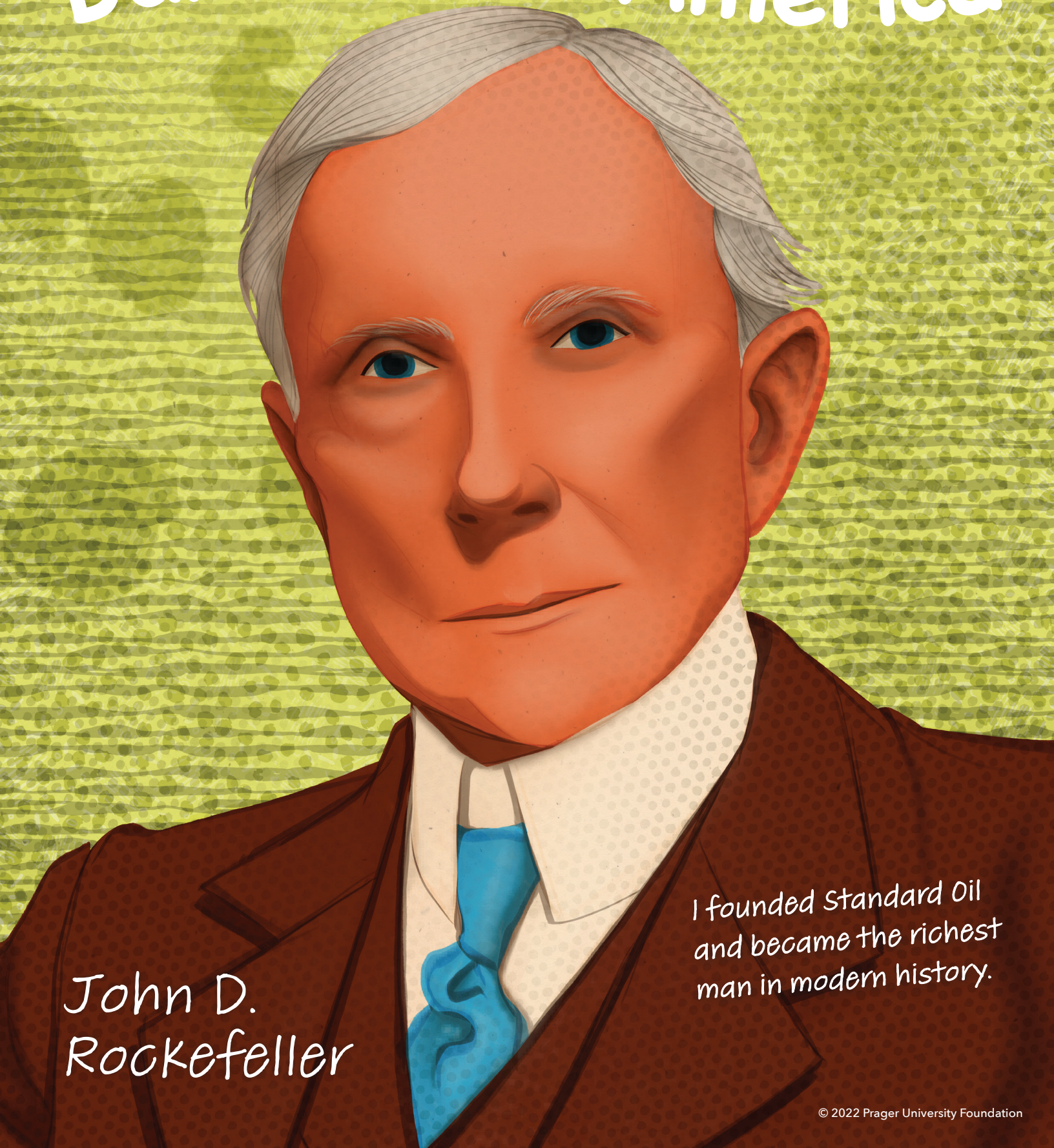


# Builders of America



John D.  
Rockefeller

I founded Standard Oil  
and became the richest  
man in modern history.

