

PUTTIN' ON THE

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BY MIKE FIELD

WHEN JOHN D. ROCKEFELLER was a young man, a minister once offered him the following guidance: "Earn all you can. Give all you can."

It was advice that Rockefeller followed the rest of his long life. In his earning, throughout the latter half of the 1800s, he created the modern petroleum business. Through his giving, he revolutionized philanthropy. Together, those two industries in countless ways shaped America in the 20th century.

Oil tycoon J. Paul Getty famously had this succinct advice for how to become wealthy: "Rise early. Work late. Strike oil." John D. Rockefeller amassed his wealth—at one point his net worth was estimated to be equal to roughly 2 percent of the country's GNP—without ever striking a gusher. In fact, even though his name is forever associated with Big Oil, it was only later in his career that Rockefeller owned oil wells. His initial foray into the industry was through petroleum refining, a straightforward industrial process that has fixed costs and relatively restrained and predictable profits. From the start, he was content to let others take the big risks (and potentially make the big fortunes) drilling for oil. Rockefeller's particular genius was in innovating new technologies and new business techniques that enabled him to consolidate the business and eventually create a monopoly—the Standard Oil Trust—that helped make him (depending on whom you asked) the most respected, or the most reviled, businessman in

American history.

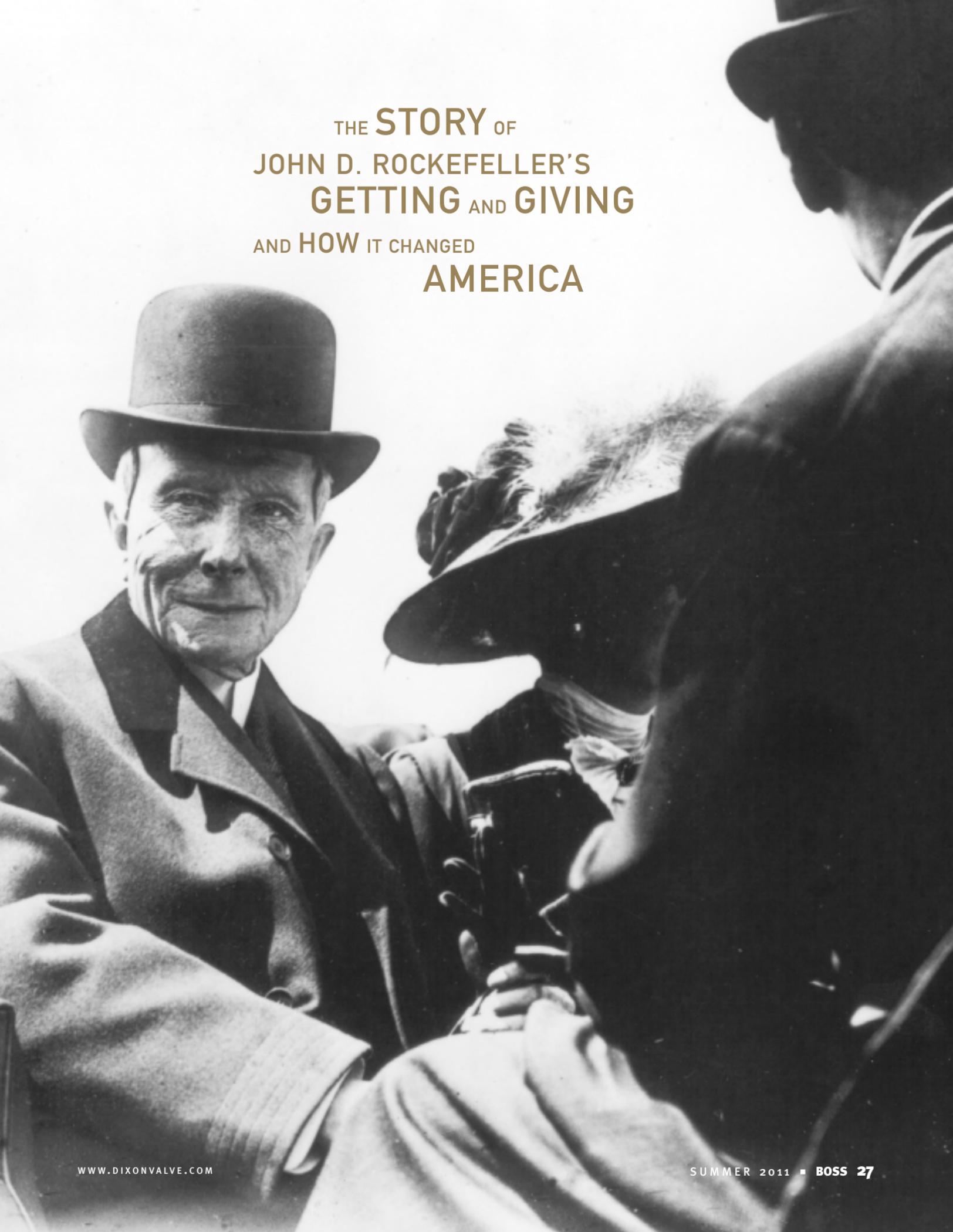
And certainly, he was the richest: When *Forbes* compiled its list of the richest men in history, Rockefeller easily topped the charts with an amassed wealth equal to \$338 billion in today's dollars. By way of comparison, consider that Bill Gates, the Microsoft founder and computer pioneer, comes in 31st on the list with a measly \$54 billion or so.

