ARTICLE IX.

THE ETHICS OF STANDARD OIL.[1]

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THE competitive system which now prevails in the industrial world will not be the system in vogue in the millennium. But the millennium has not yet come, and, until it does, business must be conducted upon the supposition, based upon the most patent of all facts, that self-interest is still the prevailing impulse to business activity, and that there is the strongest ground for distrusting both the motives and the wisdom of one's competitors. The present competition of the business world is a system of warfare, and is to be justified, in the existing condition of things, on the same principle that we

[1] Statutes of Pennsylvania, 1870 and 1872.

Report of an Investigation Relative to Trusts, New York Senate, 1888.

Report in Relation to the Sugar Trust and Standard Oil Trust, by the Committee on Manufactures, House of Representatives, 1889.

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Pure Oil Trust *vs.* Standard Oil Company; being the Report of an Investigation by the United States Industrial Commission, compiled from Private and Official Sources by the *Oil City Derrick*, 1899–1900.

Report of the United States Census Bureau, covering Census for 1900. Washington, D. C.

The Rise and Progress of the Standard Oil Company. By Gilbert Holland Montague. New York: Harper and Brothers. 1903.

History of the Standard Oil Company. By Ida Tarbell. New York: McClure, Phillips and Company. 1904.

The Truth about the Trusts. By John Moody. New York: Moody Publishing Company. 1904.

justify civilized nations in maintaining their armies and navies upon a war footing. Much as one might regret the evils of war, he would be not only a poor patriot, but a poor Christian, who should advocate the disarming of his own nation while other nations maintained their threatening preparations.

The commander of an army is not permitted to inquire too closely into the specific questions at issue in a war in which his nation is engaged. There are questions that can be settled in no other way than by brute force, and men equally honest may be marshalling those forces upon opposite sides. Grant and Lee, Rodjestvensky and Togo, may be equally conscientious in maintaining the prestige of the nations which they mutually represent upon the field of battle. Peace between England and France, and between France and Germany, has been secured by long-drawn-out and terrible military campaigns. The lamentable fact has been, and is, that France does not trust the honor of English statesmen, nor does she believe that Germany would be limited in her ambitions except by the force of necessity. And this is a condition of things which cannot be remedied until the hearts of men are completely regenerated, and all have come to have perfect confidence both in the goodness and in the wisdom of those whose interests are apparently antagonistic to their own. It is idle, therefore, to settle ethical questions of business on any other basis than that of the existing conditions of imperfection both in the virtue and the knowledge of mankind, and of the general distrust which arises from these conditions.

In the industrial world there are two classes whose interests are in perpetual conflict, namely, the producing competitors, and the consumers, consisting of the great body of the people. It is for the apparent interest of the competing producers to secure as large a profit as possible, and therefore it is to be expected that they will buy in the cheapest market and sell in the dearest. The safety of the consumers lies in the resultant of the conflict between the competing producers. In order to secure their markets, the producers in competition with each other must reduce the cost of production to as low a point as possible, and sell to the consumer at so low a margin of profit that the competitor cannot undersell without destroying the profit. And so the welfare of the general public is guaranteed by the operation of this law of competition.

The ethical question which, at the present time, is so agitating the public mind pertains to the rightfulness of the methods employed by competitors in keeping the field for themselves. Respecting this question, it may be said, in general terms, that all those methods of a competitor which reduce the cost of production and the expense of distribution are legitimate when they inure to the public good, however much they may interfere with the interests of unsuccessful competitors. This principle can be maintained without in any degree minimizing the incidental evils which follow in the wake of every successful effort to lower the price of any commodity which is in general use.

In traveling over our country, one can but be saddened at heart by the sight of the thousands of country taverns and hostelries which have been rendered valueless by the introduction of cheaper steam transportation, and by the tens of thousands of spinning-wheels, small shoemakers' shops, grist-mills, cloth factories, and iron foundries which have been rendered unprofitable by the great organizations of capital which now absorb these industries. But the general interests of the people are subserved by this elimination of the small competitor, and we are not at liberty to blame the "captains of industry" through whose agency these changes for the general good have been brought about, however disastrous they may have been to the unsuccessful competitor. At the present time, the business of the world which meets the requirements of the great masses of the people can be carried on only through these great organizations of capital. No one can think of society's going back to the stagecoach, the spinning-wheel, the handloom, and the wheelbarrow as agencies for the general production and distribution of the world's material necessities.

