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STORY OF A GREAT MONOPOLY.

WHEN Commodore Vanderbilt began the world he had nothing, and there were no steamboats or railroads. He was thirty-five years old when the first locomotive was put into use in America. When he died, railroads had become the greatest force in modern industry, and Vanderbilt was the richest man of Europe or America, and the largest owner of railroads in the world. He used

the finest business brain of his day and the franchise of the state to build up a kingdom within the republic, and like a king he bequeathed his wealth and power to his eldest son. Bancroft's History of the United States and our railroad system were begun at the same time. The history is not yet finished, but the railroads owe on stocks and bonds \$4,600,000,000, more than twice

our national debt of \$2,220,000,000, and tax the people annually \$490,000,000, one and a half times more than the government's revenue last year of \$274,000,000. More than any other class, our railroad men have developed the country, and tried its institutions. The evasion of almost all taxes by the New York Central Railroad has thrown upon the people of New York State more than a fair share of the cost of government, and illustrates some of the methods by which the rich are making the poor poorer. Violations of trust by Credit Mobiliers, Jay Gould's wealth and the poverty of Erie stockholders, such corruption of legislatures as gave the Pacific Mail its subsidies, and nicknamed New Jersey "The State of Camden and Amboy," are sins against public and private faith on a scale impossible in the early days of republics and corporations. A lawsuit still pending, though begun ten years ago by a citizen of Chicago, to recover the value of baggage destroyed by the Pennsylvania Railroad; Judge Barnard's midnight orders for the Erie ring; the surrender of its judicial integrity by the supreme court of Pennsylvania at the bidding of the Pennsylvania Railroad, as charged before Congress by President Gowen, of the Reading Railroad; the veto by the Standard Oil Company of the enactment of a law by the Pennsylvania legislature to carry out the provision of the constitution of the State that every one should have equal rights on the railroads, — these are a few of the many things that have happened to kill the confidence of our citizens in the laws and the administration of justice. No other system of taxation has borne as heavily on the people as those extortions and inequalities of railroad charges which caused the granger outburst in the West, and the recent uprising in New York. In the actual physical violence with which railroads have taken their rights of way through more than

one American city, and in the railroad strikes of 1876 and 1877 with the anarchy that came with them, there are social disorders we hoped never to see in America. These incidents in railroad history show most of the points where we fail, as between man and man, employer and employed, the public and the corporation, the state and the citizen, to maintain the equities of "government" — and employment — "of the people, by the people, for the people."

Our treatment of "the railroad problem" will show the quality and calibre of our political sense. It will go far in foreshadowing the future lines of our social and political growth. It may indicate whether the American democracy, like all the democratic experiments which have preceded it, is to become extinct because the people had not wit enough or virtue enough to make the common good supreme.

The remarkable series of eight railroad strikes, which began during the Centennial Exposition of the prosperity of our first century and the perfection of our institutions, culminated on July 16, 1877, in the strike on the Baltimore and Ohio Railroad at Martinsburg, West Virginia. This spread into the greatest labor disturbance on record. For a fortnight there was an American Reign of Terror. We have forgotten it, — that is, it has taught us nothing; but if Freeman outlives us to finish his History of Federal Government from the Achaian League to the Disruption of the United States, he will give more than one chapter to the labor rising of 1877. The strike at Martinsburg was instantly felt at Chicago and Baltimore in the stoppage of shipments. In a few hours the Baltimore and Ohio, one of the chief commercial arteries of Maryland, Virginia, West Virginia, Ohio, Indiana, and Illinois, was shut up. The strike spread to the Pennsylvania, the Erie and the New York Central railroads, and to the Great Western lines, with their countless

branches, as far west as Omaha and Topeka, and as far south as the Ohio River and the Texas Pacific. The feeling of the railroad employes all over the country was expressed by the address of those of the Pennsylvania Railroad to its stockholders. The stockholders were reminded that "many of the railroad's men did not average wages of more than seventy-five cents a day;" that "the influence of the road had been used to destroy the business of its best customers, the oil producers, for the purpose of building up individual interests." "What is the result? The traffic has almost disappeared from the Pennsylvania Railroad, and in place of \$7,000,000 revenue this year, although shipments are in excess of last year, your road will receive scarcely half the amount. This alone would have enabled your company to pay us enough for a living." The address also refers pointedly to the abuses of fast freight lines, rolling-stock companies, and other railroad inventions for switching business into private pockets. Other workingmen followed the example of the railroad employes. At Zanesville, Ohio, fifty factories stopped work. Baltimore ceased to export petroleum. The rolling mills, foundries, and refineries of Cleveland were closed. Chicago, St. Louis, Cincinnati, all the cities large and small, had the same experience. At Indianapolis, next to Chicago the largest point for the eastward shipment of produce, all traffic was stopped except on the two roads that were in the hands of the national government. At Erie, Pa., the railroad struck, and notwithstanding the remonstrance of the employes refused to forward passengers or the United States mails. The grain and cattle of the farmer ceased to move to market, and the large centres of population began to calculate the chances of famine. New York's supply of Western cattle and grain was cut off. Meat rose three cents a pound in one day, while Cleve-

land telegraphed that hogs, sheep, bees, and poultry billed for New York were dying on the side-tracks there. Merchants could not sell, manufacturers could not work, banks could not lend. The country went to the verge of panic, for the banks, in the absence of remittances, had resolved to close if the blockade lasted a few days longer. President Garrett, of the Baltimore and Ohio Railroad, wrote that his "great national highway could be restored to public use only by the interposition of the United States army." President Scott, of the Pennsylvania Railroad, telegraphed the authorities at Washington, "I fear that unless the general government will assume the responsibility of order throughout the land, the anarchy which is now present will become more terrible than has ever been known in the history of the world." The governors of ten States — West Virginia, Maryland, New Jersey, New York, Pennsylvania, Ohio, Illinois, Wisconsin, Missouri, and Kentucky — issued dispersing proclamations which did not disperse. The governors of four of them — West Virginia, Maryland, Pennsylvania, and Illinois — appealed to the national government for help against domestic insurrection, which the State could not suppress. The president of the United States issued two national proclamations to the insurgents. The state troops were almost useless, as in nearly all cases they fraternized with the strikers. All the national troops that could be spared from the Indian frontier and the South were ordered back to the centres of civilization. The regulars were welcomed by the frightened people of Chicago with cheers which those who heard will never forget. Armed guards were placed at all the public buildings of Washington, and ironclads were ordered up for the protection of the national capital. Cabinet meetings were continuous. General Winfield S. Hancock was sent to Baltimore to take command, General Sher-

