Topic Page: Standard Oil Company

Definition: **Standard Oil** from *The Hutchinson Unabridged Encyclopedia with Atlas and Weather Guide*

US company founded in 1870 by John D Rockefeller; it was divided in 1911 under anti-monopoly laws into 34 independent companies. The successor companies developed to form the core of the modern US oil industry, including Exxon and Mobil (which merged in 1999), Chevron, Marathon, and Conoco.

Image from: **ANTITRUST MOVEMENT** in *Encyclopedia of U.S. Political History*

Summary Article: **Standard Oil Company**
From *Gale Encyclopedia of U.S. Economic History*

Standard Oil Company was a U.S. corporation and business trust that controlled the majority of oil production and distribution in the United States from the late 1800s and until 1911, when the U.S. Supreme Court dissolved the trust. Its majority owner was business magnate John D. Rockefeller (1839–1937). The company was notable for being one of the first large U.S. corporations to be forcibly broken up into competing companies in order to preserve industry competition. It had achieved a monopoly in the late nineteenth century by engaging in extensive corporate mergers and competition-restricting business practices. In order to avoid violating legal restrictions on U.S. trusts, it continually modified its corporate status and structure and otherwise acted to obscure the extent of its domination of the U.S. oil industry. Although its business practices resulted in lower oil costs for U.S. consumers, the increasingly negative public perception of the company's control of the oil industry and the concerns voiced by its competitors eventually resulted in its dissolution. Its business legacy has survived in the form of its descendant companies, including ExxonMobil, Chevron, and ConocoPhillips.

The Standard Oil Company was formed in Cleveland, Ohio, in 1863 and incorporated in 1870 under joint owners Rockefeller, Samuel Andrews (1836–1904), and Henry M. Flagler (1830–1913). By 1870 the three partners owned the largest oil refinery in Cleveland. Through several corporate mergers and by putting pressure on railroad companies to lower their shipping rates exclusively for the company, Rockefeller and Flagler (the two partners concerned with the business's administration) succeeded in consolidating the vast majority of U.S. oil production by 1878. This consolidation led to the formation of the first business trust (an arrangement whereby a single group of trustees manages the stocks of several companies) in U.S. history with the signing of the Standard Oil Trust Agreement in 1882. This agreement consolidated all of Standard Oil's corporate assets under the Standard Oil Company of New York, a firm in which Rockefeller was the majority shareholder. At one point the trust agreement allowed for the purchase, creation, dissolution, merging, and dividing of more than 40 corporations—14 of which were wholly owned by Standard Oil.

JOHN D. ROCKEFELLER

Oil tycoon John D. Rockefeller (1839–1937) rose from a position as a bookkeeper at a Cleveland merchant to become one of the wealthiest and best-known industrialists and philanthropists of the early twentieth century. His legacy as a shrewd and even ruthless businessman, however, was somewhat offset by his enduring reputation as a philanthropist.

He settled in Cleveland in 1853 and took courses at a local business college before establishing his own profitable commission business during the Civil War (1861–65). He later credited his austere Baptist upbringing with instilling useful personal traits for business management, such as rigorous self-discipline. He entered the oil business in 1863 and eventually cofounded the Standard Oil Company, where he directed much of the company's business practices until his retirement in 1896. He remained its nominal president until 1911.

By the 1870s his oil holdings included numerous refineries, lubrication plants, pipelines, cooperage plants, and other enterprises, which he centralized in 1882 under the Standard Oil Trust. By the time the Supreme Court legally dissolved the trust in 1911, however, he had little active involvement in the company's management. When he was called to testify concerning the company's business practices, he famously claimed that he could no longer remember the details of how Standard Oil had achieved such an expansive empire. Ironically the 1911 dissolution of the company further enriched Rockefeller through the vast award of shares he received in the company's former subsidiaries.

He had other business ventures in addition to his Standard Oil holdings, including the development of the Cleveland Arcade Co., an indoor shopping mall, and other construction projects. Through contributions to various charities and medical, educational, and religious organizations, he gave away nearly half of his estimated $1 billion fortune by the end of his life. He and his wife, Laura Spelman (1839–1915), had four children: John D. Jr., Elizabeth, Edith, and Alta. He died at age 97 in Ormond Beach, Florida.

