

## B. The Trust and Monopoly

### 1. John D. Rockefeller Justifies Rebates (1909)

*John D. Rockefeller, who amassed a fortune of nearly \$1 billion dollars, lived to give away more than half of his "oil-gotten gains" in philanthropy. A prominent lay Baptist, he yearly donated one-tenth of his income to charities and, in 1859, helped a Cincinnati black man to buy his slave wife. As a founding father of the mighty Standard Oil Company, he here puts the best possible face on railroad rebates, which were finally banned by the Interstate Commerce Act. He tactfully neglects to add that at one time his company also extorted secret payments ("drawbacks") from the railroads on shipments by his competitors. What were the advantages to the railroads of the rebate system? To what extent did they, rather than Standard Oil, profit from these under-the-counter deals?*

Of all the subjects that seem to have attracted the attention of the public to the affairs of the Standard Oil Company, the matter of rebates from railroads has perhaps been uppermost. The Standard Oil Company of Ohio, of which I was president, did receive rebates from the railroads prior to 1880, but received no advantages for which it did not give full compensation.

The reason for rebates was that such was the railroads' method of business. A public rate was made and collected by the railroad companies, but, so far as my knowledge extends, was seldom retained in full; a portion of it was repaid to the shippers as a rebate.

By this method the real rate of freight which any shipper paid was not known by his competitors nor by other railroad companies, the amount being a matter of bargain with the carrying company. Each shipper made the best bargain that he could, but whether he was doing better than his competitor was only a matter of conjecture. Much depended upon whether the shipper had the advantage of competition of carriers.

The Standard Oil Company of Ohio, being situated at Cleveland, had the advantage of different carrying lines, as well as of water transportation in the summer. Taking advantage of those facilities, it made the best bargains possible for its freights. Other companies sought to do the same.

The Standard gave advantages to the railroads for the purpose of reducing the cost of transportation of freight. It offered freights in large quantity, carloads and trainloads. It furnished loading facilities and discharging facilities at great cost. It provided regular traffic, so that a railroad could conduct its transportation to the best advantage and use its equipment to the full extent of its hauling capacity without waiting for the refiner's convenience. It exempted railroads from liability for fire and carried its own insurance. It provided at its own expense terminal facilities which permitted economies in handling. For these services it obtained contracts for special allowances on freights. But notwithstanding these special allowances, this traffic

<sup>1</sup>J. D. Rockefeller, *Random Reminiscences of Men and Events* (1909), pp. 107-109, 111-112. Copyright

from the Standard Oil Company was far more profitable to the railroad companies than the smaller and irregular traffic, which might have paid a higher rate.

To understand the situation which affected the giving and taking of rebates, it must be remembered that the railroads were all eager to enlarge their freight traffic. They were competing with the facilities and rates offered by the boats on lake and canal and by the pipe lines. All these means of transporting oil cut into the business of the railroads, and they were desperately anxious to successfully meet this competition. . . .

The profits of the Standard Oil Company did not come from advantages given by railroads. The railroads, rather, were the ones who profited by the traffic of the Standard Oil Company, and whatever advantage it received in its constant efforts to reduce rates of freight was only one of the many elements of lessening cost to the consumer which enabled us to increase our volume of business the world over because we could reduce the selling price.

How general was the complicated bargaining for rates can hardly be imagined; everyone got the best rate that he could. After the passage of the Interstate Commerce Act, it was learned that many small companies which shipped limited quantities had received lower rates than we had been able to secure, notwithstanding the fact that we had made large investments to provide for terminal facilities, regular shipments, and other economies.

I well remember a bright man from Boston who had much to say about rebates and drawbacks. He was an old and experienced merchant, and looked after his affairs with a cautious and watchful eye. He feared that some of his competitors were doing better than he in bargaining for rates, and he delivered himself of this conviction:

"I am opposed on principle to the whole system of rebates and drawbacks—unless I am in it."

