

CHAPTER III

ORGANIZATION AND CONTROL OF THE PETROLEUM INDUSTRY

The present conditions with respect to the organization and control of the petroleum industry can not be properly understood without consideration of certain outstanding facts in its historical development. In stating these facts some reference to developments already adverted to in the preceding chapter is hardly avoidable.

At an early stage the petroleum industry came almost wholly under the control of a combination of refiners, the so-called Standard Oil Trust, and, although this combination was dissolved by judicial decree in 1911, the nature of the organization and the character of the decree were such that the conditions established by the former combination still persisted in important particulars for several years.

But the relative power and the prestige of this combination were formerly so great, and the methods adopted for dissolving it so gradual in their operation, that the profound nature of the changes which have actually occurred (and are still continuing) is not generally known or understood. The changes in control resulting primarily from the decree, moreover, have been greatly accelerated by the tremendous expansion of the industry and the building up of many new organizations of great size and resources.

In this chapter, therefore, certain fundamental facts are presented regarding the situation of the petroleum industry shortly before the dissolution as well as a few years after it, and both of these are then compared with the conditions found at the present time.

I. PRIOR TO FEDERAL SUIT FOR DISSOLUTION OF THE STANDARD OIL COMPANY

Section 1. The position in the industry of the old Standard.

At the time of the report of the Bureau of Corporations on the position of the Standard Oil Co. in the petroleum industry (in 1906) that company was found to have 84.2 per cent of the crude consumption of the country. In output of refined products Standard concerns proper then produced 78.7 per cent of the total for the country, while 7.8 per cent more was produced by closely affiliated concerns, giving a total of 86.5 per cent. The principal product of that period was illuminating oil and the Standard is estimated to have had 87 per cent of the total exports and 88.7 per cent of the domestic marketing of this product.¹

Petroleum was used formerly principally as an illuminant, the oil produced for this purpose constituting nearly 54 per cent of the total quantity of refined products and a little over 52 per cent of their value. In 1904 the Standard had 18 refineries, with a combined output of 21,341,179 barrels of illuminating oil, located at various points in the United States. Consumption of illuminating oil was largely in proportion to population and the Standard's important refineries were located near large centers of population in

¹ Report of the Commissioner of Corporations on the Petroleum Industry, Part I, pp. 13-18.