# Meet John D. Rockefeller

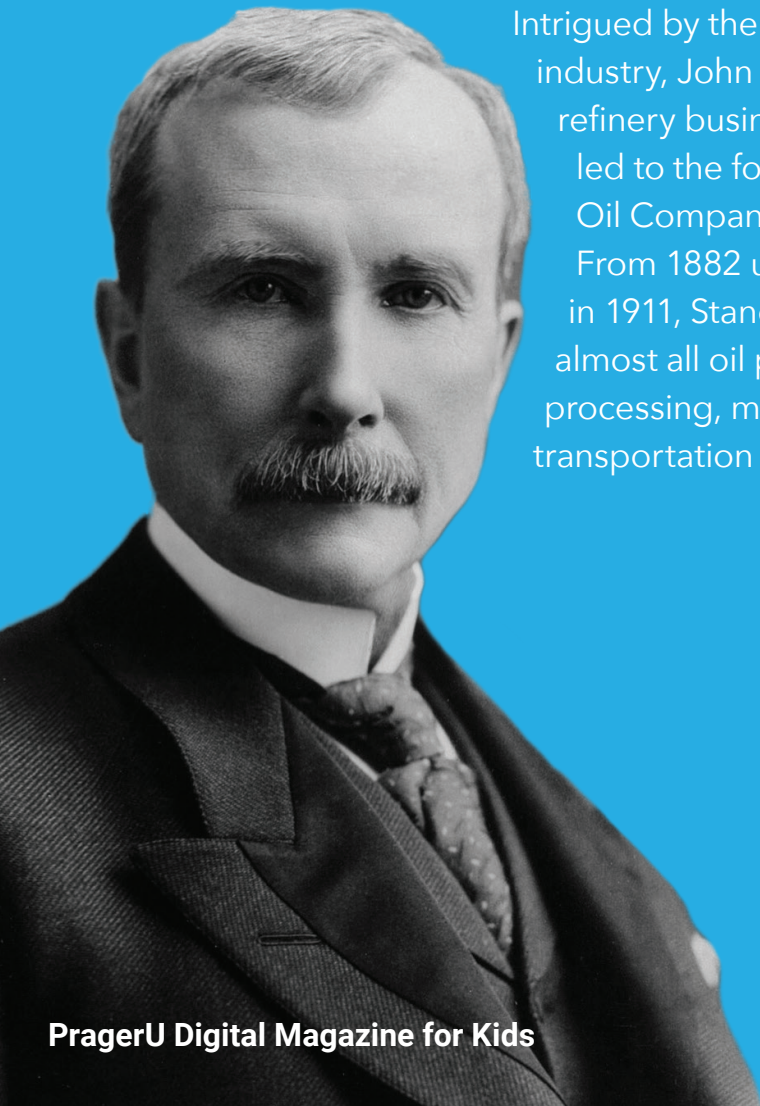
John Davison Rockefeller so enjoyed business that he dreamed about it at night. His natural abilities, interests, and childhood lessons inclined him toward a successful life in commerce.

As a boy, John learned his father's business sense and his mother's work ethic and faith. This combination of religion and industry shaped John's life philosophy.

John came of age during a period of rapid westward expansion in the United States. At 16, he began working as a bookkeeper for Cleveland merchants Hewitt & Tuttle. **Meticulous**, honest, and persistent, John easily earned the trust of his employers.

In 1859, John and associate Maurice Clark formed a profitable **logistics** company. Around this time, another entrepreneur named E.L. Drake drilled the first oil well in northwestern Pennsylvania, attracting a wave of speculators to the region.

Intrigued by the fast-growing oil industry, John invested in an oil refinery business that eventually led to the founding of Standard Oil Company and Trust in 1870. From 1882 until its dissolution in 1911, Standard Oil controlled almost all oil production, processing, marketing, and transportation in the United States.



## At-a-Glance

- ★ Born on July 8, 1839 in Richford, New York
- ★ Industrialist and founder of Standard Oil Company, the first major U.S. **trust**
- ★ His company's competitive practices led to its near **monopoly** on the U.S. oil business
- ★ Respected for his calm exterior, vision, precision, and attention to details
- ★ A devout Baptist, he devoted his later life to **philanthropy**, making contributions totaling more than \$500 million
- ★ Died on May 23, 1937 in Ormond Beach, Florida

## Early Life

The second of six children and the eldest son, John was born in the rural community of Richford, NY in 1839 to parents William and Eliza. His youngest sister Frances died in childhood.