man was called back from the West, and General Schofield was ordered from West Point into active service. Barricades, in the French style, were thrown up by the voters of Baltimore. New York and Philadelphia were heavily garrisoned. In Philadelphia every avenue of approach to the Pennsylvania Railroad was patrolled, and the city was under a guard of six thousand armed men, with eight batteries of artillery. There were encounters between troops and voters, with loss of life, at Martinsburg, Baltimore, Pittsburg, Chicago, Reading, Buffalo, Scranton, and San Francisco. In the scene at Pittsburg, there was every horror of revolution. Citizens and soldiers were killed, the soldiers were put to flight, and the town left at the mercy of the mob. Railroad cars, depots, hotels, stores, elevators, private houses, were gutted and burned. The city has just compromised for \$1,810,000 claims for damages to the amount of \$2,938,460, and has still heavy claims to settle. The situation was described at this point by a leading newspaper as one of "civil war with the accompanying horrors of murder, conflagration, rapine, and pillage." These were days of greater bloodshed, more actual suffering, and wider alarm in the North than that part of the country experienced at any time during the civil war, except when Lee invaded Pennsylvania. As late as August 3d, the beautiful valley of the Wyoming, in Pennsylvania, was a military camp, traversed by trains loaded with Gatling guns and bayonets, and was guarded by Governor Hartranft in person with five thousand soldiers. These strikes, penetrating twelve States and causing insurrections in ten of them, paralyzed the operation of twenty thousand miles of railroad, and directly and indirectly threw one million men temporarily out of employment. While they lasted they caused greater losses than any blockade which has been made by sea, or land in the history of war. Non-

sensational observers, like the Massachusetts Board of Railroad Commissioners, look to see the outburst repeated, possibly to secure a rise of wages. The movement of the railroad trains of this country is literally the circulation of its blood. Evidently, from the facts we have recited, the States cannot prevent its arrest by the struggle between these giant forces within society, outside the law.

Kerosene has become, by its cheapness, the people's light the world over. In the United States we used 220,000,000 gallons of petroleum last year. It has come into such demand abroad that our exports of it increased from 79,458,888 gallons in 1868, to 417,648,544 in 1879. It goes all over Europe, and to the far East. The Oriental demand for it is increasing faster than any other. We are assured by the eloquent petroleum editor of the New York Shipping List that "it blazes across the ruins of Babylon and waste Persepolis," and that "all over Polynesia, and Far Cathay, in Burmah, in Siam, in Java, the bronzed denizens toil and dream, smoke opium and swallow hasheesh, woo and win, love and hate, and sicken and die under the rays of this wonderful product of our fruitful caverns." However that may be, it is statistically true that China and the East Indies took over 10,000,000 gallons in 1877, and nearly 25,000,000 gallons in 1878. After articles of food, this country has but one export, cotton, more valuable than petroleum. It was worth \$61,789,438 in our foreign trade in 1877; \$46,574,974 in 1878; and \$18,546,642 in the five months ending November 30, 1879. In the United States, in the cities as well as the country, petroleum is the general illuminator. We use more kerosene lamps than Bibles. The raw material of this world's light is produced in a territory beginning with Cattaraugus County in New York, and extending southwesterly through eight or nine counties of Pennsylvania, making a belt

about one hundred and fifty miles long, and twelve or fifteen miles wide, and then, with an interval, running into West Virginia, Kentucky, and Tennessee, where the yield is unimportant. The bulk of the oil comes from two counties, Cattaraugus in New York, and McKean in Pennsylvania. There are a few places elsewhere that produce rock oil, such as the shales of England, Wales, and Scotland, but the oil is so poor that American kerosene, after being carried thousands of miles, can undersell it. Very few of the forty millions of people in the United States who burn kerosene know that its production, manufacture, and export, its prices at home and abroad, have been controlled for years by a single corporation,—the Standard Oil Company. This company began in a partnership, in the early years of the civil war, between Samuel Andrews and John Rockefeller in Cleveland. Rockefeller had been a bookkeeper in some interior town in Ohio, and had afterwards made a few thousand dollars by keeping a flour store in Cleveland. Andrews had been a day laborer in refineries, and so poor that his wife took in sewing. He found a way of refining by which more kerosene could be got out of a barrel of petroleum than by any other method, and set up for himself a ten-barrel still in Cleveland, by which he cleared \$500 in six months. Andrews' still and Rockefeller's savings have grown into the Standard Oil Company. It has a capital, nominally \$3,500,000, but really much more, on which it divides among its stockholders every year millions of dollars of profits. It has refineries at Cleveland, Baltimore, and New York. Its own acid works, glue factories, hardware stores, and barrel shops supply it with all the necessities it needs in its business. It has bought land at Indianapolis on which to erect the largest barrel factory in the country. It has drawn its check for \$1,000,000 to suppress a rival. It buys 30,000 to 40,000

barrels of crude oil a day, at a price fixed by itself, and makes special contracts with the railroads for the transportation of 13,000,000 to 14,000,000 barrels of oil a year. The four quarters of the globe are partitioned among the members of the Standard combinations. One has the control of the China trade; another that of some country of Europe; another that of the United States. In New York, you cannot buy oil for East Indian export from the house that has been given the European trade; reciprocally, the East Indian house is not allowed to sell for export to Europe. The Standard produces only one fiftieth or sixtieth of our petroleum, but dictates the price of all, and refines nine tenths. Circulars are issued at intervals by which the price of oil is fixed for all the cities of the country, except New York, where a little competition survives. Such is the indifference of the Standard Oil Company to railroad charges that the price is made the same for points so far apart as Terre Haute, Chicago, and Keokuk. There is not to-day a merchant in Chicago, or in any other city in the New England, Western, or Southern States, dealing in kerosene, whose prices are not fixed for him by the Standard. In all cases these prices are graded so that a merchant in one city cannot export to another. Chicago, Cincinnati, or Cleveland is not allowed to supply the tributary towns. That is done by the Standard itself, which runs oil in its own tank cars to all the principal points of distribution. This corporation has driven into bankruptcy, or out of business, or into union with itself, all the petroleum refineries of the country except five in New York, and a few of little consequence in Western Pennsylvania. Nobody knows how many millions Rockefeller is worth. Current gossip among his business acquaintance in Cleveland puts his income last year at a figure second only, if second at all, to that of Vanderbilt. His partner, Samuel An-