### 2. An Oil Man Goes Bankrupt (1899)

*Rockefeller's great passion was not so much a love of power or money as a dislike of waste and inefficiency. Having begun as a \$3.50-a-week employee, he ultimately moved into the chaotically competitive oil business with a vision that enabled him to see far ahead and then "around the corner." Overlooking no detail, he insisted that every drop of solder used on his oil cans be counted. By acquiring or controlling warehouses, pipelines, tankers, railroads, oil fields, and refineries, he helped forge the United States' first great trust in 1882. He produced a superior product at a lower price but, in line with existing ethics, resorted to such "refined robbery" as ruthless price-cutting, dictation to dealers, deception, espionage, and rebates. George Rice, one of his ill-starred competitors, here complains to the U.S. Industrial Commission. What are his principal grievances?*

<sup>2</sup>Report of the U.S. Industrial Commission (Washington, D.C.: Government Printing Office, 1899), vol. 1, pp. 687, 704.

I am a citizen of the United States, born in the state of Vermont. Producer of petroleum for more than thirty years, and a refiner of same for twenty years. But my refinery has been shut down during the past three years, owing to the powerful and all-prevailing machinations of the Standard Oil Trust, in criminal collusion and conspiracy with the railroads to destroy my business of twenty years of patient industry, toil, and money in building up, wholly by and through unlawful freight discriminations.

I have been driven from pillar to post, from one railway line to another, for twenty years, in the absolutely vain endeavor to get equal and just freight rates with the Standard Oil Trust, so as to be able to run my refinery at anything approaching a profit, but which I have been utterly unable to do. I have had to consequently shut down, with my business absolutely ruined and my refinery idle.

This has been a very sad, bitter, and ruinous experience for me to endure, but I have endeavored to the best of my circumstances and ability to combat it the utmost I could for many a long waiting year, expecting relief through the honest and proper execution of our laws, which have [has] as yet, however, never come. But I am still living in hopes, though I may die in despair. . . .

Outside of rebates or freight discriminations, I had no show with the Standard Oil Trust, because of their unlawfully acquired monopoly, by which they could temporarily cut only my customers' prices, and below cost, leaving the balance of the town, nine-tenths, uncut. This they can easily do without any appreciable harm to their general trade, and thus effectually wipe out all competition, as fully set forth. Standard Oil prices generally were so high that I could sell my goods 2 to 3 cents a gallon below their prices and make a nice profit, but these savage attacks and [price] cuts upon my customers' goods . . . plainly showed . . . their power for evil, and the uselessness to contend against such odds. . . .

### 3. Weaver Attacks the Trusts (1892)

*Rockefeller's Standard Oil of Ohio was not authorized to operate outside the state, so in 1882 the Standard Oil Trust, the first of its kind, was born. "A corporation of corporations," it secretly merged forty-one different concerns. In 1892 the courts held this trust to be illegally in restraint of trade, but Rockefeller and his associates were able to achieve their semimonopolistic ends by less formal agreements. General Weaver, the fiery Populist candidate for president in 1892 (see p. 158), here assails the trusts, whose unwritten motto was said to be, "Let us prey." Note his enumeration of the evils of the trusts. What does he make of the monopolists' claim that the elimination of wasteful competition is advantageous to the consumer?*

The trust is organized commerce with the Golden Rule excluded and the trustees exempted from the restraints of conscience.

They argue that competition means war and is therefore destructive. The trust is eminently docile and hence seeks to destroy competition in order that we may have peace. But the peace which they give us is like that which exists after the leopard

<sup>3</sup>J. B. Weaver, *A Call to Action* (Des Moines: Iowa Printing Company, 1892), pp. 392-393.

has devoured the kid. This professed desire for peace is a false pretense. They dread the war of competition because the people share in the spoils. When rid of that, they always turn their guns upon the masses and depredate without limit or mercy.

The main weapons of the trust are threats, intimidation, bribery, fraud, wreck, and pillage. Take one well-authenticated instance in the history of the Oat Meal Trust as an example. In 1887 this trust decided that part of their mills should stand idle. They were accordingly closed. This resulted in the discharge of a large number of laborers who had to suffer in consequence. The mills which were continued in operation would produce seven million barrels of meal during the year. Shortly after shutting down, the trust advanced the price of meal one dollar per barrel, and the public was forced to stand the assessment. The mills were more profitable when idle than when in operation.