In considering the ethical merits of competition, we put aside, as not germane to the question, all those schemes of stockgambling which are concerned with manipulating prices without regard to the cost of production, and limit ourselves to that field of legitimate competition in the great work of actually reducing to its lowest limits the cost of production and distribution which furnishes the consumer with the necessities or luxuries of life at the cheapest reasonable rates; and, instead of discussing further this question in general, we shall find it profitable to single out a special industry, and study its growth and development in detail, whereby to illustrate the manner in which the interests of the general public are served by the successful agents of a great competitive industry. For this purpose we choose the Standard Oil Company, against whose methods so much has been said of late, and whose organizers and managers have been most freely denounced by a certain class of ethical writers. The beneficent work which has been accomplished by this Company cannot be understood without entering somewhat in detail into the history of the industry.

The discovery of petroleum in quantities making it of commercial value was made, in 1859, at Titusville in Western Pennsylvania, where the celebrated Drake well produced from twelve to twenty barrels of crude oil per day. But the oil district was then thirty miles from the nearest railroad. In the course of the next ten years, 5,560 wells were drilled, of which 4,374 produced no oil. In 1860, five hundred teams, besides one hundred flatboats and barges, were employed to get the oil to market. In April, 1861, the first flowing well was struck, which produced four thousand barrels per day, and soon after another flowing three thousand barrels per day. The difficulty of handling this oil reduced the price at the wells from twenty dollars a barrel to two dollars a barrel, and eventually, at the beginning of 1862, to ten cents a barrel. It then cost $7.45 to transport a barrel of oil to New York City, and $2.25 to get it to the nearest railroad station. This cheapness of oil at the wells greatly checked production for two or three years, until more satisfactory means of securing, refining, and distributing it could be provided. These means were obtained through the building of new railroads, and the introduction of pipe lines for pumping it to the railroad stations, so that, in 1864, crude oil sold as high as fourteen dollars a barrel. A single flowing well, struck that year, producing three hundred barrels a day, led to the selling of a small lot of land for one million dollars. In that year four thousand teams and one thousand boats were employed in transporting the oil and supplies, and one million barrels were required to accommodate the trade. In 1865, oil was ten dollars a barrel at the beginning of the year, and five dollars a barrel at the close.

At that time I was at Pit Hole City, where a flowing well had recently been struck, furnishing fifteen hundred barrels per day. Much of the oil was running to waste, and the cost of hauling it by teams to Titusville or to Oil City was the larger part of the price for which it would sell at those points.

Five pipe lines soon after centered at Pit Hole to compete for the business where only one was called for. Fifteen years later I drove over this ground, and there was not a building in sight, and the whole country was devoted to grazing and the raising of buckwheat. In 1865 it cost $5.55 to transport a barrel of oil to New York City, whereas the present price from any part of the oil region of Western Pennsylvania is only 50 cents. In 1866 the loss of oil by fire amounted to seventy thousand barrels, and has been much greater during many years since. It is a most hazardous article to store and handle.

From this brief statement of facts it can be easily seen why the oil trade was characterized by enormous fluctuations, and by immense profits and immense losses to both the producers and distributers, and the general public was paying a very high price for the commodity which it consumed. Gambling in the oil stocks was universal, and the results were most ruinous. At the close of this period there were as many as two hundred and fifty refineries in existence, but so poorly were many of these located with reference to distribution, and so uneconomically managed, that shortly afterwards nearly all of them failed. In large part, however, these failures were brought about through the cheapening of transportation, which was secured by the organization of companies which commanded a larger amount of capital, and were enabled to obtain wholesale rates on transportation by railroad, and to make more systematic use of the pipe lines. Various efforts were made, through combinations, to keep up the price of oil. But the price both of crude and refined oil continued to decline. In 1870 the price of crude oil per barrel was $3.90, and of refined oil 26 cents per gallon. Ten years later, crude oil was 98 cents a barrel, and refined oil 9 cents a gallon. In 1898 crude oil was 91 cents a barrel, and refined oil 6⅓ cents a gallon, and it has continued at about this rate to the present day.

