

## AFD 308 Links and Notes - Part 4: The Early US Oil Industry, Part 4 (Are Monopolies Bad?)

- Refer back to ep. 270  
<http://arsenalfordemocracy.com/2019/05/14/may-14-2019-arsenal-for-democracy-ep-270/>
- Eventually, Standard Oil and the rail cartels and other consolidations led to the Progressive push for anti-trust/pro-competition legislation & lawsuits – which remains a mainstay of progressive (not leftist) economic policy to present-day – but was this the correct response to the situation?
  - [https://en.wikipedia.org/wiki/Standard\\_Oil](https://en.wikipedia.org/wiki/Standard_Oil)
  - [https://en.wikipedia.org/wiki/The\\_Hepburn\\_Committee](https://en.wikipedia.org/wiki/The_Hepburn_Committee) - Revealed the extent of Standard Oil's dealings, which was unknown even to employees of the company; only about a dozen or so knew.
  - [https://en.wikipedia.org/wiki/Standard\\_Oil\\_Co.\\_of\\_New\\_Jersey\\_v.\\_United\\_States\\_case](https://en.wikipedia.org/wiki/Standard_Oil_Co._of_New_Jersey_v._United_States_case) in which the [Supreme Court of the United States](#) found [Standard Oil Co. of New Jersey](#) guilty of [monopolizing](#) the [petroleum](#) industry through a series of abusive and [anticompetitive](#) actions.<sup>[1]</sup> The Court's remedy was to divide Standard Oil into several geographically separate and eventually competing firms
    - [Standard Oil of New Jersey](#) (SONJ) - or [Esso](#) (S.O.), or Jersey Standard – merged with [Humble Oil](#) to form [Exxon](#), now part of [ExxonMobil](#). Standard Trust companies Carter Oil, [Imperial Oil](#) (Canada), and Standard of Louisiana were kept as part of Standard Oil of New Jersey after the breakup.
    - [Standard Oil of New York](#) – or [Socony](#), merged with [Vacuum](#) – renamed [Mobil](#), now part of [ExxonMobil](#).
    - [Standard Oil of California](#) – or Socal – renamed [Chevron](#), became [ChevronTexaco](#), but returned to Chevron.
    - [Standard Oil of Indiana](#) - or [Stanolind](#), renamed [Amoco](#) (American Oil Co.) – now part of [BP](#).
    - Standard's [Atlantic](#) and the independent company [Richfield](#) merged to form Atlantic Richfield Company or [ARCO](#), subsequently became part of [BP](#), later sold to [Tesoro](#), now part of [Marathon Petroleum](#) and in the process of being partially rebranded as Marathon or [Speedway](#) depending on each station ownership. Atlantic operations were spun off and bought by [Sunoco](#).
    - [Continental Oil Company](#) – or Conoco – later merged with [Phillips Petroleum Company](#) to form [ConocoPhillips](#), [downstream](#) & [midstream](#) operations since spun off to form [Phillips 66](#).
    - [Standard Oil of Kentucky](#) – or [Kyso](#) – was acquired by [Standard Oil of California](#), currently [Chevron](#).
    - [The Standard Oil Company](#) (Ohio) – or [Sohio](#) – the original Standard Oil corporate entity, acquired by [BP](#) in 1987.
    - [The Ohio Oil Co.](#) – or The Ohio – marketed gasoline under the Marathon name. The company's [upstream](#) operations are now [Marathon Oil](#) while the downstream operations is now known as [Marathon Petroleum](#), and was often a rival with the in-state Standard spinoff, Sohio.
    - Now merged back into 4 companies: ExxonMobil, Chevron, Marathon Petroleum, and BP plc.

