John D. Rockefeller

John D. Rockefeller was an American industrialist and philanthropist. Rockefeller revolutionized the petroleum industry and defined the structure of modern philanthropy. In 1870, he founded the Standard Oil Company and ran it until he officially retired in 1897. Rockefeller kept his stock and as gasoline grew in importance, his wealth soared and he became the world's richest man and first American billionaire, and is often regarded as the richest person in history.

Standard Oil was convicted in Federal Court of monopolistic practices and broken up in 1911. Rockefeller spent the last 40 years of his life in retirement. His fortune was mainly used to create the modern systematic approach of targeted philanthropy with foundations that had a major effect on medicine, education, and scientific research.

His foundations pioneered the development of medical research, and were instrumental in the eradication of hookworm and yellow fever. He is also the founder of both The University of Chicago and Rockefeller University. He was a devoted Northern Baptist and supported many church-based institutions throughout his life. Rockefeller adhered to total abstinence from alcohol and tobacco throughout his life.

Standard Oil

In January 1870, Rockefeller formed Standard Oil of Ohio, which rapidly became the most profitable refiner in Cleveland. When it was found that at least part of Standard Oil's cost advantage came from secret rebates from the railroads bringing oil into Cleveland, the competing refiners insisted on getting similar rebates, and the railroads quickly complied. By then, however, Standard Oil had grown to become one of the largest shippers of oil and kerosene in the country.

The railroads were fighting fiercely for traffic and, in an attempt to create a cartel to control freight rates, formed the South Improvement Company. Rockefeller agreed to support this cartel if they gave him preferential treatment as a high-volume shipper, which included not just steep rebates for his product, but also rebates for the shipment of competing products. Part of this scheme was the announcement of sharply increased freight charges. This touched off a firestorm of protest, which eventually led to the discovery of Standard Oil's part of the deal. Undeterred, Rockefeller continued with his self-reinforcing cycle of buying competing refiners, improving the efficiency of his operations, pressing for discounts on oil shipments, undercutting his competition, and buying them out. In less than two months in 1872, in what was later known as "The Cleveland Conquest", Standard Oil had absorbed 22 of its 26 Cleveland competitors. For many of his competitors, Rockefeller had merely to show them his books so they could see what they were up against, then make them a decent offer. If they refused his offer, he told them he would run them into bankruptcy, then cheaply buy up their assets at auction.
Monopoly

Standard Oil gradually gained almost complete control of oil refining and marketing in the United States through horizontal integration. At that time, many legislatures had made it difficult to incorporate in one state and operate in another. As a result, Rockefeller and his associates owned separate corporations across dozens of states, making their management of the whole enterprise rather unwieldy. In 1882, Rockefeller's lawyers created an innovative form of corporation to centralize their holdings, giving birth to the Standard Oil Trust. The "trust" was a corporation of corporations, and the entity's size and wealth drew much attention. Despite improving the quality and availability of kerosene products while greatly reducing their cost to the public (the price of kerosene dropped by nearly 80% over the life of the company), Standard Oil's business practices created intense controversy. The firm was attacked by journalists and politicians throughout its existence, in part for its monopolistic practices, giving momentum to the anti-trust movement.

One of the most effective attacks on Rockefeller and his firm was the 1904 publication of The History of the Standard Oil Company, by Ida Tarbell, a leading muckraker. Tarbell's father had been driven out of the oil business during the South Improvement Company affair. Although her work prompted a huge backlash against the company, Tarbell claims to have been surprised at its magnitude.

In 1911, the Supreme Court of the United States found Standard Oil Company of New Jersey in violation of the Sherman Antitrust Act and held that Standard Oil, which by then still had a 64% market share, originated in illegal monopoly practices and ordered it to be broken up into 34 new companies. Rockefeller, who had rarely sold shares, owned substantial stakes in all of them.

Philanthropy

From his very first paycheck, Rockefeller tithed ten percent of his earnings to his church. As his wealth grew, so did his giving, primarily to educational and public health causes, but also for basic science and the arts. Philanthropy on a large scale was Rockefeller's second career, in which he came to be almost better known than in oil. Cynics have scoffed at his notion of religious stewardship, but Rockefeller deeply believed that he had a duty to transfer some of his huge fortune to humanitarian use rather than merely leave it to his heirs. He eventually devoted hundreds of millions of dollars to the improvement of American medical practice, education, and research. The Rockefeller Foundation was the chief vehicle for his philanthropy, but the General Education Board, devoted to improving the deplorable state of education in the South, and the University of Chicago also were major beneficiaries.

Rockefeller embodied in one person most of the traditional traits of the Victorian businessman. Fully materialistic in his equating of business profit with its social significance, he nevertheless realized that wealth was no substitute for religious faith and personal virtue. Outliving by many years all of the men who once shared with him the epithet of "robber baron," he came in the end to be a spry old gentleman, whose habit of carrying a pocketful of shiny new dimes to present to small children was the delight of newspaper photographers everywhere.