Among the companies having the largest capital in 1870 was that of the Standard Oil Company of Ohio, which was organized by the combination of two or three companies, and entered upon its career with a capital stock of $1,000,000. At that time it refined sixteen thousand barrels of oil a day, which was 4 per cent of the entire product of the country. Seven years later it was refining 95 per cent of the oil of the country. In 1904 it controlled only 84 per cent of the domestic trade, and 90 per cent of the export trade. The ethics of Standard Oil is to be judged from the methods employed in securing this immense percentage of the business.

In answer to the question, "To what advantages or favors or methods of management do you ascribe chiefly the success of the Standard Oil Company," Mr. John D. Rockefeller, under oath, made the following reply:—

"I ascribe the success of the Standard to its consistent policy to make the volume of its business large through the merits and cheapness of its products. It has spared no expense in finding, securing, and utilizing the best and cheapest methods of manufacture. It has sought for the best superintendents and workmen and paid the best wages. It has not hesitated to sacrifice old machinery and old plants for new and better ones. It has placed its manufactories at the points where they could supply markets at the least expense. It has not only sought markets for its principal products, but for all possible by-products, sparing no expense in introducing them to the public. It has not hesitated to invest millions of dollars in methods for cheapening the gathering and distribution of oils, by pipe lines, special cars, tank steamers, and tank wagons. It has erected tank stations at every important railroad station to cheapen the storage and delivery of its products. It has spared no expense in forcing its product into the market of the world among people civilized and uncivilized. It has had faith in American oil, and has brought together millions of money for the purpose of making it what it is, and holding its markets against the competition of Russia and all the many countries which are producers of oil and competitors against American oil."

By way of comment, we may say with confidence, that there can be little doubt that the public has been greatly benefited by the success of the Standard Oil Company both in improving the quality of the marketable product and in bringing the price down to a very narrow margin of profit. Any one who remembers the quality of oil furnished between 1860 and 1870 so as to contrast it with that furnished at the present time cannot well fail to appreciate the service which has been rendered by the larger companies in furnishing an oil of high standard, so that the busy housewife who uses it may have no fear of an explosion from using a poorly refined product; while the statistics prepared by Prof. J. W. Jenks, for the Congressional Industrial Commission of 1900, show that from 1866 to that time there had been a very steady decline not only in the price of the refined oil, but in the margin which separates the price of the refined from that of the crude oil. Though it is maintained by some that the reduction of this margin is not "commensurate with the improvements in the process of refining," it is difficult to see how this margin can be much reduced and have any profit remain at all.

The facts concerning the margin of profit at which oil is produced are no less surprising than instructive. These profits may be arrived at approximately from the size of the dividends which have been distributed to the stockholders of the Standard Oil Company for the last twenty years. From the most reliable statistics it appears that since 1881 the dividends have amounted to a little over twenty per cent on the capital stock, which is a little more than $100,000,000. In round numbers, therefore, the dividends have been $20,000,000 per year. But when one considers the amount of business transacted, the margin of profit is small. In round numbers, eighty million barrels of crude oil have been annually produced, collected, refined, distributed, and sold with a narrow margin of half a cent profit upon all the products of each gallon, whereas the retailers who handle this commodity have rarely made less than two cents per gallon, and usually have made from three to four cents per gallon. If the price to the retailers had been cut by one-half, or even three-fourths, the profit, it would probably have made no difference in the price which the consumer would have paid, so that the Company has really gone about as far as is possible in the way of serving the general public in lowering the selling price of its product.

The effect upon competitors is to drive out of business all who cannot carry it on upon a sufficiently large scale to be supported by this small margin of profit. Such are unfortunate, certainly, but their misfortune should not be laid to the charge of the more successful producer, who, by the magnitude of his operations, the wisdom of his choice of the means and centers of distribution, and the skillfulness of his organization, whereby waste of every sort is avoided, is able to make a small profit while keeping the price to the consumer but little above the actual cost.

A careful study of the means by which the Standard Oil Company has secured this double end of furnishing to the consumers an important product at a very low price and at the same time making a large aggregate profit to itself will show that, in the main, the means employed are the only ones possible in the service of the public good, and such as are fully justified by all the ethical principles upon which the system of competition is permitted to work out its beneficial results.