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In these matters it's important to keep all the zeros in those figures in their proper perspective. On Sept. 29, 1916, *The New York Times* gave front-page coverage to a run-up in the price of oil stocks sparked by a 10-cents-a-barrel increase in the price of crude petroleum. Five years earlier the Supreme Court had ruled that Standard Oil was effectively a monopoly made illegal under the Sherman Antitrust Act. The Court ordered the company broken up into 34 smaller companies, many of which are familiar

names today: Conoco, Amoco, Chevron, Exxon, Mobil and others.

Rockefeller, as the holder of 25 percent of all Standard Oil stock, was given the same percentage of stock in each of the new companies. Anyone who thought the court decision was a form of financial punishment aimed at Standard Oil's founder clearly missed this fine print. Now, in 1916, trading at a combined price (when you added the value of the stock of each of the 34 companies) of more than \$2,000 a share, the stock prices made Rockefeller the world's first billionaire. This was at a time when a first-class stamp cost 2 cents, and even more tellingly, the



THE **STORY** OF
JOHN D. ROCKEFELLER'S
GETTING AND **GIVING**
AND **HOW** IT CHANGED
AMERICA



John D. Rockefeller in a 1917 portrait by John Singer Sargent; Standard Oil Refinery No. 1 in Cleveland, Ohio, 1899; a political cartoon from 1904 demonstrates American fears about the Standard Oil Company's vast and growing power over the American government.



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entire federal government budget was only about \$710 million. No wonder then that the expression “rich as Rockefeller” came into everyday use for describing extreme wealth.

No one quite knew what to make of one man having that much money. Many were outraged. Even the staid Gray Lady herself, the usually reserved *New York Times*, struck a tone halfway between breathless excitement and stern moral disapprobation on the day following its announcement of Rockefeller’s billionaire status. Apparently that story only stoked the flames of the Wall Street feeding frenzy, causing stocks to race even further ahead, and adding a cool eight mil to Rockefeller’s wealth: **ROCKEFELLER GETS \$8,028,000 IN DAY** shouted the *Times*’ front page headline. The paper

also noted that now the combined stock value of all the Standard Oil spin-off companies was equal to twice the entire debt of the United States.

All in all, it was an impressive achievement for a man born to modest circumstances who started out his business career as a wholesale greengrocer.

