

How I was Ruined by Rockefeller

George Rice

Introduction

George Rice started in the oil business in 1865, the same year as John D. Rockefeller. Rice built an oil refinery in Marietta, Ohio in 1873. In 1883, he was the first person to run a pipeline from the newly discovered oil fields in nearby Macksburg. Rice had a contract with the Marietta and Cincinnati Railroad securing him exclusive access to several regional markets at a reduced transport rate. The same year oil was discovered in Macksburg, the Marietta and Cincinnati merged with two other lines to become Marietta, Washington and Cincinnati line. The new railroad company immediately doubled freight charges and cancelled any exclusivity agreements, leaving Rice with little options. Rockefeller orchestrated the merger and raise in freight rates.

The Marietta, Washington and Cincinnati line served as a subsidiary of the Baltimore and Ohio Railroad, which crossed with another major line in Strongsville, Ohio. John Rockefeller grew up in Strongsville and opened his first oil refinery in nearby Cleveland in 1865. In 1870, Rockefeller incorporated Standard Oil Company of Ohio, which promptly bought out almost every refinery in Cleveland (the center of the oil business in the late nineteenth century). Critics like George Rice called it “the Cleveland Massacre.” Rockefeller knew all the railroad men (Presidents, Board Members, Managers – the men who signed contracts and made deals) who essentially let Rockefeller determine his own price as well as everyone else’s.

The railroads could not exist with the oil industry and vice versa. Often Rockefeller would raise freight rates for smaller refineries, change freight routes away from certain refineries, or lower the price of Standard oil below the market price. Rockefeller was notoriously ruthless in every aspect of his business. By the 1890s, he controlled 90 percent of the oil market and 100 percent of oil transport in the country. Nobody worked in railroads or oil without answering to Rockefeller.

George Rice tried for years to beat Rockefeller at his own game. He bought shares in Standard Oil, tried to take over the Board (yes), then sued looking for restitution. So began decades of law suits between Rice and Rockefeller. Rice was an outspoken critic of Rockefeller and Standard Oil, and provided “inside” information to two major journalists – Ida Tarbell and Henry Demerest Lloyd. Both Tarbell and Lloyd published exposes of Rockefeller’s ruthless tactics, which eventually led to the break up of Standard Oil in 1911. After a dramatic encounter with Rockefeller in the lobby of Hotel New Amsterdam in New York City where both were

testifying in the latest law suit, a reporter from the New York World interviewed Rice, excerpted below.¹

Primary Source

NEW YORK WORLD, OCTOBER 16, 1898, p. 25

"I have been twenty years fighting John D. Rockefeller and the Standard Oil Trust, and I am not through yet."

The man who said this was George Rice, of Marietta, Ohio. He is the man who told John D. Rockefeller to his face last Wednesday in the New Netherland Hotel, where Mr. Rockefeller had been testifying before the State Commission sent from Ohio to get evidence in proceedings intended to prove him guilty of contempt of the Ohio Supreme Court, that his great wealth was built on wrecks of other men's business².

It was a dramatic scene. Mr. Rockefeller and Mr. Rice have known each other well for a generation. In a twenty-year fight, men are apt to get well acquainted. But when the great multi-millionaire walked across the parlor, and, extending his hand-which was not taken-said to George Rice in a suave tenor voice:

"HOW ARE YOU, GEORGE! WE ARE GETTING TO BE GRAY- HAired MEN NOW, AIN'T WE? DON'T YOU WISH YOU HAD TAKEN MY ADVICE YEARS AGO?"

The group of onlookers were not prepared for what followed. George Rice drew himself up to his full height, which is about 6 feet 2 inches, his bright gray eyes flashed fire, and his massive frame visibly vibrated with suppressed anger, as he looked the great oil magnate straight in the face and said:

"Perhaps it would have been better for me if I had. YOU HAVE CERTAINLY RUINED MY BUSINESS, AS YOU SAID YOU WOULD."

¹ Originally published in the [New York World, October 16, 1898](#). Only the first 14 pages are digitized, but they're pretty interesting pages. Believed to be in the public domain.

² William Waldorf Astor commissioned the [Hotel New Netherland](#) in 1892, just six years before the confrontation between Rockefeller and Rice. Two years before that, Astoria built the lavish Waldorf Hotel. A few years later, his cousin, John Jacob Astor IV, build the Astoria Hotel next door as part of an ongoing family feud. The two hotels merged in 1931 to create the legendary [Waldorf Astoria Hotel](#). Astor built the Hotel New Netherland at Fifth Avenue and 59th Street, just a few blocks from the Waldorf located at Fifth and 33rd. Hotel New Netherland was demolished in 1929, the same year as the Stock Market Crash that precipitated the Great Depression. If you scroll down the Hotel New Netherland link, you can see a photo of the Empire Parlor, where the confrontation between Rice and Rockefeller took place.

