

**Testimony of John D. Rockefeller, President of The Standard Oil Company, before
the Industrial Commission, 1899.**

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

states. These corporations thus become cooperating agencies in the same business and are held together by the common ownership of their stocks.

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

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

I speak from my experience in the business from which I have been intimately connected for about 40 years. Our first cooperation was a partnership and afterwards a combination in Ohio. That was sufficient for a local refining business. But dependent solely on local business we should have failed years ago. We were forced to extend our

markets and to seek for export trade. This latter made the seaboard cities a necessary place of business, and we soon discovered that manufacturing for export could be more economically carried on at the seaboard, hence, refineries at Brooklyn, at Bayonne, at Philadelphia, and necessary corporations in New York, New Jersey, and Pennsylvania.

We soon discovered as the business grew that the primary method of transporting oil in barrels would not last. The package often cost more than the contents, and the forests in the country were not sufficient to supply the necessary material for an extended period of time. Hence we devoted attention to other methods of transportation, adopted the pipeline system, and found capital equal to the necessities of the business.

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

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

Every step taken was necessary in the business if it was to be properly developed, and only through such successive steps and by such combination is America today enabled to utilize the bounty which its land pours forth, and to furnish the world with the best and

cheapest light ever known, receiving in return therefor from foreign lands nearly \$50,000,000 dollars per year, most of which is distributed for payment of American labor.

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

11. [Question]—What are the chief disadvantages or dangers for the public

arising from them. [Answer]—The dangers are that the power conferred by combinations may be abused; that combinations may be formed for the speculations in stocks rather than for conducting business, and that for this purpose prices may be temporarily raised instead of being lowered. These abuses are possible to a greater or less extent in all combinations, large or small, but this fact is no more an argument against combinations than the fact that steam may explode is an argument against steam. Steam is necessary and can be made comparatively safe. Combination is necessary and its abuses can be minimized; otherwise our legislators must acknowledge their incapacity to deal with the most important instrument of industry. Hitherto most legislative attempts have been efforts not to control but to destroy; hence their futility.

12. [Question]—What legislation, if any, would you suggest regarding industrial

combination? [Answer]— First. Federal legislation under which corporations may be

created and regulated, if that be possible. Second. In lieu thereof, state legislation as nearly uniform as possible encouraging combinations of persons and capital for the purpose of carrying on industries, but permitting State supervision, not of a character to hamper industries, but sufficient to prevent frauds upon the public.

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