William, known as “Big Bill,” was a traveling medicine salesman who spent extended periods of time away from home. Eliza was a deeply religious homemaker who maintained stability through strict discipline.

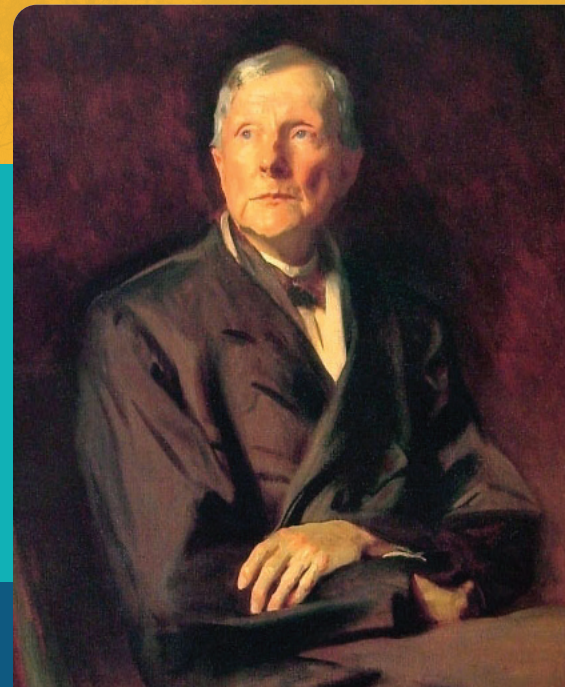
William provided for the basic needs of his family, moving them to the more comfortable town of Moravia, and later to Owego. He encouraged an appreciation of music and taught sons John and William to row and fish. Big Bill had a larger-than-life personality; however, he was also a practical businessman. He trained his sons in business matters including punctuality and **frugality**. Eliza saw to it that the children attended church and Sunday school each week.

At age seven, John began to save his small earnings from running errands in a blue china bowl on the mantel. As his savings grew, his mother encouraged him to **tithe** to their church.

He later noted, “I had a peculiar training in my home. It seemed to be a business training from the beginning. I was taught to do things—simple things such as a boy could do.” He learned to tend the garden, milk a cow, and ride a horse. He did his chores thoroughly and appreciated the value of labor. In adolescence, John assumed a greater paternal role and additional responsibilities at home.

*“From the beginning,  
I was trained to work,  
to save, and to give.”*

John D. Rockefeller



## Considerable Calculations

In his youth, John learned a valuable business lesson. A local farmer wished to borrow \$50 for a year and was willing to pay seven percent **interest**. John offered him the loan and collected \$3.50 at the end of the year.

Around the same time, John worked in his neighbor's field, digging potatoes for 37.5 cents per day. He calculated that it would have taken nearly ten days of back-breaking labor to collect what his savings had earned him without any struggle. John concluded, "It was a good thing to let the money be my servant and not make myself a slave to the money. I have tried to remember that ever since."

In school, John was not considered a standout student. His strongest subject was math, and he excelled in mental calculations. Indeed, this strength would serve him in future business negotiations. In later life, he recalled purchasing a \$1 million oil pipeline from Doctor Hostetter. John engaged him in idle conversation for half an hour so that he could compute the interest payments in his head while they were talking. He determined he had saved \$30,000 on the interest by his mental calculations.



## Westward and Beyond

Big Bill's business moved west, where he prospered in newer communities that lacked fully trained physicians. So, in 1853, the family relocated to Strongsville, a town near Cleveland, Ohio. There, John became active at the Erie Baptist church where he served as clerk and taught a Sunday School class.

When John graduated high school in 1855, his father announced that a college education would be too expensive. Although the family could indeed afford the price of the tuition, William argued that a college degree would not be worth its cost, and preferred practical success to book learning.

John enrolled in a single business course at Folsom's Mercantile College in Cleveland before pursuing an apprenticeship. He searched in earnest for weeks, visiting every railroad, bank, and wholesale merchant firm in Cleveland, until finally he landed an assistant bookkeeper position at Hewitt & Tuttle. At 16, John's life as a businessman had officially begun.