Mr. Rockefeller recoiled and his face showed a shade of pallor. The words of Rice had evidently stung him. Quickly recovering himself he turned from his accuser, saying, "Oh, pshaw, that isn't so, George!"

"But I say it is so," was the instant rejoinder of George Rice, and, raising his voice so that everybody in the room could hear him, he pointed his index finger at the Oil King, and added: "You know well that by the power of your great wealth you have ruined my business, and you cannot deny it."

MR. RICE TELLS HIS EXPERIENCE TO THE WORLD

This ended the episode in the hotel parlor. A few hours later, sitting in his private room, Mr. Rice gave to a *World* representative the full story of how he was ruined as an oil refiner by the machinations of the great Standard Oil Laocoon³ in whose coils an uncounted multitude of competitors have been crushed to death.

"I am but one of many victims of Rockefeller's colossal combination," said Mr. Rice, "and my story is not essentially different from the rest. You ask me to tell you what I meant by telling Mr. Rockefeller, as I did publicly to-day, that he had ruined my business. The whole story, with all its inside details of intrigue and conspiracy, would require a volume to tell. I will tell you as much of it as you choose to ask me for. What particular phase of my experience do you care to have me relate?"

"Give me your personal story, Mr. Rice—just what happened to you in your own business."

"Well, I went into the oil-producing business in West Virginia in 1872, and in 1876 I went into the oil-refining business. Immediately I did that my fight with the Standard Oil people began. I established what was known as the Ohio Oil Works, which had a capacity of about 100,000 barrels of crude oil per annum. I found to my surprise at first, though I afterward understood it perfectly, that the Standard Oil Company was offering the same quality of oil at much lower prices than I could do—from one to three cents a gallon less than I could possibly sell it for."

I sought for the reason and found that the railroads were in league with the Standard Oil concern at every point, giving it discriminating rates and privileges of all kinds as against myself and all outside competitors.

"For instance, I found that the railroads would not furnish tank-cars to any competitors, while the Standard combination was able by its immense wealth to buy its own cars. It owns from 8,000 to 10,000 tank-cars, and the railroads pay them sufficient mileage on the use of those Standard Oil cars to pay for the first cost of the cars inside of three years. A tank-car, when it comes back empty, cannot bring any goods. The transcontinental lines charge \$105 to return an empty cylinder tank-car from the Pacific coast to the

³ Laocoon was a Trojan priest who was killed, along with his sons, by giant serpents sent by the (Greek) Gods.

Missouri River, while they charge the trust nothing at all for the return of their own exclusive box tank- cars. This gives the trust an advantage of over \$100 a car.

Again, the independent competitor, like myself, was obliged to ship his oil in box-cars and pay 25 per cent more freight on the weight of the wooden barrels, while no charge at all was made to the Standard Oil Trust on the weight of the iron cylinders. "Again, the railroads deduct 63 gallons (or over 400 pounds) from the filled capacity of each Standard Oil tank-car, which is the same as carrying 1 1/4 per cent of their rail products entirely free of cost. This went on up to March 15, 1890 and was one of the things that helped to wreck my business. Yet another thing helped to ruin me. The railroads allowed the trust to deliver its oils in less than carload quantities at the same rates as for full carloads. They allowed the trust to stop its cars, whether carrying oil in bulk or barrels, at different stations and take it off in small quantities without paying the higher rates which independent competitors were always charged for small quantities thus delivered. Of course, against such discriminations as these the independent competitor of moderate capital could not contend. He was driven to the wall every time, as I was."

MIGHT HAVE BEEN WORTH A MILLION

"My refinery," continued Mr. Rice, "has been shut down for two years. If I had had a fair and equal show with the railroads my refinery plant to-day would have been easily worth a million dollars and would have been growing all the time. As it is, I am out of the business, my plant is worthless and the men whom it would have employed are either idle or finding other work. These discriminations of which I have spoken are as bad to-day as they have ever been. The public needs to understand that the railroads and Standard Oil monopoly are really one and the same thing. The officers and directors of the Oil Trust are also the presidents and directors of one-fifth of the total railroad mileage of the United States. This is no mere statement of mine. It is proved by Poor's Manual⁴. "The trust was formed in January, 1882, and from that time the lines were drawn tighter and tighter to oppress and strangle every competitor. It was the highwayman's policy of 'stand and deliver.'