draws, the poor English day laborer, retired years ago with millions. Just who the Standard Oil Company are, exactly what their capital is, and what are their relations to the railroads, nobody knows except in part. Their officers refused to testify before the supreme court of Pennsylvania, the late New York Railroad Investigating Committee, and a committee of Congress. The New York committee found there was nothing to be learned from them, and was compelled to confess its inability to ascertain as much as it desired to know "of this mysterious organization, whose business and transactions are of such a character that its members declined giving a history or description, lest their testimony be used to convict them of crime."

Their great business capacity would have insured the managers of the Standard success, but the means by which they achieved monopoly was by conspiracy with the railroads. Mr. Simon Sterne, counsel for the merchants of New York in the New York investigation, declared that the relations of the railroads to the Standard exhibited "the most shameless perversion of the duties of a common carrier to private ends that has taken place in the history of the world." The Standard killed its rivals, in brief, by getting the great trunk lines to refuse to give them transportation. Commodore Vanderbilt is reported to have said that there was but one man — Rockefeller — who could dictate to him. Whether or not Vanderbilt said it, Rockefeller did it. The Standard has done everything with the Pennsylvania legislature, except refine it. In 1876 its organization was brought before Congress, and referred to a committee. A prominent member of the Standard, not a member of Congress, conducted the farce of inquiry from behind the seat of the chairman. Another member of the company, who was a member of Congress, came with the

financial officer of the company before the committee, and sustained him in his refusal to testify about the organization, its members, or its relations with the railroads. The committee never reported. The facts they suppressed must be hunted out through newspaper articles, memorials from the oil producers and refiners, records of lawsuits, reports of chambers of commerce and of legislative investigating committees, and other miscellaneous sources of information.

The contract is in print by which the Pennsylvania Railroad agreed with the Standard, under the name of the South Improvement Company, to double the freights on oil to everybody, but to repay the Standard one dollar for every barrel of oil it shipped, and one dollar for every barrel any of its competitors shipped. This contract was produced in Congress, and was stigmatized by Representative Conger as "the most damnable and startling evidence yet produced of the possibility of railroad monopoly." Ostensibly this contract was given up, in deference to the whirlwind of indignation it excited. But Rockefeller, the manager of the Standard, was a man who could learn from defeat. He made no more tell-tale contracts that could be printed. He effected secret arrangements with the Pennsylvania, the New York Central, the Erie, and the Atlantic and Great Western. What influences he used to make the railroad managers pliable may probably be guessed from the fact that one quarter of the stock of the Acme Oil Company, a partner in the Standard combination, on which heavy monthly dividends are paid, is owned by persons whose names Rockefeller would never reveal, which Mr. Archbold, the president of the company, said under oath he had not been told, and which the supreme court of Pennsylvania has not yet been able to find out. The Standard succeeded in getting from Mr. Vanderbilt free transportation for its crude oil from the wells

in Pennsylvania, one hundred and fifty miles, to the refineries at Cleveland, and back. This stamped out competing refineries at Pittsburg, and created much of the raw material of the riots of July, 1877. Vanderbilt signed an agreement, March 25, 1872, that "all agreements for the transportation of oil after this date shall be upon a basis of perfect equality," and ever since has given the Standard special rates and privileges. He has paid it back in rebates millions of dollars, which have enabled it to crush out all competitors, although many of them, like the Octave Oil Company and the Titusville refiners, had done all their business over his road till they went into bankruptcy, broken by his contracts with the Standard. He united with the Erie in a war on the Pennsylvania Railroad, to force it to sell to the Standard all its refineries, and the great pipe lines by which the oil, like Croton water in the mains, was carried from the wells to the railroads. He then joined with the Erie and the Pennsylvania in a similar attack on the Baltimore and Ohio, which had to sell out to the Standard. So the Standard obtained the control of all the pipe lines and of the transportation, of everything, in fact, as a witness said before the New York Railroad Investigating Committee, except the bodies of the producers. Mr. Vanderbilt began, as did the Erie and Pennsylvania railroad kings, with paying back to the Standard, but to no other shipper, ten per cent. of its freight bills. He continued making one concession after another, till when he was doing the business for other shippers at \$1.40 and \$1.25 a barrel, he charged the Standard only eighty and eighty-one cents, and this was afterwards reduced to sixty cents a barrel. During the war against the Pennsylvania road to make it sell out to the Standard, the New York Central carried oil for less than nothing. Besides the other allowances, Mr. Vanderbilt paid the Standard through its alias, the American Transfer

Company, a rebate of thirty-five cents a barrel on all the crude oil shipped by it or its competitors. When the oil producers, whom the Standard had cut off from all access to the world except through it, sought an exit through an out-of-the-way railroad and the Erie Canal, or down the Ohio River hundreds of miles to Huntingdon, thence by the Chesapeake and Ohio Railroad to Richmond, and so to the sea, Mr. Vanderbilt lowered his rates to the Standard so that it could undersell any one who used these devious routes. When the producers, June, 1879, completed their own tidewater pipe line, 104 miles long, to a junction with the Reading Railroad, obtaining in this way a direct connection with the seaboard, Mr. Vanderbilt reduced his rate to the public from \$1.40 to \$1.25 a barrel to thirty-five and twenty-five cents, and charged the Standard twenty, fifteen, finally but ten cents. For ten cents Mr. Vanderbilt hauled for the Standard a barrel weighing 390 pounds over 400 miles, and hauled back the empty cars, at the same time that he charged forty-five cents for hauling a can of milk weighing ninety pounds for sixty miles. So closely had the Standard octopus gripped itself about Mr. Vanderbilt that even at the outside rates its competitors could not get transportation from him. He allowed the Standard to become the owner of all the oil cars run over his road, and of all his terminal facilities for oil. As the Standard owned all but 200 of the oil cars run on the Erie, and leased all that road's terminal facilities, it could charge its rivals anything it pleased for the privileges of New York harbor. When Mr. Vanderbilt was questioned by Mr. Simon Sterne, of the New York committee, about these and other things, his answers were, "I don't know," "I forget," "I don't remember," to 116 questions out of 249 by actual count. At a time when the Standard Oil Company through its other self, the American Transfer