The Sugar Trust has it within its power to levy a tribute of \$30,000,000 upon the people of the United States by simply advancing the price of sugar one cent per pound for one year. If popular tumult breaks out and legislation in restraint of these depredations is threatened, they can advance prices, extort campaign expenses and corruption funds from the people, and force the disgruntled multitude to furnish the sinews of war for their own destruction. They not only have the power to do these things, but it is their known mode of warfare, and they actually practice it from year to year.

The most distressing feature of this war of the trusts is the fact that they control the articles which the plain people consume in their daily life. It cuts off their accumulations and deprives them of the staff upon which they fain would lean in their old age.

## C. The New Philosophy of Materialism

### 1. Andrew Carnegie's Gospel of Wealth (1889)

*Andrew Carnegie, the ambitious Scottish steel magnate, spent the first part of his life in the United States making a half-billion or so dollars and the rest of it giving his fortune away. Not a gambler or speculator at heart, he gambled everything on the future prosperity of the United States. His social conscience led him to preach "the gospel of wealth," notably in the following magazine article. Why does he believe that the millionaire is a trustee for the poor and that direct charity is an evil?*

This, then, is held to be the duty of the man of wealth: first, to set an example of modest, unostentatious living, shunning display or extravagance; to provide moderately for the legitimate wants of those dependent upon him; and after doing so to consider all surplus revenues which come to him simply as trust funds, which he is called upon to administer, and strictly bound as a matter of duty to administer in the manner which, in his judgment, is best calculated to produce the most beneficial results for the community—the man of wealth thus becoming the mere agent and

<sup>1</sup>Andrew Carnegie, "Wealth," *North American Review* 148 (June 1889): 661-664.

trustee for his poorer brethren, bringing to their service his superior wisdom, experience, and ability to administer, doing for them better than they would or could do for themselves. . . .

Those who would administer wisely must, indeed, be wise, for one of the serious obstacles to the improvement of our race is indiscriminate charity. It were better for mankind that the millions of the rich were thrown into the sea than so spent as to encourage the slothful, the drunken, the unworthy. Of every thousand dollars spent in so-called charity today, it is probable that \$950 is unwisely spent; so spent, indeed, as to produce the very evils which it proposes to mitigate or cure.

A well-known writer of philosophic books admitted the other day that he had given a quarter of a dollar to a man who approached him as he was coming to visit the house of his friend. He knew nothing of the habits of this beggar; knew not the use that would be made of this money, although he had every reason to suspect that it would be spent improperly. This man professed to be a disciple of [conservative English social theorist] Herbert Spencer; yet the quarter-dollar given that night will probably work more injury than all the money which its thoughtless donor will ever be able to give in true charity will do good. He only gratified his own feelings, saved himself from annoyance—and this was probably one of the most selfish and very worst actions of his life, for in all respects he is most worthy.

In bestowing charity, the main consideration should be to help those who will help themselves; to provide part of the means by which those who desire to improve may do so; to give those who desire to rise the aids by which they may rise; to assist, but rarely or never to do all. Neither the individual nor the race is improved by almsgiving. Those worthy of assistance, except in rare cases, seldom require assistance. The really valuable men of the race never do, except in cases of accident or sudden change. Everyone has, of course, cases of individuals brought to his own knowledge where temporary assistance can do genuine good, and these he will not overlook.

But the amount which can be wisely given by the individual for individuals is necessarily limited by his lack of knowledge of the circumstances connected with each. He is the only true reformer who is as careful and as anxious not to aid the unworthy as he is to aid the worthy, and, perhaps, even more so, for in almsgiving more injury is probably done by rewarding vice than by relieving virtue.

The rich man is thus almost restricted to following the examples of Peter Cooper, Enoch Pratt of Baltimore, Mr. Pratt of Brooklyn, Senator Stanford,\* and others, who know that the best means of benefiting the community is to place within its reach the ladders upon which the aspiring can rise—parks, and means of recreation, by which men are helped in body and mind; works of art, certain to give pleasure and improve the public taste; and public institutions of various kinds, which will improve the general condition of the people;—in this manner returning their surplus wealth to the mass of their fellows in the forms best calculated to do them lasting good. . . .