1st. An economical factor in the problem which is little appreciated by the general public, is found in the skillful selection of points most convenient for the collection of the crude oil and the distribution of the refined. With the means of communication available in the early days of the oil industry, Cleveland, Ohio, combined the greatest number of facilities for such collection and distribution. From this point competing railroads ran both east and west, while through the larger part of the year water communication was open both to New York and Chicago.

2d. One of the leading advantages arising from the choice of such a center existed in the cheapness of transportation to distant points secured by competing railroads and waterways. If the railroads obtained any of the business of transporting oil between Cleveland and New York, they must do it at rates closely approaching those which were offered by the waterways. Not only was it perfectly fair that the Standard Oil Company at Cleveland should take advantage of these rates, but in the service of the public good they were bound to do it, while the railroads were justified in hauling the product as through freight at cheaper rates than they could make for shorter hauls of way freight. If they had put up their through freights to match their way freights, they would have lost the traffic, and deprived themselves of the relatively small profits derived therefrom, and to that extent burdened themselves with the duty of making their whole earnings from the way freight, which would add still more to the expenses of all the industries of the interior towns.

3d. By furnishing a large amount of freight regularly, the actual cost of transportation was greatly reduced, and it was but fair that the organization which secured this should derive advantage from it. For example, in 1875 the question came up whether or not the Standard Oil Company could continue to do its business at Cleveland. Whether it could afford to do so or not depended upon the rates which it could make with the Lake Shore Railway for carrying its products into the Northwest. Water communication was open to Toledo, Detroit, Grand Rapids, and Chicago. With their facilities for doing a large business, they could meet the markets at these distributing points cheaper by water communication than by the existing tariff by railroad. Besides, the Standard Oil Company had, at the expense of $100,000, furnished terminal facilities, and through the use of tank cars diminished the expense of loading and unloading, and by building receiving tanks at appropriate places had diminished the risk from fire, both of which were important elements in the cost of transportation. Furthermore, the Company engaged to furnish as high as 450,000 barrels per year as freight, and actually did furnish as high as 742,000 barrels per year, or 2,000 barrels a day. These facts were urged by the Standard Oil Company in justification of the asking for lower freight rates than were given to the smaller refineries.

The legality of the action of the railroad in granting this request came before the District Court of Ohio, in the March term of 1884, in an action of Scofield, Shurmer, and Teagle *vs.* the Lake Shore and Michigan Southern Railway Company, which had been making the discrimination. The court, after stating the facts, and commenting upon the important and difficult questions existing in the case, reserved it to the Supreme Court for decision, stating, as its own opinion, that "the evidence does not establish the fact whether or not all the various advantages claimed as secured to defendant by its contract with the Standard Oil Company are the equivalent for the discrimination made to it in freights." The Supreme Court of the State decided against the Railroad Company. Whereupon an appeal was made to the United States Supreme Court; but the case was settled before reaching that court, and a sum was paid by the railroad to the plaintiffs. But the inherent justice of the demands of the Standard Oil Company became evident when subsequently it accomplished its ends by removing its refineries to a more satisfactory distributing point for the West, at Whiting, Ind., near Chicago; thereby depriving the railroad of the profits upon an immense business which it had obtained by giving wholesale rates.

A still clearer illustration of the justice of carrying large quantities of freight at less rates than smaller quantities is found in case of shipments from Cleveland to New York in 1872, when the Standard Oil Company was furnishing sixty carloads of oil a day, which could be moved in solid trains by one engine and by one crew, and, being free from the necessity of stopping upon the way, could, by the saving of time, and of the use of capital invested in cars and tracks, and of wages paid to employees, be transported at about one-third the actual cost involved in slower trains, compelled to pick up carloads on the way. The organization which can secure such an economy as this is conferring a benefit both upon the railroads and upon the general public, as well as upon itself.