I had my choice offered me to either give up my business at a price far less than I knew it to be worth, or to be robbed of it under forms of law. I chose not to accept the price and my business destroyed. The threat of the trust was made good, and I suppose that is what John D. Rockefeller must have meant when he asked me if I didn't wish I had been wiser and listened to him years ago."

"Well, do you now wish, Mr. Rice, that you had knuckled to the trust and saved your money?"

"Not a bit of it," replied the "ruined" but plucky oil refiner of Marietta. "I have made a fight for principle, and I am neither sorry for it nor ashamed of it. I have been before the courts many times; I have been before Congressional committees; and I have appeared

⁴ [*Poor's Manual of Railroads*](#) was an annual publication that documented equipment summaries, financial data and listing of company officers for each common carrier railroad in the United States.

time and time again before the Interstate Commerce Commission⁵, all the time trying to get relief from these gross discriminations. I confess I have made very little headway as yet. I shall go on with the fight as long as I live, and it may be that I shall never win. But, sooner or later, in my lifetime or afterward, the people of this country will surely take up this fight as their own and settle the question of whether they will rule the rail- roads and the trusts or be ruled by them."

LAWS NOT ENFORCED

"I have made a mistake, apparently, in supposing that the laws of our country could and would be enforced. I supposed the courts and the other authorities of the land would support me in my right to a free and equal chance in business with all my fellow-citizens, John D. Rockefeller included. But I have learned by long years of conflict and trial and tribulation, which have cost me untold worry and a lot of money, that this is not so; that I have no business rights which the railroads and this great trust can be made to respect.

"The Interstate Commerce Commission is all right in theory, but it does not have the courage of its powers; it suffers from the paralysis of political influences. The laws are neither feared nor respected by the men of many millions."

"Tell me just how the shoe was made to pinch you personally. How did the trust manage to close your refinery at Marietta?"

"Why, that's easy to tell. Every car of oil that I sent into any part of the United States the trust would jump on it and cut the life out of it. I mean to say that as soon as my oil arrived at the point to which it was shipped the trust would cut the price, so that the man who bought my oil lost money on the sale of it. They would not cut the prices to the whole town, but only to my one customer, and the whole town knew of this man's having lost money by trading with me. From that time forward, of course, I could get no orders in that town..."

"In 1872, the trunk lines of railroads made a contract with a corporation called 'The South Improvement Company,' which was only another name for the Standard Oil Company, under which the Standard Oil Company was allowed the most outrageous discriminating freight rates. It seems incredible that these contracts should have been made. They not only gave the Standard Oil Company heavy rebates on their own shipments of oil, but gave them rebates on the shipments of their competitors.

At that time the Standard Oil Company only had 10 per cent of the petroleum industry of the country, while their competitors had 90 per cent. The rebates allowed to the Standard people were from 40 cents to \$1.06 per barrel on crude petroleum, and from 50 cents to \$1.32 per barrel on refined petroleum. Thus the Standard Oil Company received nine times as much for rebates on the shipments of its competitors than it did on its own.

⁵ Federal agency created in 1887 to regulate rates and on railroads and other transnational corporations, although it lacked real regulatory power. In other words, the ICC could find a corporation guilty of a crime, but have no power of prosecution.

"In 1874," continued Mr. Rice, "the railroads forced the independent pipe lines of the country to sell out their plants to the Standard Oil Company at the price of old junk, and gave to the latter, besides, still further discriminating rebates on freight. A circular was issued on Sept. 9, 1874, known as "The Rutter Circular," from the freight office of the New York Central and Hudson River Railroad Company, establishing new rates on refined and crude oil. Under this circular the Standard Oil Company was given an advantage of 20 cents a barrel in the freight charges on crude oil connected with its pipeline system, which the independent refineries did not have.

In that same year the Standard company secured the railroad terminal oil facilities of all the trunk lines centering in New York City. Many fortunes invested in the independent pipe lines were wrecked by that move, through no fault of their managers and no lack of business skill, but simply because the Standard Oil officials, acting in collusion with the railroad officials, had established these unfair discriminations in freight rates between the oil that came through the Standard pipes and that which came through other pipes.

"To show you how the rebate system worked in my own case, let me say that in 1885, I was charged 25 cents a barrel for carrying oil from Macksburg to Marietta, a distance of twenty-five miles, while the Standard Oil Company only paid 10 cents a barrel for the same distance. More than this, out of the 35 cents a barrel that I paid the trust actually received 25 cents. In other words, the trust received about two-thirds of all the money I paid for freight."