# A Practical Education



John saw his new position at Hewitt & Tuttle as an opportunity to absorb as much as he could about the commission business. His employers earned a profit by connecting buyers and sellers of agricultural produce and arranging for the shipment and payment of their goods.

To understand how the business operated, John inspected old office **ledgers**. He worked long hours, scrutinizing every bill that landed on his desk, and carefully verified the totals. He refused to approve a bill's payment until he confirmed the accuracy of every detail, as the bills frequently contained errors. John also wrote letters and checked incoming shipments.

Controlling the cost of freight was essential to earning a profit at the firm, so John devoted ample time to learning the particulars of the transportation business. He spoke regularly with railroad freight agents, barge owners, and schooner captains. He came to realize that even posted rates could be negotiated. As such, he was able to increase the profit margin by negotiating shipping **rebates**.

After three years with Hewitt & Tuttle, John determined that he was ready to better his position. He later reflected that his time at the commission house had formed the foundation for his business career.



## INDEPENDENCE

*In the mid-1800s, America underwent a period of rapid transformation. New materials, new sources of energy, and machines enabled the mass production of manufactured goods. Additionally, the expansion of the railway system revolutionized transportation.*

*Cleveland quickly emerged as the center for rerouting the raw materials needed for the expansion of the west, and its merchants became middlemen in managing these basic commodities.*

*During this opportune period, a business acquaintance named Maurice B. Clark proposed an exciting venture with John. They would open a commission house specializing in grain, hay, meats, and miscellaneous goods. On March 18, 1859, Clark & Rockefeller opened their doors.*

*After initial success, they continued to prosper throughout the Civil War. Although John opposed slavery and felt called to serve, he decided not to abandon his new enterprise since many people were dependent on his business. Instead, he made financial contributions to help other men enlist.*

*As John noticed the grain business moving farther west to Minneapolis, he began to consider additional investment opportunities.*

## Black Gold

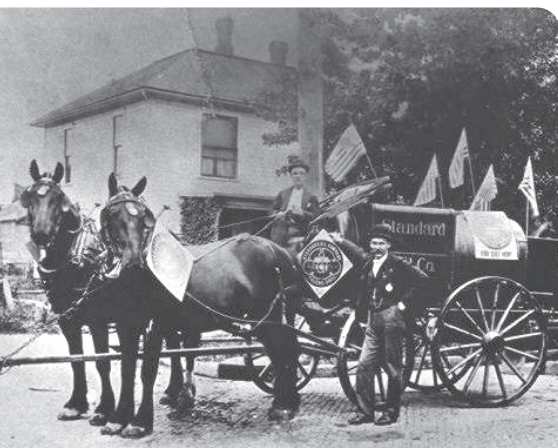
Each year, America's demand for illuminants and lubricants increased. Kerosene lamps were now seen in most towns and cities. With the discovery of oil in the region, many men were enriched almost overnight. By the early 1860s, fortune-hunters were flocking to northwest Pennsylvania. Those who struck oil often wasted more than they collected, polluting local waterways.

John watched with interest but was bothered by the industry's wastefulness and fluctuating prices. He opted instead to build a refinery near Cleveland with business partners Maurice Clark and Samuel Andrews, establishing Andrews, Clark & Co. in 1863. Within two years, it was the largest refinery in the area.

The oil refining process was cheap and simple. Crude oil was emptied into long wooden troughs, strained into a wooden tank, and then boiled in heavy stills. The oil then rose as a vapor into overhead pipes and was condensed into a bluish-white liquid called distillate from which gasoline, benzol, and kerosene were made.

John constantly looked for ways to improve refinery methods and produce the best product at the lowest cost. His company hired their own plumber, bought their own plumbing material, and manufactured their own barrels. They further reduced costs by acquiring their own teams and wagons for hauling.

In 1865, the firm dissolved and the Clark brothers sold their share of the business to John and Andrews.



## RELIGIOUS LIFE AND FAMILY

Religion played a prominent role throughout John's life. He read the Bible and attended church services regularly, tithed, rested on the Sabbath, prioritized his family, and made a sincere effort to incorporate Biblical teachings into his daily life. He believed that a strong religious foundation was a necessary counterpart to a successful life in business.