Company, was receiving from the New York Central thirty-five cents a barrel on all oil shipped by itself or its competitors, and was getting other rebates which cost the New York Central over \$2,000,000 from October 17, 1877, to March 31, 1879, Mr. Vanderbilt testified positively before the New York Investigating Committee that he knew nothing whatever about the American Transfer Company, its officers, or the payments to it.

The Standard's control of the Erie was not less complete than its hold of the New York Central. The Erie shipped only ten cars for outsiders in a whole year, and those were given by mistake. Although a public corporation and a common carrier, the Erie let the Standard sink hundreds of wells on its road-bed, and steal the oil of the neighboring wells. After promising cars, of which it had hundreds idle, to independent shippers, the Erie withdrew them at the dictation of the Standard. One shipper had 10,000 barrels of oil brought down to the side of the track by pipe line to be put into cars promised him by the Erie. The agent of the Standard appeared and stopped the shipment. When this shipper told his story, months later, before the New York committee the oil had not been shipped, though meanwhile the market value of oil had gone down thirty per cent. In giving the Standard special rates, rebates, and the like, the Erie followed the same course as the New York Central and the Pennsylvania railroads.

When the Pennsylvania Railroad began its discriminations against the oil producers, they appealed to President Scott for equal rates with the Standard. At the interview they obtained after repeated solicitations, he answered their petition by recommending them to make a compromise with the Standard Oil Company! He did not want, he said, to get into any trouble with that concern. Representing the greatest com-

mon carrier under the constitution of Pennsylvania, which expressly provides that everybody shall have "equal rights" on the railroads of the State, President Scott actually offered to get from the Standard Oil Company for the shippers the privilege of transportation over his own road. He volunteered his personal services to mediate between the Pennsylvania Railroad and the Standard. More American than he, they refused the proposed service. One of them, a New York refiner, in describing the scene, says, "We gave him very distinctly to understand that we did not propose to go into any 'fix up,' where we would lose our identity, or sell out, or be under anybody else's thumb." President Scott told these outsiders that they could not have the same rate as the Standard, not even if they shipped the same amount of oil, and refused to tell them what discriminations were being made. He refused to give them transportation or to let them put their own cars on the road, although they had been his heaviest customers in the years when the Standard was an ally of his competitors in one of the fiercest railroad wars ever waged between the trunk lines.

Mr. Vanderbilt, Mr. Jewett, and Mr. Scott contracted with the oil producers in writing, March 25, 1872, "not to give any party the slightest difference in rates or discrimination of any character whatever" and "to make no change in rates without ninety days' notice in writing to the producers." Among other features of the systematic and chronic violations of this compact, which began almost immediately, was a special allowance by the Pennsylvania road of twenty-two and a half cents a barrel to the Standard on all oil shipped by its competitors or itself. Vice-President Cassatt, of the Pennsylvania, said under oath, in the Pennsylvania suit against his road, that he did not think this special allowance was any violation of the agreement. But by it, as Mr. E. G. Patterson,

of Titusville, said before the New York Investigating Committee, the Standard was able to sell refined oil at less than the cost of manufacture, and put its buyers of oil into the field, and crush out the business of any rival, by bidding this twenty-two and a half cents, or part of it, above the price any one not getting this rebate could pay. In the end the rebate came out of the unfortunate producer. After the Standard had used the rebate to crush out the other refiners, who were its competitors in the purchase of petroleum at the wells, it became the only buyer, and dictated the price. It began by paying more than cost for crude oil, and selling refined oil for less than cost. It has ended by making us pay what it pleases for kerosene, and compelling the owner of the well to take what he can get for his product. For the producer of petroleum, as for the producer of grain, the railroad fixes the price the producer receives.

Mr. Roger Sherman, of counsel for the complainants in the suit brought by the State of Pennsylvania, hunted through the officers of the Pennsylvania Railroad to find some one who knew what rebates the Standard was getting. Most of the officers knew as little as Mr. Vanderbilt. Finally, Mr. Cassatt was put on the stand. He testified as to the rebate of twenty-two and a half cents, already referred to, and similar rebates of thirty-five cents a barrel from the New York Central, and twenty to thirty cents a barrel from the Erie. He showed that, while the open rate to the public was \$1.90 to New York for carrying a barrel of refined oil, the Standard had the work done for \$1.10 and \$1.20 a barrel less, and that out of the seventy and eighty cents the Pennsylvania received it paid ten cents for storage and six cents for lighterage for the Standard. The public rate for transporting crude oil was \$1.40 a barrel, but the Standard paid only eighty-eight and a half cents,

and finally but ten cents. While the Pennsylvania was giving all these special allowances, carrying oil at one time, according to Vice-President Cassatt's sworn declaration, for less than nothing, it charged shippers like George W. Cachaan, who were not in with the officers of the road, the extreme rate of \$2.00 a barrel. The effect of these discriminations was well expressed by Mr. B. B. Campbell, a witness for the State of Pennsylvania, who when asked what profit there was in refining replied, "To any one paying the open rate of freight there would be a heavy loss, but with a \$1.10 rebate on every barrel there would be a heavy profit." The New York Central, the Pennsylvania, and the Erie railroads and their connections lost between January and October, 1879, about \$13,000,000 of freight earnings they would have had but for their alliance with the Standard. The latest annual report of the Reading company gives a great deal of space to these heavy losses. The president of the Baltimore and Ohio Railroad called the attention of the other trunk line presidents to its statements. They could not, he said, fail to embarrass the railroads before Congress, and to do them "most serious damage" before the bar of public opinion. He appealed to the trunk line presidents at their meeting on January 21, 1880, to reform "the wasteful and absurd rates on oil," which virtually for the Standard amounted to free transportation. His appeal was without effect. The presidents decided at that meeting not to alter their rates. The rebates given the Standard extend to nearly every State in the Union. These rebates are about equal to the average value of the oil at the wells. The railroads of the United States virtually give the Standard its raw material free. The Western railroads favor the Standard in the same way that the Eastern ones do. They refused competing shippers, in the days before these had been killed

off, equal rates with the Standard, unless they did an equal business. The railroads create the monopoly, and then make the monopoly their excuse. When the Lake Shore charged nominally eighty cents a barrel and thirty cents a hundred pounds to carry oil from Cleveland to Chicago, it did the business for the Standard at seventy cents a barrel and twenty-five cents a hundred.