TRUST "GREATER" THAN THE COURTS OR THE COUNTRY

"You spoke of your having fought the trust for twenty years. Give me a general outline of your encounter with it."

"Well, about 1879 or 1880, I, with others, brought about a public investigation by the Legislature of Ohio as to the discriminations by the railroads of which I have spoken. Nothing came of that investigation except that we proved any number of facts on which further agitation and action was based. I have gone before the Interstate Commerce Commission in many cases trying to get these discriminations stopped. I brought an action through the Attorney General of Ohio in 1887 to forfeit the charters of two railroads for gross discrimination, and I proved my case. The courts decided, clear up to the highest court, that these two railroads could not make those discriminating charges.

I obtained at great cost a decree of the Court to that effect. Apparently, it was a conclusive victory. In reality it was of no account. The discriminating rates went on as before, and they are still going on today. There is no use in trying to stop it. In March, 1892, the Ohio Supreme Court rendered a judgment against the Standard Oil Company, of Ohio, ordering it to discontinue all business relations with the trust.

"The company has pretended to comply with the decree. In fact, the trust still exists and the Standard Oil Company of Ohio is still a part of it. The way they have got around it is

this: On March 21, 1892, the trust resolved on paper to wind up its affairs, and trustees were appointed for that purpose. Then they issued another kind of trust certificate, called an 'Assignment of Legal Title,' which they made marketable and allowed to be transferred from one holder to another on their trust transfer books, which makes this certificate just as negotiable and salable as the old original trust certificate."

\$140,060,000 PROFITS IN SIX YEARS

"In this way the trust is still kept intact. In proof of this fact the trust is known to have declared and paid since March, 1892, up to September of this year, 26 regular quarterly dividends of 3 per cent, and 59 per cent. besides in special dividends, or a total of 137 per cent dividends, which, based on their reported capitalization of \$102,230,700, amounts to \$140,060,000 paid in dividends since its pretended dissolution. No more proof is required that the trust has not been dissolved and that the decree of the Supreme Court of Ohio has been treated with contempt."

"But while you have been ruined, Mr. Rice, it is said, you know, that the mass of consumers have gained - that the price of oil is cheaper, because of the trust. What do you say to this suggestion that you, and others like you, have been crushed for the general good?"

"It is a trust lie," replied Mr. Rice warmly. "There is not the least truth in it. Refined oil for general consumption is as much higher in price as these gross rebates and discriminations amount to, because it is fair to assume, on general principles, that the railroads are making money on the transportation of Standard oil. It only costs three-eighths of a cent a gallon to refine oil. The Standard Oil Trust may possibly save one-eighth of a cent on that, but not more. How much does that amount to in the problem of the cost of oil to the retail consumer? "Refined oil would certainly have been cheaper right along for the last twenty years but for the Standard combination. If the railroad rates had been honest, and the allowances for rebate had been fair and square to all oil producers and refiners, the mass of the people must and would have got the benefit of it. There is no question that the people have paid millions more for oil than they would have done if the laws against conspiracies and combinations in restriction of fair trade could have been enforced. The price of refined oil is notoriously high to-day compared with the low price of crude oil. There is a difference of from 100 to 300 per cent between crude and refined oil prices, when we all know that crude oil can be turned into refined oil and sold all within thirty days." "Do you see no remedy ahead for the condition of things which ruined your business as a refiner?"

THE REMEDY-ENFORCE THE LAW

"No, I see no remedy, so long as the railroads are under their present management. I have myself tried every known avenue of relief, and my experience has satisfied me that Blackstone did not foresee the conditions of law and justice now prevailing in this country when he wrote his famous maxim, "There is no wrong without a legal remedy." There is no relief for present conditions in this country except by the Government's acquiring ownership of the railroads.

There is plenty of law existing now, but it cannot be enforced. It is a dead letter. The Interstate Commerce act has been law for ten years, and the penalty for the violation of it is a fine of \$500 and two years in the State prison. It is violated every day, and it has been violated every day for ten years past, but I observe that no one has yet been sent to prison, and I do not believe that any violator of this law ever expects to be."

Speaking of Mr. Rockefeller, the man who said to him at the public hearing at the New Netherland Hotel, Thursday: "We are getting to be gray-haired men now, aren't we, George? Don't you wish you had taken my advice years ago?"

Mr. Rice said: "There is no doubt whatever that Mr. Rockefeller, through the operations of the Standard Oil Trust, is the richest man in the world today. I know their business, because it is also mine, and I believe that the Rockefellers are now worth \$200,000,000.

"John D. Rockefeller's personal income from the trust and other sources has for several years exceeded \$12,000,000 per annum."

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