In 1864, John married high school classmate Laura Celestia Spelman and the two became active in the Erie Street Baptist Church. Their four children — Bessie, Alta, Edith, and John Jr. — were raised with the same values that John himself had learned in childhood.

*"We must ever remember we are refining the oil for the poor man and he must have it cheap and good."*

John D. Rockefeller

# Standard Oil Company

Through careful planning, John expanded his business with the help of Andrews, his brother William, and Henry M. Flagler. The partners agreed to establish a new entity and by 1868, John headed the largest oil manufactory in the world. In 1870, they reorganized as Standard Oil Company and Trust, and by 1882, they controlled almost all U.S. oil production.

Standard Oil's success was due to the partners' constant reinvestment of profits into the business. They purchased pipelines and more efficient equipment and hired chemists to develop 300 byproducts from each barrel of oil.

Standard also earned rebates from the major eastern railroads who wanted to ship oil and were willing to give discounts to their biggest clients. As the largest oil

refiner, they were in an excellent position to negotiate. Although such rebates were a customary practice, John was condemned for receiving them because most other refiners were not able to compete.

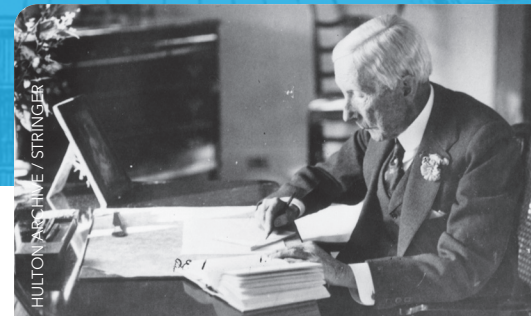
Standard Oil's success was met with enormous criticism despite the benefits their products bestowed upon the American people. Before 1870, only the rich could afford the whale oil and candles needed to light their homes. The rest of the population went to bed early to save money. However, by the 1870s, the price of kerosene was so low that working class people could light their homes at night for just one cent per hour.

## First U.S. Trust Company

John was determined to become the best refiner in the world. He believed that a few large companies could prosper, but smaller companies could not survive. Thus, he actively sought to buy competing refineries, offering the owners cash or stock in Standard Oil. Additionally, he pursued markets in the United States and abroad, dominating the market share.

In 1882, Standard Oil Company established the first U.S. trust by consolidating the stock of Standard and its affiliates under the control of nine trustees, including John. By the agreement, companies could be purchased, created, dissolved, merged, or divided.

Although this new arrangement advanced the distribution of oil products, many thought that Standard dominated the market unfairly. In 1911, the Supreme Court ruled against Standard Oil Company, citing the Sherman Antitrust Act of 1890, and the company was broken into smaller, separate companies.



## RETIREMENT

*At around age 60, John shifted his attention to philanthropy, family, and leisure, and less on business. His lifelong religious values informed his giving. Before he died, he had given away more than any other American to higher education, scientific research and medicine, schools, churches, and missionaries around the world.*



## Fascinating Facts about John

- John's first business opportunity came as a young boy. His mother challenged him to find their turkey's secret nest and rescue the eggs from rodents and foxes. John found the nest, cared for the baby turkeys, and later sold them.
- By age 25, John had become the real head of the family as his father's absences grew longer.
- John organized his life to put God first, his family second, and his career third.
- Since he was a young man, John took a daily nap, sometimes two.
- John gave away more than \$500 million during his lifetime. He paid teams of scientists to find cures for yellow fever, meningitis, and hookworm.