It seems incredible that Americans should have been willing to do what the Standard, by means of these special privileges from the railroads, did to its competitors. The refineries at New York had often to lie idle while the oil was running on the ground at the wells, because they could not get transportation. The monopoly of the pipe lines which the railroads gave it made the Standard the master of the exits of oil from the producing districts. Producing themselves but one fiftieth of the oil yield they stood between the producers of the other forty-nine fiftieths and the world. There was apparently no trick the Standard would not play. It delivered its competitors inferior oils when they had ordered the high-priced article, out of which alone they could manufacture the fancy brands their customers called for. The Standard received as a common carrier from E. W. Coddington oil for transportation through its United Pipe Line, but, when he sold it to a New York dealer outside the Standard combination, refused to deliver it, at the same time shipping oil to one of this dealer's competitors in New York. The Standard controlled the pipes by which alone Mr. Coddington and all other producers could get to market. When the flow from his wells had filled his tanks, and he had to have them emptied, his application to the Standard's United Pipe Line, a common carrier, was met by refusal to move his oil unless he sold it to the Standard. The following extract from the stenographic report tells the story plainly enough.

Ques. Upon what conditions would they run it?

Ans. Upon condition it was sold to certain parties, — J. A. Bostwick & Co., members of the Standard.

Ques. At what price compared with the market price?

Ans. Below the market price.

Ques. Always below the market price?

Ans. Always below it.

H. L. Taylor & Co., of Petrolia, had wells producing 1600 barrels of oil a day. Their tanks at the wells were full. They owned other tanks, to which they could get their oil only through the pipes which the Standard owned and operated as a common carrier. They applied to it for transportation, and were refused. The wells could not be shut down for fear of water, and so thousands of barrels of oil ran into the ground. The Standard carried its point, for after that the firm sold all their oil to it, always twenty-two to twenty-five cents a barrel below the market price. H. Caldwell was another producer who had flowing wells and empty tanks, which the Standard refused to connect, and who had to sell his oil to it at prices ranging from twelve and one fourth to eighteen and one half cents a barrel below the lowest market rate. Lewis Emery, Jr., a producer of oil, was an owner in six different companies, all of which were denied transportation by the Standard, and forced to sell to it at its price. He said, "We go down to the office, and stand in a line, sometimes half a day; people in a line, reaching out into the street, sixty and seventy of us. When our turn comes, we go in and ask them to buy, and they graciously will take it." This was known in the trade as the "immediate shipment swindle." Sometimes the Standard, after buying the oil this way, would take away a small part of it, and refuse to pay for the rest till it was shipped, months later. As an immediate result of these manip-

ulations, the price of oil began a steady decline from \$1.30 to eighty cents a barrel, in the face of an increased demand unequalled in the history of the trade. In 1878 oil went down to seventy-eight and three fourths cents a barrel at the very time the shipments from the wells were 56,000 barrels a day, the largest ever made till that time. All this, as one of the largest producers testified, was because "we take our commodity to one buyer and accept the price he chooses to give us, without redress, with no right of appeal."

Hundreds and thousands of men have been ruined by these acts of the Standard and the railroads; whole communities have been rendered desperate, and the peace of Pennsylvania imperiled more than once. The thousands of men thrown out of employment in Pittsburg between 1872 and 1877 were actors in the Pittsburg tragedy of July, 1877. The oil producers, in their memorial to Governor Hartranft, August 15, 1878, for help declared that "the Standard and the railroad companies leave to the people, whose creatures they are, but two remedies, — an appeal for protection first to the law of the land, and next to the higher law of nature!" The very intelligent and fair correspondent of the New York Sun, whom the Standard could not seduce, as it did the representative of another great New York daily, wrote from Titusville, Pa., November 4, 1878, "The fact is the State of Pennsylvania has had a narrow escape from an internal war, that would have required all its resources to control and check, and the danger is not over yet. . . . Had certain men given the word there would have been an outbreak that contemplated the seizure of the railroads and running them, the capture and control of the United Pipe Line's [the Standard's] property, and in all probability the burning of all the property of the Standard Oil Company in the region. The men who would have done

this, and may do it yet, are not laborers or tramps. They are men who believe in order and law, and have business to attend to." Mr. B. B. Campbell, who described himself as the unfortunate owner of nearly a hundred producing wells, told a story before the supreme court of Pennsylvania that ought not to be uninteresting to the million of consumers of kerosene. One day, returning to his home at Parker, near Pittsburg, the centre of a great oil district, he found the citizens in a state of terrible excitement. The Standard, through its pipe line, had refused to run oil, unless sold to them, and then declared it could not buy, because the railroads could furnish it no cars in which to move away the oil. Hundreds of wells were stopped, to their great damage. Thousands more, whose owners were afraid to close them for fear of injury by salt water, were pumping the oil on the ground. All the influence of a few leading men was hardly enough to prevent an outbreak and the destruction of railroad and pipe lines. Mr. Campbell telegraphed the railroad authorities, "The refusal of the Standard to run oil, unless sold upon immediate shipment, and of the railroads to furnish cars, has created such excitement here that the conservative citizens will not be able to control the peace, and I fear the scenes of last July will be repeated in an aggravated form." The interview that followed convinced the railroad men they had gone too far, and in a few hours afterwards hundreds of empty cars suddenly appeared at Parker, and for a week the railroad, which had said it could furnish no cars, took away from Parker fifty thousand barrels of oil a day!

