

Rockefeller

Control of Oil Refineries

In 1863, John D. Rockefeller founded a company that would come to control most of the nation's oil refineries by eliminating its competition.

Rockefeller took charge of the chaotic oil refinery business by applying the latest technologies and efficient practices.

At the same time, as his company grew, he was able to extort rebates from railroad companies and temporarily cut prices for Standard Oil kerosene to force rival companies to sell out.

Horizontal Integration and Trusts

By 1881 his company, by then known as the **Standard Oil Trust**, controlled **90 percent** of the oil refinery business.

The trust that Rockefeller put together consisted of the **various companies that he had acquired**, all managed by a **Board of Trustees** that Rockefeller and Standard Oil controlled.

Such a combination represented a **horizontal integration** of an industry, in which former competitors were brought under a single corporate umbrella.

The Profits and Benefits of Trusts

By controlling the supply and prices of oil products, Standard Oil's profits soared and so did Rockefeller's fortune, which at the time of his retirement amounted to \$900 million.

By eliminating waste in the production of kerosene, Standard Oil was also able to keep prices low for customers.

Emulating Rockefeller's success, dominant companies in other industries also consolidated and organized trusts.

Gustavus Swift and Philip D. Armour – meatpacking;

Charles Pillsbury – flour-milling; James B. Duke – cigarette manufacturing; Andrew Mellon – aluminum;