quite a bit of oil to ship, Rockefeller made the railroads give him special prices to ship his oil. Actually, what he did was to pay the full price like everyone else. Then he got the railroads to give him back half of what he had paid. He did that secretly. It was called a "rebate," or "kickback," and it wasn't fair. It meant he could charge less for oil than his competitors did. Soon he put most of them out of business. Within 10 years he controlled the nation's oil industry.

The oil business was very lucra-



For a while, it seemed as if a man like Rockefeller, who controlled a whole industry, had the government in his pocket. This cartoon's title was "What a Funny Little Government!"

tive, which means there were big profits to be made. Rockefeller's company, Standard Oil, became spectacularly rich. What seems amazing to us today is that all of this happened *before* the internal combustion engine. The internal combustion engine powers automobiles and the other machines that made oil so important in the 20th century. The oil that brought hundreds of millions of dollars to Rockefeller was used mostly to light kerosene lamps (in those days before electric light).

The more you read about John D. Rockefeller, or history in general, the more you will see how hard it is to make judgments—good and bad have a way of getting mixed together. You can decide for yourself what to think of him.

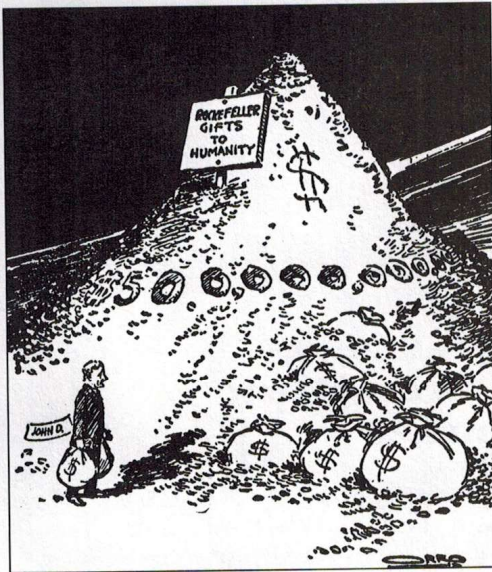
In the 19th century, many people thought Rockefeller was one of the great villains of all time. His bookkeeper's mind seemed interested only in money and profits, not in people. When he put others out of business it didn't bother him at all, as long as it made profits for Standard Oil. That company was called "the greatest, wisest and meanest monopoly known to history." Rockefeller soon had vast interests in many businesses, not just oil, and the less he paid his workers the more efficient the

Spindletop— A Great Black Gusher

Everyone knew there was oil in Texas. When oil had seeped to the ground's surface, Indians used it to heal wounds. Members of the Spanish explorer Hernando De Soto's expedition, back in 1542, had found Texas asphalt (a thick, pastelike form of petroleum) useful for repairing their ships. In the early 19th century, several pioneers drilled and found oil.

By the 1880s and '90s, Texans had tapped many small oil wells and brought in drilling machinery, storage tanks, and pipelines. It was the beginning of an oil industry. Then Patillo Higgins and Anthony F. Lucas drilled a test well at a place called Spindletop, near Beaumont. Early in the morning of January 10, 1901, they heard a roaring sound. The drill pipe lifted straight out of the earth, like a rocket. Then came the oil, surging up 160 feet high. It took 10 days just to get the stuff under control. The oil men were soon filling as many as 100,000 barrels a day at Spindletop. The Texas oil boom had begun.





This *Chicago Tribune* cartoon reacted favorably to all the money that Rockefeller gave away—not surprisingly, since one of the institutions he founded was the University of Chicago. But some people thought it wrong to accept money that they felt had been gained by hurting other businesses and workers.

businesses seemed. When some miners tried to form unions, he shut the mines and actually let workers starve rather than pay fair wages. His strikebreaking troops shot and killed workers and their families in mining towns in Colorado. Rockefeller claimed he didn't know what was going on—but he did. After the turn of the century, laws were passed that helped prevent unfair business practices, but, until that happened, tycoons like Rockefeller sometimes behaved as if they were kings. John D. Rockefeller had a quiet, dignified manner, but his company acted like a big, tough bully—beating up anyone who tried to fight it.

But, as I said, making judgments is difficult. Because it was so well organized and managed, Standard Oil helped make American business grow into world leadership. And it made life better for most people by bringing products to the market at a low price.

There were two sides to Rockefeller, and they were both right beside his bed. That was where he kept his safe—filled with money. But on top of the safe was his Bible. The Bible, and his mother's teachings, made him generous. He gave away vast sums of money to help others. He didn't have to do that. Many of the business barons of his day kept all they earned for themselves. Rockefeller and Carnegie were different. Each took the intelligence and efficiency that had made him rich and used it to distribute enormous sums of money. Rockefeller lived until 1937; he was 98 when he died. For the last 40 years of his life he spent much of his time giving away his money. While Carnegie gave away 90 percent of his fortune, Rockefeller, always orderly and precise, gave away exactly half of his. Still, it was an immense half (half a billion dollars), and it created the University of Chicago, the Rockefeller Institute for Medical Research, and a foundation just to give money to worthwhile causes.

"Praise John from whom oil blessings flow, praise him oil creatures here below." A joky design for a memorial by the University of Chicago to its founder.