In this connection it should be observed that much of the legislation of recent times relating to railroad rates is not based on any infallible principle of justice, but upon ignorance of the factors entering into the establishment of such rates. The celebrated long-haul-and-short-haul clause inserted in the Interstate Commerce Act of 1887 is not capable of invariable application consistent with justice, and hence its enforcement is left to the discretion of the commissioners. In the transportation of freight, as in other matters, oftentimes, "the longest way round is the shortest way home." For example, all the freight and express packages sent from a distance to the suburbs of Boston first go to Boston on through trains, and then are sent back to their destination on way trains. In cases of which we were cognizant forty years ago, such freight was sometimes sent back two hundred miles, and it was more economical for the railroad to do so than for it to stop its various through trains, as they passed this point, to leave their separate consignments. Our great commercial centers serve a most important economical purpose in the facilities they afford for distribution; and, indeed, this is why they have become great commercial centers. Those who do not live at these centers labor under certain natural disadvantages which cannot be overcome, except by man-made laws, which work injustice to the general public.

A study of the evidence upon this point will amply justify the statement of Mr. Rockefeller, that the discriminations which he has received from the transportation lines have been amply paid for, and that equal discriminations were open to anybody else who should select equally favorable points of distribution, and carry on a business of the same magnitude.

Much, however, has been said about the injustice of the system of "rebates" which was in vogue between 1872 and 1882. The essential evil of this system consisted in its secrecy. A regular tariff rate was published by the railroads, and then a discount was made to various shippers, according to the amount of their business, the extent of competition from other lines, and the urgency of their demands. But this was a system introduced by the railroads themselves, so that any one who did business with them had to make a special bargain. The Standard Oil Company, by virtue of the location of its refineries and the amount of business which it did, had those great advantages in driving a bargain which have already been indicated.

But the competition between railroads was so fierce that for a while the Pennsylvania Central Railroad was carrying oil for a rival of the Standard Oil Company for eight cents less than nothing, that is, they paid the Empire Transportation Company eight cents for the privilege of hauling their oil from Western Pennsylvania to New York City. The result of this "cutthroat" competition was likely to be so ruinous that the railroads entered into a pooling arrangement, by which uniform rates for transportation were to be maintained, and each railroad was to have a certain percentage of the oil traffic, agreed upon between themselves. The Standard Oil Company, being the principal shipper, was made "the evener," as it was called, in this arrangement, that is, this company was to see to it that this freight was distributed in such proportions to the various railroads that these percentages should be maintained. In consideration of this service it received a small rebate. But this amounted to no more than would have been paid to agents who had secured a certain amount of business for the roads.

One of the instances, in the conduct of the Standard Oil Company, which on the face seemed least defensible, was a rebate of twenty-two and one-half cents a barrel, paid by the Pennsylvania Central Railroad in 1879 to the American Transfer Company (which was an adjunct of the Standard Oil Company), on oil that was shipped by other parties. This, however, is explained as being not a rebate, but a sum paid, out of the total freight rate, to the Transfer Company, "for the service of gathering the oil and bringing it to the Pennsylvania Railroad rather than to some other transporting line."

Another case is that of oil shipped to Marietta, Ohio, partly by pipe line and partly by railroad, in which case for a short time an agent of the Standard Oil Company made a bargain with the railroad that it should pay to him a rebate of fifteen cents a barrel not only on his own oil, but on that of a competitor who was shipping over the same line. Much is made of this case; but it is fair to say that as soon as the counsel of the Standard Oil Company learned of the arrangement, and before any legal steps were entered upon, he cancelled the bargain, and ordered the agent to refund all such money as had been received by it from the competing party.

Much is also said against the Standard Oil Company because the trust formed in 1882, which practically combined fourteen companies into one, which were operated under the name of the Standard Oil Trust, was declared by the Supreme Court of Ohio ten years later to be contrary to law, when the trust was formally dissolved. It was maintained, therefore, that during these ten years the persons operating this trust were law-breakers. Such a charge, however, overlooks the very obvious fact, that the application of a statute to a particular course of conduct is not certain until it has been passed upon by the courts.

The statutes drawn to prevent monopoly and restraint of trade employ language which is so ill defined that it is difficult to tell what it means. The word "trust," for example, is so indefinite in its meaning that one cannot tell what combination may properly be included under the name. According to William J. Bryan, in one of his recent utterances, a trust is "a corporation which controls a sufficient quantity of the product or supply of a given article not patented, to be able to suspend the law of competition, and absolutely or approximately control the price of such an article." The so-called Valentine law of Ohio defines a trust as follows:—

"A trust is a combination of capital, skill, or acts by two or more persons, or of any two or more of them, for either, any, or all of the following purposes:—

"1st. To create or carry out restrictions in trade or commerce.