If we turn to the experience of the refiners we find they fared as badly as the producers. The handful of New York refiners who survived the conspiracy against them testify that they had to keep their capacity limited and to do as little as they could. They did not

dare to build large refineries, because they would not be able to get oil enough carried to them to keep them going. Mr. Alexander, of Cleveland, tells how he was informed by Rockefeller, of the Standard, that if he would not sell out he should be crushed out. The Standard had a contract with the railroads which made them master. He had to take their terms, and sell for \$65,000 a refinery which cost him \$150,000, and was making money. Refiner after refiner in Pittsburg, buying his crude oil in the open market, manufacturing it at his works, shipping it to the seaboard, met with a continued succession of losses, and was forced into bankruptcy or a sale of his works to the Standard, who always had a buyer on the spot at the right time. The great majority of these refineries, when bought by the Standard, were dismantled and the "junk" was hauled to other refineries. The Vesta and Cosmos refineries, which cost about \$800,000, were sold at sheriff's sale to the Standard for \$80,000, and are now run vigorously by that company. The Germania, which was run to its full capacity as long as the Pennsylvania Railroad gave its proprietor transportation, is now leased to the Standard, but stands idle, as that concern can make more money by limiting the production and maintaining an artificial price than by giving the people cheap light. The Standard became practically the only refiner of oil in Western Pennsylvania, and its rule was bankruptcy to all attempting to lead an independent existence. D. P. Reichardt tells us how the agents of the Standard came to him with the threat that if he did not come into their combination they would drive him to the wall. The Standard called upon this free man to choose between financial ruin and joining them on these terms: he was to refine only half as much as he had been doing, and was to pay them a tribute of one cent a gallon, a tax of five to twelve per cent. The selling, storing, trans-

porting, and price of his oil he was to leave entirely to the Standard. This testimony with regard to the regulation of prices by the Standard is confirmed by the unwilling evidence of Mr. J. J. Vandergrift, president of the Standard's United Pipe Line, and a stockholder in the Standard, who said that the Standard fixes for the other refiners in the combination how much they shall produce each month, thus "keeping up the price." It is also proved to have manipulated the price of oil on the exchanges by the issue of fictitious pipeline certificates to the amount of hundreds of thousands of dollars.

The Pittsburg Chamber of Commerce reported April 3, 1876, that there were twenty-one oil refineries idle in that city, owing to freight discriminations and combinations. There were \$2,000,000 invested in these refineries, and if in operation they would have required the labor directly of 3060 men, besides the much larger number of carpenters, masons, bricklayers, boiler-makers, pump-makers, and other workmen, who would have employment if the oil refining business were prosperous. A minute prepared in 1879 by the Hon. Lewis Emery, Jr., a member of the Pennsylvania legislature, shows that of the fifty-eight refineries in Pittsburg in 1867 twenty-eight have been crushed out and dismantled, and that of the remaining thirty twenty-nine have been bought up or leased by the great monopoly. A partial list prepared by Mr. Emery of "the petroleum refineries in Pennsylvania bankrupted, squeezed out, bought up, leased, or dismantled" by the Standard contains seventy-six refineries, of which thirty-one were dismantled, twenty-four leased or bought, some to be run, and some to be shut down, and twenty-one were driven out of business.

Its genius for monopoly has given the Standard control of more than the product of oil and its manufacture. Wholesale merchants in all the cities of the

country, except New York, have to buy and sell at the prices it makes. Merchants who buy oil of the Standard are not allowed to sell to dealers who buy of its few competitors. Some who have done so have been warned not to repeat the offense, and have been informed that, if they did so, the Standard, though under contract to supply them with oil, would cut them off, and would fight any suit they might bring through all the courts without regard to expense. At least one case is known where the deputy oil inspector, in a city to which oil had been shipped by an outside dealer, received from the state inspector peremptory orders by telegraph, before the oil had arrived, to condemn it. In the South, the Standard's control is absolute. It has now stretched out its hands to grasp the turpentine trade, and its peculiar tactics have already been disastrously felt in the turpentine market.

These oil producers and refiners whom the Standard was robbing with and without forms of law fought with every weapon they could command. The struggle has been going on continuously for nine years. All that men could do who were fighting for self-preservation was done. They caused to be introduced into Congress the first original bill to regulate railroads in interstate commerce. The outrages done by the roads and the Standard were proved before an investigating committee of Congress, but Congress did nothing. The legislature of Pennsylvania was besought to pass laws to enforce the constitutional provision for equal rights on the railroads of the State, but the money of the Standard was more powerful than the petition of business men who asked only for a fair chance. Numbers of suits were brought, by individuals and nominally by the State, but by the harmonious efforts of the governor, the attorney-general, the courts, and the defendants they were prevented from coming to any conclusion. Indictments for

criminal conspiracy were found by a grand jury, but when Governor Hoyt, of Pennsylvania, in due course of law, was called upon to issue requisitions for the extradition of the two Rockefeller and their accomplices, he refused to do so. Worst failure of all, the supreme court of Pennsylvania stayed the trial of the most important of the cases in progress in a lower court, and so brought the legal proceedings against the Standard and the railroads to an end, in striking agreement with the prediction of one of the defendants that "the case would never be tried." In short, the plundered found that the courts, the governor, and the legislature of their State, and the Congress of the United States were the tools of the plunderers, and were forced to compromise. This compromise, signed February 5, 1880, was a victory in forcing a pledge from the Standard and the railroads of the abandonment of the worst of their practices, but there lies in it, as in most compromises, a germ of disaster. It permits the Standard to receive any rebate the railroads have a right to grant, and allows the railroad to give rebates to large shippers, of whom there is but one,—the Standard. This is the relative position of the parties to-day. The Standard holds its vantage-ground, and America has the proud satisfaction of having furnished the world with the greatest, wisest, and meanest monopoly known to history.