- Sherman Act of 1890: [https://en.wikipedia.org/wiki/Sherman\\_Act](https://en.wikipedia.org/wiki/Sherman_Act)
  - “*United States v. Workingmen’s Amalgamated Council of New Orleans* (1893), which was the first to hold that the law applied to labor unions (reversed by the Clayton Antitrust Act).”
  - [https://en.wikipedia.org/wiki/Competition\\_law](https://en.wikipedia.org/wiki/Competition_law)
  - A Gilded Age tycoon pushes for trustbusting among other “Progressive” policies  
[https://en.wikipedia.org/wiki/Hearst\\_Communications](https://en.wikipedia.org/wiki/Hearst_Communications)  
[https://en.wikipedia.org/wiki/William\\_Randolph\\_Hearst](https://en.wikipedia.org/wiki/William_Randolph_Hearst)  
<http://www.nyu.edu/classes/keefe/ww1/byrne.html>
- What was the point of “competition” by railroads within the same geographic areas? They require enormous capital to build and maintain, which often cannot be recouped on top of operating revenue, if forced to compete in price.
  - If a locality is served by one railroad, why does it need to be served by others?
  - States and counties/cities/towns (or the federal government) poured huge funding into the construction of rail lines, but private capitalists reaped the benefits
  - The mirage of “innovation” & differentiation VS the standardization & economies of scale of monopoly
  - Consider the issue of railroad gauges (Grant p.2), but on the other hand telegraph dispatching (p.4)
  - Vanderbilt opposed Westinghouse airbrakes (Harlow, p.288)
- As with rail rate wars, the low and unstable prices of crude oil were also a huge problem for the producers and they needed to form a cartel for any of them to succeed either
- Vertical integration, which Rockefeller also certainly did in addition to horizontal integration, became a mainstay practice of the Second Industrial Revolution period – because of its obvious cost-saving advantages – and companies like the Tennessee Coal Iron and Railroad Company (one of the largest steel companies in the nation outside of the Carnegie and Morgan empire initially) made that clear in their name: [https://en.wikipedia.org/wiki/Tennessee\\_Coal\\_Iron\\_and\\_Railroad\\_Company](https://en.wikipedia.org/wiki/Tennessee_Coal_Iron_and_Railroad_Company)
- Multiple attempts to propose federally-led consolidation into either a national rail system or a combination of large regional monopolies (which is more or less what we ended up with in the modern landscape of North American railroads more than century later)
  - [https://en.wikipedia.org/wiki/United\\_States\\_Senate\\_Committee\\_on\\_Transportation\\_Routes\\_to\\_the\\_Seaboard](https://en.wikipedia.org/wiki/United_States_Senate_Committee_on_Transportation_Routes_to_the_Seaboard)  
From the committee's report, submitted to the Senate April 24, 1874:  
"Ninth. The only means of securing and maintaining reliable and effective competition between railways is through national or State ownership, or control, of one or more lines, which, being unable to enter into combinations, will serve as regulators of other lines."  
"Tenth. One or more double-track freight-railways, honestly and thoroughly constructed, owned or controlled by the Government, and operated at a low rate of speed, would doubtless be able to carry at much less cost than can be done under the present system of operating fast and slow trains on the same road; and, being incapable of entering into combinations, would no doubt serve as a very valuable regulator of all existing railroads within the range of their influence."
  - Looking forward: Transportation Act of 1920 (winding down the WW1 nationalization) and the 1929 Ripley Plan (“Complete Plan of Consolidation”) proposing 21 regional rail systems and 100 smaller “terminal” line carriers

[https://en.wikipedia.org/wiki/Interstate\\_Commerce\\_Commission#Ripley\\_Plan\\_to\\_consolidate\\_railroads\\_into\\_regional\\_systems](https://en.wikipedia.org/wiki/Interstate_Commerce_Commission#Ripley_Plan_to_consolidate_railroads_into_regional_systems)

- Today there are 8 major freight railroads in North America: Canadian National, Canadian Pacific, CSX, Norfolk Southern, Union Pacific, BNSF, Kansas City Southern / KCS de Mexico, and Ferromex (part-owned by Union Pacific)
- The IWW and Worker Monopoly - from Arsenal For Democracy Lend Lease 10 & 11:
  - <http://arsenalfordemocracy.com/2019/08/13/lend-lease-10-american-anarchy-part-1-syndicalist-theory-and-iww-practice/>
  - <http://arsenalfordemocracy.com/2019/08/13/lend-lease-11-american-anarchy-part-2-the-extremism-debate-and-state-violence/>
  - Renshaw (in *The Wobblies: The Story of Syndicalism in the United States (1967, Patrick Renshaw)*) analogizes (p.21) the syndicalist character of industrial unions forming around the giant industrial cartel and monopoly corporations to represent all the different types of workers in the supply chain and production cycle as akin to a “shadow” government except for the entire economy -- basically if the industrial unions were to take control of the vertically-integrated supply chains of the increasingly horizontally-monopolized private corporations, they would have replaced the entire capitalist system and rendered the political state irrelevant: “Its industrial departments were to act as syndicalist shadows of American capitalism, so that after the revolution they could quickly step in and help govern the workers’ commonwealth” ... makes one think about a company like Amazon today if one could imagine a future in which some union had managed to gain representation over every worker in every different operation Amazon includes. Of course, the industrial unions of the corporate trusts era also never managed to unionize these monopolies either, which is probably why we never did experience the destruction of the political state and the overthrow of capitalism by industrial unionism...
  - While the Progressive movement turned to trust-busting legislation to try to break the emerging cartels, by the Hoover Administration, they were actually probably more engulfing of the entire US economy than they had been at the end of the 19th century. The IWW’s formation in 1905 was in no small part an attempt to seek a more permanent, syndicalist fix to the problem by organizing every single American worker into a single union that could not be played off another union at the same company and which could eventually be positioned to take worker control of a given corporation away from whatever family or individual controlled it. Again, this didn’t pan out, but that was the hope: A workers’ monopoly to defeat the capitalist corporate monopolies. Renshaw also calls this dual purpose “both the embryo of the new society and the revolutionary instrument for achieving it” (i.e. through a “a series of strikes, leading to a general strike which would force the capitalists to capitulate”) (p.21)