"2d. To limit or reduce the production or increase or reduce the price of merchandise or any commodity.

"3d. To prevent competition in manufacturing, making, transportation, sale, or purchase of merchandise, product, or any commodity.

"4th. To fix at any standard or figure, whereby its price to the public or consumer shall be in any manner controlled or established, any article or commodity of merchandise, produce, or commerce intended for sale, barter, use, or consumption in this State.

"5th. To make or enter into or execute or carry out any contracts, obligations, or agreements of any kind or description, by which they shall bind or have bound themselves not to sell, dispose of, or transport any article or any commodity or any article of trade, use, merchandise, commerce, or consumption below a common standard figure or fixed value, or by which they shall agree in any manner to keep the price of such article, commodity, or transportation at a fixed or graduated figure, or by which they shall in any manner establish or settle the price of any article, commodity, or transportation between them, or themselves and others, so as to directly or indirectly preclude a free and unrestricted competition among themselves, or any purchasers or consumers in the sale or transportation of any such article or commodity, or by which they shall agree to pool, combine, or directly or indirectly unite any interests that they may have connected with the sale or transportation of any such article or commodity, that its price might in any manner be affected. Every such trust as is defined herein is declared to be unlawful, against public policy, and void."

From these definitions it will appear that it may always be a question whether a corporation is large enough to escape from competition. If every business is a monopoly, which, by reason of its great volume or of the skill of its managers, is able to secure advantages over competitors, scarcely anybody can escape condemnation. Two boarding-house keepers, for example, one of whom caters to fifteen and the other to one hundred and fifty, stand on very unequal terms in the purchase of supplies, and the practice of a large number of economies upon which the profits depend. The man who ships strawberries from New Jersey to New York must pay as much for one hundred and forty crates as for two hundred and forty, since it costs the railroad no more to haul a car full than it does a car two-thirds full. The man who can so organize his business that he can fill a car every day can undersell the man who is not able to fill the car more than two-thirds full. And so through the whole list of business transactions which are carried on in varying degrees of volume.

According to this definition, also, every labor organization attempting to fix the minimum rate of wages, and every medical society endeavoring to fix the rate of charges for professional visits, and every organization or combination designed to prevent "cutthroat" competition, is a monopoly acting contrary to public good. But it is easy to see that the condemnation of such organizations is not clearly in the Decalogue, but only there constructively, through a long line of argument relating to modern conditions of business. To test the constitutionality of the application of a particular law to a great business enterprise is not to become a law-breaker, but to become a law-maker by establishing a precedent whereby to determine what the law really is.

Furthermore, it is a mistake to assume that the Standard Oil Company is or can be beyond the reach of competition. The commodity which it furnishes is by no means the only one providing heat and light. It has to compete with wood, gas, coal, and the water power of Niagara and of all the cataracts in the world by which electricity is being generated and distributed to an increasing extent. It has to compete with other large organizations controlling the same product. At the present time the percentage of business controlled by the Standard Oil Company is considerably less than it was a few years ago. Its chief rival, the Pure Oil Company, has a capital of $10,000,000, and an independent pipe line to the Atlantic coast. In its foreign trade it is in competition with the oil interests of Russia, which are greater than those of America, and are owned by the Rothschilds and the Nobel Brothers, either of whom is amply able to compete with the Standard Oil Company, and, since there is no tariff upon oil, to send it into the American market if the price is unreasonably high. Furthermore, one of the most powerful influences in reducing the selling price to consumers is the latent competition of probable or possible competitors. If profits are unreasonably large, competing capital will enter the business, and it is more profitable to keep prices at so low a rate that capital will not be tempted to compete than it is to meet the competition after it has once been started. This the men who are sagacious enough to build up so great an industry are surely able to see.

