The New York Times

May 15, 1911 | Supreme Court Orders Standard Oil to Be Broken Up

By The Learning Network May 15, 2012 4:02 am

On May 15, 1911, the Supreme Court ordered the dissolution of Standard Oil Company, ruling it was in violation of the Sherman Antitrust Act.

The Ohio businessman John D. Rockefeller entered the oil industry in the 1860s and in 1870, and founded Standard Oil with some other business partners. Mr. Rockefeller expanded Standard Oil by buying its competitors and using its size to receive benefits not available to smaller companies, like, for example, discount rates from railroads.

In 1882, Mr. Rockefeller joined with his partners to create the Standard Oil Trust, which controlled a large number of companies that allowed Standard to control refining, distribution, marketing and other aspects of the oil industry. Standard eventually gained control of nearly 90 percent of the country's oil production.

Standard's domination of the oil industry came under criticism from both the public and the government. In 1890, Congress passed the Sherman Antitrust Act in an attempt to restrain the power of trusts, banning "every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce." Standard lost a Sherman-related lawsuit in Ohio in 1892, but it was later able to incorporate in New Jersey as a holding company.

In the early 1900s, after Mr. Rockefeller had retired from Standard, the muckraking journalist Ida Tarbell published a series of articles in McClure's magazine. The series portrayed Mr. Rockefeller and Standard Oil as ruthless and immoral, and the articles contributed to public outrage against Standard.

The Department of Justice filed a federal antitrust lawsuit against Standard in 1909, contending that the company restrained trade through its preferential deals with railroads, its control of pipelines and by engaging in unfair practices like price-cutting to drive smaller competitors out of business.

The Supreme Court ruled against Standard "on the ground that it is a combination in unreasonable restraint of inter-State commerce," The New York Times explained, adding that the court "thus definitely reads the word 'unreasonable' into the law." The ruling, that only "unreasonable" restraint of trade constitutes a monopoly, was received by antitrust advocates as a narrow decision that favored the trusts. The Times reported that "the opinion prevailed that the decision was distinctly favorable to 'big business.'"

The court's decision forced Standard to break into 34 independent companies spread across the country and abroad. Many of these companies have since split, folded or merged; today, the primary descendents of Standard include ExxonMobil, Chevron and ConocoPhillips.

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In April 2012, the Justice Department filed an antitrust lawsuit against Apple and a group of book publishers, saying they colluded to fix e-book prices. Their plan was created in large part because they feared Amazon, which was selling e-books at below cost, was gaining monopolistic control of the market. Several of the publishers have agreed to settle the case.

The case has raised questions over what constitutes competition and whether the anticompetitive practices of Apple and the book publishers could be justified to ensure that Amazon would have competition. Scott Turow, president of the Authors Guild, argued in a letter that the lawsuit was "on the verge of killing real competition in order to save the appearance of competition."

In a Times Op-Ed, Eduardo Porter argued that, "Absent any collusion, Apple's entry into the e-book market would be the kind of competitive challenge we should welcome in the digital world." However, as the piece also argues, price-fixing cannot be allowed and the scheme would cost consumers. "More important, perhaps, it is

behavior could arrest the development of innovative platforms to sell digital goods on the Web."

In your opinion, how has competition, or "antitrust," law changed since the days of John D. Rockefeller? Does it make a difference if the product at stake is a natural resource, like petroleum, or digital technology? Why or why not? What resolution do you think would be fair to all stakeholders involved in the case of the burgeoning e-book market — consumers, authors, retailers and tech industry alike? Why?

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