\*Cooper founded an institute in New York City for educating the working classes; Enoch Pratt established a free library in Baltimore; Charles Pratt created an institute in Brooklyn for training skilled workers; and Leland Stanford endowed Stanford University.

The man who dies leaving behind him millions of available wealth, which was his to administer during life, will pass away "unwept, unhonored, and unsung," no matter to what uses he leaves the dross which he cannot take with him. Of such as these the public verdict will then be: "The man who dies thus rich dies disgraced."

Such, in my opinion, is the true Gospel concerning Wealth, obedience to which is destined some day to solve the problem of the Rich and the Poor, and to bring "Peace on earth, among men good will."

## 2. The Nation Challenges Carnegie (1901)

*Carnegie avoided the "disgrace" of dying rich. He gave away \$350 million of the fortune he had accumulated. Some \$60 million went to public municipal libraries, many named after himself. Finley Peter Dunne ("Mr. Dooley") poked fun at this immodest arrangement, especially the feature that required the community to provide the site, the books, the upkeep: "Ivry time he [Carnegie] dhrops a dollar, it makes a noise like a waitther [waiter] fallin' downstairs with a tray iv dishes." The New York Nation reviewed rather critically Carnegie's essay on the gospel of wealth when it was published in book form. Does Carnegie or the Nation have the better of the argument as to the baleful effects of inherited riches? How have these issues changed since Carnegie's day?*

Mr. Carnegie's philosophy is perfectly simple, and it is stated clearly and forcibly. He holds, first, that the present competitive system, which necessarily creates millionaires, or allows men to get rich, is essential to progress, and should not be altered. Secondly, rich men should not leave their fortunes to their children, because their children will be demoralized by having money to spend which they have not earned. Thirdly, rich men should not indulge in luxury. Fourthly, they should dispose of their fortunes while living, or the government should confiscate them at their death. Fifthly, the only practical way of disposing of them is to found libraries and other public institutions, requiring the public to contribute to their support.

Evidently, this system assumes that millionaires are sinners above other men. The number of persons who have wealth sufficient to maintain their children in idleness is very large, and such persons are able to indulge in many luxuries. We cannot concede that the children of millionaires will go straight to perdition if they inherit their parents' wealth, while those who get but a hundred thousand shall be immune. Everyone familiar with the life of the common people knows that an inheritance of a very few thousand dollars may demoralize a young man, and this principle has been illustrated on a prodigious scale in our pension largesses.

On the other hand, virtue among the children of millionaires is not quite so rare as Mr. Carnegie intimates. Instances are known where inherited wealth has been wisely administered by men of respectable and even irreproachable habits. Mr. Carnegie's dictum, "I would as soon leave to my son a curse as the almighty dollar,"

<sup>2</sup>*Nation* (New York) 62 (January 17, 1901): 55.

is too sweeping. Millions of people who are not millionaires desire to give their children the advantages of wealth, and this desire is one of the greatest incentives to accumulation. Provided they educate their children wisely, it is impossible to maintain that the gift of these advantages is necessarily injurious.

On this point Mr. Carnegie and Mr. Gladstone [a British statesman] had some debate; the latter contending that “the hereditary transmission of wealth and position, in conjunction with the calls of occupation and of responsibility, is a good and not an evil thing.” Of course, this is nothing but the old conflict between the ideals of democracy and aristocracy, and we need not restate it. . . .

Probably we shall see the experiment of confiscating large fortunes at the death of their owners tried on an increasing scale, together with progressive taxes on incomes.

