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Case Study
John D. Rockefeller &
The Standard Oil Trust
Lexile 1170

Name: ____________

Period: ____________

John Davison Rockefeller combined business intelligence with a ruthless personality to amass one of the largest personal fortunes in United States history. By taking advantage of the public's demand for refined oil, he became one of the richest and most infamous men in America. Rockefeller is considered one of the elite "robber barons," a member of the group of businessmen who monopolized markets at the turn of the century. If his worth were converted to its present-day value, Rockefeller would be considered wealthy almost beyond reckoning.

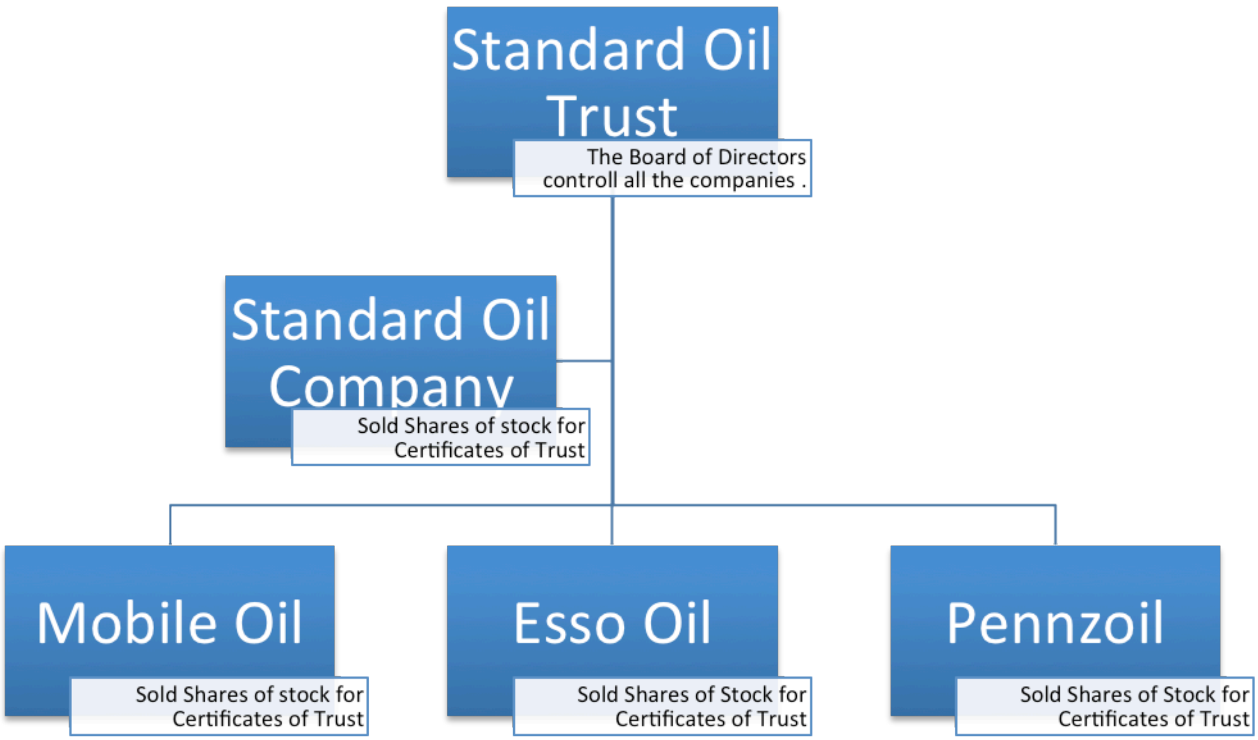
Rockefeller's business career began when he started a company with Samuel Andrews in 1862. Andrews, an inventor, had devised a cheap and efficient way to purify crude oil. At this time in American history, whale oil was used to fuel lanterns, but it was expensive and hard to obtain. Meanwhile, oil had been discovered in the Midwest, and it was found that this natural resource could be converted into a much cheaper fuel, kerosene. With the product that Andrews and Rockefeller were producing, everyone would easily be able to afford to light their homes and businesses. The impact of this new fuel was devastating to the whaling industry on Long Island, and statistics show a great reduction in the number of whaling ships during this time. By 1924, there were no American whaling ships left.

Rockefeller's new company did well, and by 1870, he was able to form a public company, *Standard Oil*, of which he owned the controlling shares. His large company allowed him to receive contracts with the railroad to get cheaper transportation for his products. Rockefeller used this advantage to buy most of Standard Oil's competition. By 1878, he possessed ninety percent of the nation's oil refineries and was on his way to controlling all aspects of oil production.

Many of Rockefeller's business dealings were illegal and immoral. In order to dominate oil production and assure the success of Standard Oil, he allegedly bribed politicians, managed transportation rebate contracts with railroads and undercut the competition.

Standard Oil's organization changed in 1882 when the Standard Oil Trust was established. The first of its kind in the U.S., the trust was devised so shareholders of various companies would hand over their shares to a board of trustees, receiving certificates of trust in place of the shares. The board of trustees then ruled over the companies as one corporation. Many powerful companies in the U.S. followed Rockefeller's example and established trusts. This was a disturbing trend, because trusts were ruining the small businessmen. The federal government recognized the problems posed to industry by trusts, and in 1890, Congress passed the Sherman Anti-Trust Act, which declared that any monopolization of interstate commerce was illegal. The Act also forbade every contract, deal and conspiracy that would restrain trade. Violators of the Act could be fined $1 million and could serve three years in prison. In 1892, the Standard Oil Trust's monopoly of the oil industry ended when the Ohio State Supreme Court used the terms of the Sherman Anti-Trust Act to prosecute the industry titan.

Like most of the other "robber barons," John D. Rockefeller was a complex figure. Though his charity was unparalleled, he was ruthless in his business dealings, and his ego often got the better of him. During his lifetime he gave away about half of his wealth to the very workers he had exploited along his path to success.



1. Explain how a trust was used to eliminate competition and create a monopoly.

Vocabulary: Use the text to define the following words or phrases.

1. Ruthless

2. Infamous

3. Robber Barons

4. Beyond reckoning

5. Public company

6. Shares

7. Bribed

8. Undercut

9. Trust

10. Sherman Anti-Trust Act

11. Interstate Commerce

12. Conspiracy

13. Restrain Trade

Essential Questions:

1. Describe the business practices used b John D. Rockefeller to create the Standard Oil Company.

2, Explain how a Trust works to create the illusion that there is competition among various companies in a market.

3.What actions did the government take to eliminate trusts and monopolies?

4. In your opinion should the Federal Government play a role in regulating business and curtailing trusts and monopolies? Explain you reasons in detail.