To-day, in every part of the United States, people who burn kerosene are paying the Standard Oil Company a tax on every gallon amounting to several times its original cost to that concern. The average price of crude oil at the wells or at Cleveland, as the railroads carry the crude free to the Standard's refineries, was in December last about three cents a gallon. The price of refined at Cleveland was seventeen cents a gallon. Oil that the Standard sells in New York at a profit, at ten and one half

cents a gallon, they charge nineteen and three fourths cents for in Chicago. The average cost, last December, of the one and a third barrels of petroleum needed to make a barrel of kerosene was \$2.05 at Cleveland. The cost of refining, barreling, and all expenses, including a refiner's profit of half a dollar a barrel, is, according to the testimony of experts, \$2.75 a barrel. To bring it by rail to Chicago costs seventy cents, making the total cost \$5.50 for a barrel of fifty gallons, or eleven cents a gallon. The price the Standard charges in Chicago is nineteen and three fourths cents a gallon, in which, as the difference between eleven and nineteen and three fourths cents, there is a tax on the public of eight and three fourths cents. This tax is transmitted by the middle-men, jobbers, and retailers to the consumer. When at twenty-five cents a gallon the working-man buys kerosene because it is cheaper than gas, or the student because it is better, each pays the Standard this tax of eight and three fourths cents a gallon. A family that uses a gallon of kerosene a day pays a yearly tribute to the Standard of \$32, the income from \$800 in the four per cents. In Pennsylvania, the tax levied by the Standard above all expenses and legitimate profits is calculated by an expert at fourteen cents a gallon. This makes a yearly tax on the light in most general use in that State of \$2,555,000. The whole country consumed last year, at a low estimate, 220,000,000 gallons of kerosene. Putting the Standard tax, to avoid all possibility of exaggeration, down to five cents a gallon, we have a levy on the whole country of \$11,000,000, besides the millions taken from the railroads in rebates. These, according to the sworn evidence of the officers of the railroads and the known figures of shipments, amounted in 1878 to \$6,960,840, and in the period between October 17, 1877, and March 31, 1879, to \$10,151,218. These figures make reasonable the cur-

rent estimate that the Standard pays dividends of \$1,000,000 a month. It can do this, and have millions left to pay the suits of refineries it has leased and keeps idle, its backsheesh to railroad men, the bribes it has had to give judges, state legislatures, and state inspectors, and its salaries of hundreds of thousands of dollars a month to men whom it has turned out of the business, and who are acting as its paid agents. To-day the only visible hope of cheap light for the people of this country is the discovery, announced by the Atlantic cable on January 28th, that in the Hanover petroleum district in Germany a basin has been found, which is thought by experts to be, beyond doubt, as large and rich as the one in Pennsylvania. In Europe, such alliances between the railroads and the refiners as created the Standard monopoly are impossible. German oil wells, German refineries, and the Canadian canals may yet give the people of the interior of this continent what the American Standard and the American railroads have denied them, — cheap light.

It is the railroads that have bred the millionaires who are now buying newspapers, and getting up corners in wheat, corn, and cotton, and are making railroad consolidations that stretch across the continent. By the same tactics that the railroads have used to build up the Standard, they can give other combinations of capitalists the control of the wheat, lumber, cotton, or any other product of the United States. There is more than a suggestion of this in the action, last winter, of the railroads connecting the East and West, in raising rates at a stroke of the pen from fifteen and twenty cents a hundred pounds, between New York and Chicago, to forty and forty-five cents a hundred. The immediate result was a jam at Chicago of \$26,000,000 of the products of the farm. Chicago was filled up, and word had to be sent back along the rail-

roads to take no more grain for shipment. The roadside elevators filled up, and the farmers found their market gone. As it happened, on this occasion they had already sold the most of their crop, but the occurrence shows how the outlet for wheat could be cut off by a combination of railroad men and speculators, just as the outflow of oil was cut off by the Standard and the railroads. Some of the speculators most prominent in the recent wheat speculations are powerful railroad owners and directors. Given the power to raise and change the freight rate at will, these speculating directors can control the prices the West shall get for its grain and cattle, and those the East shall pay for its bread and meat. The New York Chamber of Commerce, on February 5, 1880, unanimously adopted a report, — signed by Charles S. Smith, Jackson S. Schultz, Benjamin B. Sherman, Francis B. Thurber, Benjamin G. Arnold, Jacob Wendell, and Charles C. Dodge, — in which these significant words occur: "What has happened in the case of the Standard Oil Company may happen in other lines of business. With the favor of the managers of the trunk lines, what is to prevent commerce in the rest of the great staples from being monopolized in a similar manner? Already it is taking this course. One or two firms in Baltimore, Philadelphia, New York, and Boston, with their branch houses in the West, are, by the favor of the railroads, fast monopolizing the export trade in wheat, corn, cattle, and provisions, driving their competitors to the wall with absolute certainty, breaking down and crushing out the energy and enterprise of the many for the benefit of the favored few."

The case of the Standard Oil Company brings the three great trunk lines and their magnates, Scott, Vanderbilt, and Jewett, a great national export and interstate commerce, into one condensed illustration of our subject, but otherwise

it is not peculiar. Mr. Vanderbilt assured the public over his own signature that the New York Central made no special rates. Mr. Sterne's examination of the officers and books of the road proved the existence of 6000 special contracts. The Northern Pacific, which has been built by grants of land from the people, and which is now an applicant before the people's Congress for the extension of its land grant, gives special rates to the Dalrymples, the Casses, the Grandins, with their 30,000 and 40,000 acre farms, and charges the poor farmers full rates. The St. Paul and Sioux City Railroad furnishes the large farmers along its route with rates one half those charged the small farmers. Who are the large farmers? President Drake, of the road; General Bishop, its manager; President George T. Siney, of the Metropolitan Bank of New York; Mr. Orr, a partner of the great house of David Dows & Co., of New York; Goldschmidt, the rich German banker, of Frankfort-on-the-Main; and every director on the road. The investments of these men average a return of twenty per cent. the first year, and fifty-five per cent. the second year.