## Attention to Detail

1. John D. Rockefeller is best known for:

- ☐ a. Discovering oil in northeast Pennsylvania
- ☐ b. Building the most successful business in U.S. history
- ☐ c. Inventing the oil refining process

2. During the Industrial Revolution:

- ☐ a. The railway system expanded, revolutionizing transportation
- ☐ b. Machines enabled the mass production of goods
- ☐ c. New sources of energy were discovered
- ☐ d. All of the above

3. During the Civil War, John:

- ☐ a. Fought for the Union Army
- ☐ b. Wrote articles opposing slavery
- ☐ c. Made financial contributions to help other men enlist in the army

4. John organized his life by putting:

- ☐ a. Business first, God second, and family third
- ☐ b. Family first, business second, and God third
- ☐ c. God first, family second, and business third

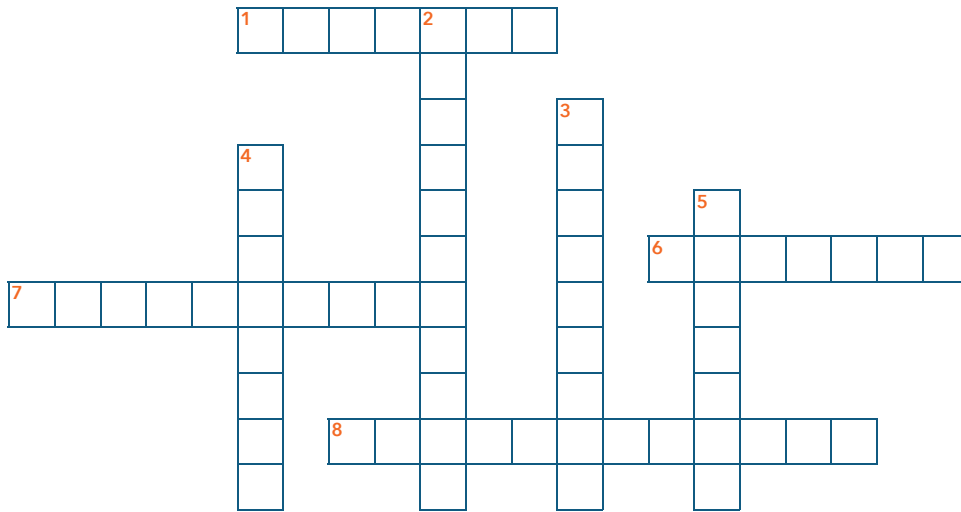
5. Standard Oil was broken up because:

- ☐ a. The company and its affiliates had attained a near monopoly
- ☐ b. John and his partners had over-invested in the business
- ☐ c. Foreign producers drove them out of business

6. John devoted much of his retirement to philanthropy, funding cures for:

- ☐ a. Lung disease and ringworm
- ☐ b. Yellow fever and meningitis
- ☐ c. Cancer and malaria

# Crossword Puzzle



## ACROSS

1. John's middle name
6. John negotiated these from the major eastern railroads to increase profits
7. At age 16, John landed his first job as a \_\_\_\_\_
8. John's primary focus during retirement

## DOWN

2. The name of the first U.S. trust company
3. The city that emerged as a hub for western expansion
4. What John collected when he made a loan to a local farmer
5. John inspected these in order to learn about his employer's commission business

Answer key on page 10

## Detect the Difference

John's success in business was due in part to his eye for detail. His first business partner, Maurice Clark, said that John "was methodical to an extreme, careful to details, and exacting to a fraction." Challenge your eye to find the six differences in these nearly identical images of a Standard Oil tank being transported on a wooden wagon.



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# Glossary

- **Frugality:** Careful management of material resources and especially money.
- **Interest:** An amount paid or charged for borrowing money.
- **Ledger:** A book in which the monetary transactions of a business are recorded.
- **Logistics:** The planning and coordination of the details of an operation.
- **Meticulous:** Acting with extreme care and concern for details.
- **Monopoly:** When one company has so much control over a certain type of good or service that no other companies can make money selling that good or service.
- **Philanthropy:** Activities that help others and society overall through charitable aid or donations.
- **Rebate:** A return of part of an amount given in payment.
- **Tithe:** To give a portion of one's annual income, generally to support a religious institution.
- **Trust:** A group of corporations formed by a legal agreement, for the purpose of reducing competition in an industry.
- **Venture:** A business project involving some risk in the hope of future gain.



Share of the Standard Oil Trust, issued January 18, 1883



ATTENTION TO DETAIL KEY: 1-b. 2-d. 3-c. 4-c. 5-a. 6-b. CROSSWORD KEY: ACROSS: 1. Davison. 6: rebates. 7. bookkeeper. 8. philanthropy. DOWN: 2. Standard Oil. 3. Cleveland. 4. interest. 5. ledgers.

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