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The future of the company was threatened in 1890 when Congress passed the Sherman Antitrust Act and the Ohio Supreme Court ordered the dissolution of the company's Ohio-based trust. Standard Oil successfully avoided dissolution, however, by reincorporating as a holding company in New Jersey in 1899. This reincorporation fit with Standard Oil's practice of maintaining a complicated business structure so as to obscure the extent of its control of the U.S. petroleum industry. Nevertheless, the reincorporation drew the attention of the federal government, which in 1906, under the Sherman Act, broke up Standard Oil's New Jersey–based trust and divested the company of its largest refineries in other states, effectively ending its near total monopoly on the U.S. oil industry. Standard Oil responded by acquiring oil supplies in Texas and abroad, particularly in China, where it had entered the kerosene market in the 1890s. Still, the company was never able to recapture its domination of the U.S. oil market.

In 1911 the U.S. Supreme Court, ruling that the Standard Oil Company of New Jersey violated the Sherman Antitrust Act, ordered the full dissolution of the company's major holdings, which resulted in the formation 33 newly competing companies formerly under the control of Standard Oil. At the time of the company's 1911 dissolution, its share of the U.S. oil market had declined from around 90 percent to about 65 percent, leading some economists to argue that Standard Oil was already in the process of losing its monopoly through natural market forces.

The 1911 dissolution of Standard Oil was also influenced by the muckraking journalistic efforts of writers such as Ida Tarbell (1857–1944), whose 1904 book *The History of the Standard Oil Company* portrayed the trust—and Rockefeller in particular—in a harshly negative light. Tarbell, whose father had been pushed out of the oil business by Standard Oil's monopolistic efforts, famously described the corporate giant as an octopus that had succeeded by strangling competing businesses and the rights of organized labor. Muckraking journalists also identified Standard Oil as both a horizontal and vertical monopoly (in other words, the exclusive owner of all competitors, suppliers, and distributors) because the company controlled both the U.S. oil refining industry—its original market—and much of the U.S. oil drilling and distribution industries. Standard Oil's critics maintained that these attributes effectively placed the company in complete control of the U.S. oil market.

Standard Oil adopted the name Esso in the 1940s and later changed it to Exxon, but the name Esso continued to be used outside the United States. Here the Esso logo appears on a gas station sign in Germany in 2012.
BLOOMBERG/GETTY IMAGES

After 1911 Standard Oil continued to compete with its former subsidiaries. As a result of the proliferation of automobiles in the United States in the 1920s, the company shifted much of its sales from kerosene to gasoline. It later adopted the name Esso (a phonetic pronunciation of the company's original abbreviation—SO) in the 1940s to contrast itself with other competing companies still carrying the Standard Oil name. The company adopted its modern name, Exxon, in 1972, although it continued to market products outside of the United States under the Esso name.

The oil embargo of the 1970s, initiated by the Organization of the Petroleum Exporting Countries, an international oil cartel, greatly disrupted Exxon's business practices and forced the company (and other former Standard Oil subsidiaries such as Mobil) to expand oil exploration and drilling around the world—notably in the North Sea, the Gulf of Mexico, Africa, and Asia. This expansion eased Exxon's reliance on Middle Eastern oil and increased the company's profits, as did Exxon's greater investment in convenience stores in the United States. Nonetheless, by the 1990s the majority of Exxon's profits were not from gasoline sales but from the extraction of crude oil around the world.

In 1999 Exxon merged with Mobil to create the ExxonMobil Corporation, a merger that effectively reunited two large entities formerly under Standard Oil's original business empire. This $81 billion merger drew scrutiny from the U.S. Federal Trade Commission, the government's consumer protection agency, because it once again raised the possibility of a single oil company monopolizing the U.S. oil industry. At the time of the merger, Exxon and Mobil were the largest and second-largest U.S. oil companies, respectively. In order to win government approval, both Exxon and Mobil were forced to sell more than 2,400 gas stations across the United States, the largest asset sale ever required by the Federal Trade Commission, in order to preserve industry competition and protect U.S. consumers from price increases. From a business perspective the merger proved to be a financial success, although it was later marred by allegations of profiteering off U.S. involvement in the Iraq War (2003–11).

SEE ALSO *Exxon Mobil Corporation; Mergers; Monopolies, History of; Muckrakers Expose Corporate and Political Dirt; OPEC Oil Embargo Leads to Long Lines at U.S. Pumps; Petroleum Industry; Sherman Antitrust Act (1890); Trusts, Business;* United States v. Standard Oil (1911)

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