One mind invented the locomotive, established the railroad, and discovered the law of this new force. All railroad history has been a vindication of George Stephenson's saying that where combination was possible competition was impossible. To-day, wherever in this country there is a group of railroads doing business at a common point, you will find a pool. These pools are nothing more mysterious than combinations to prevent competition. They are continually breaking up into railroad wars, but as constantly forming again with improvements gained from experience. The Saratoga agreement, the Colorado pool, the Evening system, the Omaha pool, the Southwestern Rate Association, the Southern Steamship and Railway Association, accounts of which are

continually appearing in the papers, to be always skipped by the general reader, — combination to kill competition. For three years our ablest railroad men have been trying to invent a pool that should put all railroad traffic between the Mississippi River and the ports of Europe under one control. The New York Central, the Erie, the Pennsylvania, and the Baltimore and Ohio roads, under the direction of Mr. Albert Fink, the greatest of our railroad experts, have formed a combination under the title of the Trunk Line Executive Committee, which besides themselves includes thirty-two Western roads and one great Southern road, — the Louisville and Nashville. These roads tax the people in their territory \$155,000,000 a year for transportation. This pool fixes for each of these roads the rates which it shall charge and the proportion of the entire business it shall do. Only two important Western roads east of the Mississippi do not belong to it, the Rock Island and the Northwestern, but they are both in the Gould-Vanderbilt system, and are operated in substantial harmony with the pool. Ex-Governor Seymour, of New York, in an interview at Utica with a special correspondent of the New York World, held that national regulation of the railroads ought to be opposed by New Yorkers, because it would take away from New York its advantage of position in the struggle with Boston, Philadelphia, and Baltimore for the business of the West. Governor Seymour is apparently not aware that the Fink pool have already done this. One of their main regulations is that rates from common Western points of shipment, like Chicago to Europe, shall be the same whether made through New York, Boston, Philadelphia, or Baltimore. Of this latest pool Mr. Albert Fink is the executive, periodical meetings of the representatives of the roads form its legislature,

and a Board of Arbitration, composed of Charles Francis Adams, Jr., John A. Wright, and David A. Wells, is its judiciary. It has lasted a little over a year, and its members are bound to keep the peace till 1884. It is a stronger union than any the roads have yet made, and is the most powerful, the richest, and the ablest trades union that has yet confronted any government or people. Its managers claim to have abolished all special rates. All shippers, Commissioner Fink said at the meeting of the pool legislature at Chicago in December, are treated alike in the territory of the combination. There must have been a big mental reservation as to the Standard Oil Company and its competitors in Mr. Fink's statement. He also says, rates are now fixed on a reasonable basis and a permanent one. As to the reasonableness, it must be remembered that the increase in rates last winter excited a great deal of indignation in the West, and was everywhere claimed to be unreasonable in that part of the country. As to the permanence, it is too soon to speak. Mr. Fink dreams of taking into the pool all the railroads between the Mississippi River and the Rocky Mountains, and the Southern system, and so forming a great national federation of railroads. There must be one universal pool, or no pool. To make these pools binding, he plans to ask Congress to enforce contracts between railroads, so that if a road violates its agreement not to compete, it can be brought to terms in the courts. Whatever merits it may have, the Fink pool is secret, irresponsible, and voluntary only. Reporters — that is, the public — were excluded from the annual meeting at Chicago. The pool is not of the people, for the people. Its judiciary arbitrate between the roads, not between the roads and the people. These pools must be either dispersed, as the Reagan bill proposed, or controlled, as Charles Francis Adams, Jr., would do, by legal-

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izing the federation. The cat must be killed or belled. In either case, it must be confronted by a power greater than itself. There is but one such power.

Our experience in the riots of 1877, in the countless cases of excessive and unfair railroad taxation fairly represented by the case of the Standard Oil Company, and in pools, which have culminated in the Great Trunk Line Executive Committee, makes it clear that an adequate power must be called in to secure these things:—

(1.) Railroad charges must be public. Publicity is the great moral disinfectant.

(2.) They must be stable. In transportation, as in currency, taxation, and the law, it is indispensable that the citizen know what to count on.

(3.) They must be reasonable. They must be based on the cost of the service, not on what people will stand. The community will not be taxed to pay dividends and interest on the \$53,507,000 of water in the New York Central, the \$63,963,881 in the Erie, the \$13,000,000 in the New York Elevated roads, and so on through the list, or to fatten corrupt railroad officials, like the secret stockholders in the Acme Oil Company.

(4.) They must be equal; for similar services, similar rates. If the absolute equality of the post-office, which sells stamps at the same price by one or one million, is not practicable, and there must be wholesale and retail rates, let the additional charge — as in the case of the single harvester of the small farmer along the Northern Pacific — in no case exceed the actual additional cost of handling and hauling.

(5.) Railroads and railroad men must exercise their public functions. No road shall voluntarily stop running, as several roads did in July, 1877, and no railroad man or multiple of him shall desert his post or interfere with the operation of any road.

(6.) There must be a national board to hear the complaints of citizens and railroads, with power to take testimony, to investigate abuses, to publish the results, and to call upon the legal officers of the government to prosecute where prosecution is needed.

(7.) Under the constitutional right of Congress to pass laws and levy taxes, "to establish justice," there must be such amendment of the law and its processes that all violations of the duties of common carriers, "in commerce among the States," can be prosecuted by civil or criminal proceedings promptly and cheaply.

The costliness, the delays, and the technicalities of our law amount to a denial of justice that is eating deep into the hearts of the people. Only the rich can get justice; only the poor cannot escape it.

In less than the ordinary span of a life-time, our railroads have brought upon us the worst labor disturbance, the greatest of monopolies, and the most formidable combination of money and brains that ever overshadowed a state. The time has come to face the fact that the forces of capital and industry have outgrown the forces of our government. The corporation and the trades-union have forgotten that they are the creatures of the state. Our strong men are engaged in a headlong fight for fortune, power, precedence, success. Americans as they are, they ride over the people like juggernaut to gain their ends. The moralists have preached to them since the world began, and have failed. The common people, the nation, must take them in hand. The people can be successful only when they are right. When monopolies succeed, the people fail; when a rich criminal escapes justice, the people are punished; when a legislature is bribed, the people are cheated. There is nobody richer than Vanderbilt except the body of citizens; no corporation more powerful than the transcon-

tinental railroad except the corporate sovereign at Washington. The nation is the engine of the people. They must use it for their industrial life, as they used it in 1861 for their political life. The States have failed. The United States must succeed, or the people will perish.

H. D. Lloyd.