Born on July 8, 1839, the second of six children in a small town not far from Ithaca, N.Y., young Rockefeller displayed a sobriety and seriousness at an early age—in direct contrast to the notorious dalliances and escapades that earned his father the nickname “Devil Bill.” His mother, Eliza, was a devout Baptist and instilled in her son a dedication to hard work and charitable giving. From his first days he gave a portion of all his earnings to charity and by the age of 20 he was tithing—donating

a tenth of all he earned—to his Baptist church. His two main ambitions as a youth, he once confided, were to earn \$100,000 and to live to be 100. In the end, he nearly achieved both.

As a boy, Rockefeller and his family moved to Cleveland, where he graduated from high school and then briefly studied bookkeeping. Starting his own wholesale produce company with a business partner in 1859, Rockefeller was ideally situated at the confluence of two important discoveries.

The first was made by Pennsylvania businessman Samuel Martin Kier. In 1851, he developed a method of heating and distilling the crude petroleum oil that had been seeping into area salt wells; Kier produced a clear combustible liquid that he sold under the name of “Carbon Oil”—today com-

monly known as kerosene. It was a timely discovery, as the last of the whaling grounds were being depopulated and the price of whale oil was skyrocketing; people needed something to fuel their lamps.

Then, in the summer of the same year Rockefeller opened his business, Edwin Drake drilled 70 feet into the ground in a Pennsylvania farmstead and produced the world's first oil well. (Until the discovery of oil in Texas in 1901, Pennsylvania would produce half the world's oil supply.)

Need and resource and technology had all come together to create a new industry and John D. Rockefeller, showing the innate business savvy that was to define his entire life, was quick to recognize the opportunity. In 1863, Rockefeller and his business partners built an oil refinery in Cleveland's industrial area, near the railroad tracks that would enable them to ship the new commodity kerosene all over the United States. Within two years he was able to buy out his partners for \$72,500 at auction; it was, he later recounted, "the day that determined my career."

It was around this time that Rockefeller began life as a family man. He married Laura Celestia Spelman in 1864 (about whom he would later say, "Her judgment was always better than mine. Without her keen advice, I would be a poor man.") The two would go on to have five children: four daughters and a son, John D. Rockefeller Jr.

As a businessman, Rockefeller had a keen instinct and a laser-like focus on bringing what he saw as order and rationality to a wildly chaotic evolving industry. He believed deeply in the value of what he did, saying often that the purpose of his company was to provide "the poor man's light." In 1870 he formed Standard Oil of Ohio, and rapidly built it to the largest and most profitable refinery in the state. Never afraid to borrow money or drive a hard bargain, he bought up competitors at every opportunity—in one four-month period in 1872, in what came to be known as the "Cleveland Massacre," he

purchased 22 of 26 competitors in his hometown—and he worked tirelessly to improve efficiency and economy in his refineries. The size of his operation enabled him to demand, and receive, substantial discounts and kickbacks on the railroad shipping costs of his kerosene, which he then used to undercut his competitors.



Rockefeller was a man with a vision, but surprisingly, it may not have been as simple as wanting to be the richest man in the world. He set his mind on greater accomplishments. "I had no ambition to make a fortune," he later recalled. "Mere moneymaking has never been my goal. I had an ambition to build." And build he did. By the end of the 1870s, Standard Oil was refining more than nine-tenths of the oil in the United States and Rockefeller was already a millionaire.

Despite its immense size (it was the world's largest and wealthiest corporation), Standard Oil was a remarkably efficient organization and was surprisingly quick to satisfy customers and adjust to new market realities. Rockefeller was proud of the fact that under Standard's monopolistic practices (which he portrayed as merely bringing rationality and efficiency to the marketplace), the consumer price of kerosene fell by 90 percent. In addi-

tion to eliminating competitors, Standard also eliminated many of the resellers and middlemen that inflated the final cost of kerosene.

