

John D. Rockefeller on Industrial Combinations (1899)

Q. What are, in your judgment, the chief advantages from industrial combinations—(a) financially to stockholders; (b) to the public?—

A. All the advantages which can be derived from a cooperation of persons and aggregation of capital. Much that one man can not do alone two can do together, and once admit the fact that cooperation, or, what is the same thing, combination, is necessary on a small scale, the limit depends solely upon the necessities of business. Two persons in partnership may be a sufficiently large combination for a small business, but if the business grows or can be made to grow, more persons and more capital must be taken in. The business may grow so large that a partnership ceases to be a proper instrumentality for its purposes, and then a corporation becomes a necessity. In most countries, as in England, this form of industrial combination is sufficient for a business coextensive with the parent country, but it is not so in this country. Our Federal form of government, making every corporation created by a State foreign to every other State, renders it necessary for persons doing business through corporate agency to organize corporations in some or many of the different States in which their business is located. Instead of doing business through the agency of one corporation they must do business through the agencies of several corporations. If the business is extended to foreign countries, and Americans are not to-day satisfied with home markets alone, it will be found helpful and possibly necessary to organize corporations in such countries, for Europeans are prejudiced against foreign corporation as are the people of many of our States. These different corporations thus become cooperating agencies in the same business and are held together by common ownership of their stocks.

It is too late to argue about advantages of industrial combinations. They are a necessity. And if Americans are to have the privilege of extending their business in all the States of the Union, and into foreign countries as well, they are a necessity on a large scale, and require the agency of more than one corporation. Their chief advantages are:

- a. Command of necessary capital.
- b. Extension of limits of business.
- c. Increase of number of persons interested in the business.
- d. Economy in the business.
- e. Improvements and economies which are derived from knowledge of many interested persons of wide experience.
- f. Power to give the public improved products at less prices and still make a profit for the stockholders.
- g. Permanent work and good wages for laborers.

I speak from my experience in business with which I have been intimately connected for about 40 years.

11. Q. What are the chief disadvantages or dangers to the public arising from them?—

A. The dangers are that the power conferred by combination may be abused; that combinations may be formed for speculation in stocks rather than for conducting business, and that for this purpose prices may be temporarily raised instead of being lowered. These abuses are possible to a greater or less extent in all combinations, large or small, but this fact is no more of an argument

against combinations than the fact that steam may explode is an argument against steam. Steam is necessary and can be made comparatively safe. Combination is necessary and its abuses can be minimized; otherwise our legislators must acknowledge their incapacity to deal with the most important instrument of industry. Hitherto most legislative attempts have been an effort not to control but to destroy; hence their futility.

12. Q. What legislation, if any, would you suggest regarding industrial combinations?—

A. First. Federal legislation under which corporations may be created and regulated, if that be possible. Second. In lieu thereof, State legislation as nearly uniform as possible encouraging combinations of persons and capital for the purpose of carrying on industries, but permitting State supervision, not of a character to hamper industries, but sufficient to prevent frauds upon the public.

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[From U.S. Industrial Commission, *Preliminary Report on Trusts and Combinations*, 56th Cong., 1st sess. (30 Dec. 1899) Document no. 476, Part 1, pp. 796–97.]