The general fear of trusts is of so vague a sort and so difficult to justify from the facts of the case that ethical writers, in giving instruction to the common people, need to be very cautious about laying down as first principles conclusions which are only reached by long-drawn-out reasoning from doubtful premises. For example, the capital of the Standard Oil Company is reckoned at $110,000,000; whereas the four hundred and forty large industrial franchise and transportation trusts of an important and active character in the United States have a total floating capital of $20,379,162,511, that is, the Standard Oil Company represents only one two-hundredth part of the business of the great corporations of the country. Those who have been fearful that the Standard Oil Company would obtain control of all the railroad transportation of the country may be relieved to know that its freight business is only one-half of one per cent of the whole business. In the variety of interests of these great corporations, in most cases antagonistic to each other, consists the safety of the general public, which is the principal thing to be considered from the ethical point of view. If any person or company of persons proposes to enter into this competitive service of the general public, he should do so with his eyes open, and be prepared to accept the consequences of failure if he proves unable to serve the public as well as, or better than, existing corporations are doing. Any one entering the sphere of competitive warfare should not fail to regard the scriptural warning against undertaking an enterprise without counting the cost, lest he find himself in the condition of the king who goes to war against another king who has an army of twenty thousand, while he himself has an army of only ten thousand.

The truth is, and it needs to be plainly spoken, that the ethical writers, whose good motives we do not question, who are aiming their shafts of invectives against the Standard Oil Company have mistaken their mark. The imaginary evils concerning which they have such forebodings, and which are arousing them to such intense activity, are the evils incident, under present conditions, to that form of the competitive system which is at the base of all modern business prosperity. These evils are for the most part inherent and unavoidable, and are not to be charged against the great "captains of industry" who have secured the marvelous results through which the necessities and many of the luxuries of life are now obtainable by every one at a mere fraction of the cost at which they were formerly to be had. While it is true that, under this system, many of the rich have grown richer, it is not true that the honest industrious poor have grown poorer. Never before in the history of the world have the masses of the people been so prosperous as they are at the present time.

While it is true that the production of many of the main staples of commerce is monopolized by large combinations of capital so as to shut off individual competition, it is not true that the career of the individual is thereby greatly circumscribed, for the very success of these so-called monopolies in excluding competition, by lowering the margin of profit and cheapening the product, opens innumerable other channels of effort into which the individual may freely enter with hope of success. In the oil business, for example, the greatest evils existed in connection with the waste of that "cutthroat competition" which was practiced in the first decade of its existence. When five competing pipe lines were built to Pit Hole City where only one was necessary, four-fifths of the capital was wasted, and became a dead loss not only to the individuals expending it, but to the community, which was compelled in the long run to pay higher prices for oil on account of the great waste attending such unwise competition. Those extreme fluctuations of prices inevitable in handling such a product by small capitalists were productive of the worst classes of evils connected with the gambling mania. The elimination of those evils by the growth of the Standard Oil Company is an incalculable service to the whole public, and especially to the great crowds of young men who are freed from the temptations incident to the former condition of things. The men engaged in those two hundred and forty oil refineries, more or less, which failed before the Standard Oil Company originated, were free to go about safer and more profitable business to themselves, and to bless the world by activities less connected with hazards than those through which their original failure was brought about.

In conclusion, it is worth while to observe that the only alternative to the condition of things in which there is free competition between great corporations in the production of a large number of the staples of life, and in the furnishing of cheap transportation, lies in government ownership, which is indeed the ideal in a millennial state. But in the present depraved condition of human nature, government ownership would be the worst of all evils. As it is, through a process of natural selection, the highest capacity comes into control of the great competing corporations. Under government control the demagogue would mount into the seats of power, and we should be cursed, if with nothing else, with the rule of business incapacity, which is far worse than that of enlightened self-interest.

In the present highly excited condition of public sentiment it is important to emphasize the ninth commandment, as well as the eighth. The same voice that wrote, "Thou shalt not steal," also thundered from Sinai, "Thou shalt not bear false witness against thy neighbor." In a number of instances during the acrid discussions of the past few months, the champions of the eighth commandment have flagrantly violated the ninth, making assertions, concerning the actions of leading business men, which are absolutely false, while in numberless other cases they have attributed false motives to actions which are perfectly defensible in the existing economic condition of the world. If it be true that he

> "Who steals my purse, steals trash. . . .
> But he that filches from me my good name. . . .
> Makes me poor indeed,"

as it is, then many of the clergymen and popular writers who are giving currency to the innumerable libelous statements concerning the President of the Standard Oil Company have far more to answer for than has that gentleman, even if his business methods may have been as reprehensible as is claimed.