### 3. Russell Conwell Deifies the Dollar (c. 1900)

*The Reverend Russell H. Conwell was a remarkable Baptist preacher from Philadelphia who founded Temple University and had a large hand in establishing three hospitals. He delivered his famous lecture, “Acres of Diamonds,” more than six thousand times. The proceeds went toward the education of some ten thousand young men. His basic theme was that in seeking riches, people were likely to overlook the opportunities (the “acres of diamonds”) in their own backyards. Critics charged that Conwell was merely throwing the cloak of religion about the materialistic ideals of his time, especially since he combined philanthropy with dollar chasing. In the following excerpt from his famous lecture, what is his attitude toward the poor? How might one reconcile this brand of Christianity with the teachings of Christ, who said to the young man, “Go and sell that thou hast, and give to the poor” (Matthew 19:21)?*

You have no right to be poor. It is your duty to be rich.

Oh, I know well that there are some things higher, sublimer than money! Ah, yes, there are some things sweeter, holier than gold! Yet I also know that there is not one of those things but is greatly enhanced by the use of money.

“Oh,” you will say, “Mr. Conwell, can you, as a Christian teacher, tell the young people to spend their lives making money?”

Yes, I do. Three times I say, I do, I do, I do. You ought to make money. Money is power. Think how much good you could do if you had money now. Money is power, and it ought to be in the hands of good men. It would be in the hands of good men if we comply with the Scripture teachings, where God promises prosperity to the righteous man. That means more than being a goody-good—it means the all-round righteous man. You should be a righteous man. If you were, you would be rich.

I need to guard myself right here. Because one of my theological students came to me once to labor with me, for heresy, inasmuch as I had said that money was power.

He said: “Mr. Conwell, I feel it my duty to tell you that the Scriptures say that money ‘is the root of all evil.’” . . .

<sup>3</sup>R. H. Conwell, *Acres of Diamonds* (1901), pp. 145–147, 151. Reprinted from *Modern Eloquence*.

So he read: “The *love* of money is the root of all evil.” Indeed it is. The *love* of money is the root of all evil. The love of money, rather than the *love* of the good it secures, is a dangerous evil in the community. The desire to get hold of money, and to hold on to it, “hugging the dollar until the eagle squeals,” is the root of all evil. But it is a grand ambition for men to have the desire to gain money, that they may use it for the benefit of their fellow men.

Young man! you may never have the opportunity to charge at the head of your nation’s troops on some Santiago’s heights.\* Young woman! you may never be called on to go out in the seas like Grace Darling to save suffering humanity.† But every one of you can earn money honestly, and with that money you can fight the battles of peace; and the victories of peace are always grander than those of war. I say then to you that you ought to be rich. . . .

No man has a right to go into business and not make money. It is a crime to go into business and lose money, because it is a curse to the rest of the community. No man has a moral right to transact business unless he makes something out of it. He has also no right to transact business unless the man he deals with has an opportunity also to make something. Unless he lives and lets live, he is not an honest man in business. There are no exceptions to this great rule. . . .

It is cruel to slander the rich because they have been successful. It is a shame to “look down” upon the rich the way we do. They are not scoundrels because they have gotten money. They have blessed the world. They have gone into great enterprises that have enriched the nation and the nation has enriched them. It is all wrong for us to accuse a rich man of dishonesty simply because he secured money. Go through this city and your very best people are among your richest people. Owners of property are always the best citizens. It is all wrong to say they are not good.

## D. The Rise of the New South

### 1. Henry Grady Issues a Challenge (1889)

*The industrialized South—the new South—was slow to rise from the ashes of civil conflict. A kind of inferiority complex settled over the area. Henry W. Grady, eloquent editor of the Atlanta Constitution, did more than anyone else to break the spell. With Irish wit he preached the need for diversified crops, a readjustment of the freed slaves, the encouragement of manufacturing, and the development of local resources. In demand as a speaker, he broadcast his message widely and with demonstrable effect. The South of the 1880s was experiencing a marvelous economic boom, and new industries were spreading like its own honeysuckle. Following is a selection*

\*Santiago de Cuba was the site of a decisive U.S. victory over Spanish forces in the Spanish-American War of 1898.

†Grace Darling was the daughter of a British lighthouse keeper who heroically helped her father rescue passengers from a shipwreck in 1838.

‡Joel C. Harris, *Life of Henry W. Grady* (New York: Cassell and Company, Ltd., 1890), pp. 204–205. Shortly after delivering this speech, Grady contracted pneumonia and died.