To further increase efficiency, the corporation standardized product, containers and shipping. Moreover, Standard Oil was agile enough to withstand the invention of the electric light and the steady decline for kerosene used for lamps that resulted. Around this time a former waste product of the distillation process—gasoline—took on new importance, and Standard was quick to capitalize on the nation's growing thirst for it. As the years advanced, the value of Standard Oil stock—and Rockefeller's millions—seemed to multiply endlessly.

And yet, probably owing to his strict evangelical Baptist upbringing, Rockefeller was noticeably lacking in the usual millionaire vices. He did not drink, smoke, dance or, apparently, keep mistresses. Always physically active and a keen sportsman, near the age of 60 he stumbled into golf and thereafter played nearly every day for the rest of his life. He lived, dressed, ate and recreated as you would expect of a multi-millionaire; but unlike the great robber barons of his age, he did not collect yachts or castles or Renaissance paintings. When he retired from the daily management of his business around the turn of the century (he was in his 50s at the time), rather than collecting great works, he set about doing them, turning his sharp analytical mind to charitable giving with the same relentless efficiency and effectiveness with which he had built his companies. In the process he transformed the concept of charity from merely giving alms to the modern philanthropic ideal of investing in a better tomorrow.

In 1909, Rockefeller wrote a short treatise describing his own evolving understanding of charity. In *The Difficult Art of Giving*, he recounts how initially he followed "the haphazard fashion of giving here and there as appeals presented themselves." But with increasing wealth came a growing understanding that carefully targeted

giving—like good investing—is sure to bring the highest returns. “We have sought, so far as we could,” he wrote, “to make investments in such a way as will tend to multiply, to cheapen, and to diffuse as universally as possible the comforts of life.” Four years later, in 1913, he established the Rockefeller Foundation with the explicit intent of developing systematic methods of philanthropy.

In his philanthropy, like in building the Standard Oil petroleum empire, John D. Rockefeller was an astute judge of character and eager to enlist the very

best minds and ideas: initially Baptist clergyman Frederick T. Gates, who guided the transformation of the University of Chicago from a small Baptist college to a pre-eminent research university with the aid of Rockefeller money; later Raymond Fosdick and George Vincent helped plan Rockefeller Foundation benefactions, particularly in the areas of higher education and medicine, where much of the foundation’s funds, energies and original ideas ultimately had such transformative effect.

It is nearly impossible to overesti-

mate or easily summarize the power of Rockefeller’s philanthropy. He gave away more than \$540 million (roughly \$7 billion in today’s dollars) during his lifetime, creating important entities like Spelman College (which bears his wife’s maiden name), Peking Union Medical College in China and the Johns Hopkins University School of Public Health. He is widely recognized as the greatest lay benefactor of medicine in history and—although he personally preferred homeopathic remedies—was singularly responsible for the advance of modern medical science.

Rockefeller achieved his early ambition of making \$100,000 many times over; only in his desire to see 100 did he fall short, though he survived well into his 90s. As an old man he remained mentally and physically fit until almost the very end, focusing on his golf and giving. When he was 91 he played six holes in 25 strokes. John D. Rockefeller died on May 23, 1937—less than two months shy of his 98th birthday. The family wealth was placed in a series of complex trusts, the terms of which were kept private and aroused considerable curiosity and speculation over the years. A little light was shone into the family fortune when grandson Nelson Rockefeller was appointed by newly ascendant President Gerald Ford to take the role of vice president. At his confirmation hearings, Rockefeller gave Senators and the American public a look at the complex web of the family finances, saying, “If you’re thinking of colossal economic power, it doesn’t exist. We have investments, but not control.”

Today, John D. Rockefeller’s wealth—and the deeply ingrained tradition of family giving—continues to improve and enrich the lives of countless people. No less than the Carnegie Corp., another great charitable institution begun by a 19th-century industrialist, lent this praise to the Rockefeller legacy: “The contributions of the Rockefeller family are staggering in their extraordinary range and in the scope of their contribution to humankind.”

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