

BOOKS

Titan: The Life of John D. Rockefeller, Sr.

by Ron Chernow

Random House • 1998 • 774 pages • \$30.00

Reviewed by D.T. Armentano

For me, this is the image that sticks: John D. Rockefeller, president of Standard Oil, age 57, in bicycle suit and goggles, racing around the University of Chicago campus in 1897, harried administrators in tow, with students on the sidewalk chanting: "Rah, Rah, Rah, Rockefeller, he's the feller." Priceless.

He was indeed "the feller," as this scintillating retelling of his life and times by Ron Chernow aptly demonstrates. Chernow must surely be one of the few historians who can really write. That a 774-page book about a businessman born in 1839 can be a wonderful page-turner in the late 1990s says a lot about Chernow's literary talents—and about the object of his attention, John D. Rockefeller.

Chernow's early hunch was that the Rockefeller legend was "exhausted" and that he should skip the project. We can rejoice that he did not. For here, finally, is an intelligent and insightful account of the most important industrialist of his time, of his personal and family life, his religious beliefs, his massive philanthropy, and the company he created. This important revisionist account of the man and the myth is about as good as we are likely to get.

Who was John D. Rockefeller? Chernow shows that he was, above all else, a man who held fast to certain core values throughout his life. His early Baptist religious training shaped his lifelong attitudes toward the importance of hard work and charitable giving. Rockefeller threw himself into both without reservation. "Get money and give money" was his double-entry bookkeeping for reconciling capitalism and Christianity. His church work and other charitable causes were never an apology for his commercial success. Read-

ers of this magazine can be grateful that he sank many millions into creating the University of Chicago.

Despite great wealth, Rockefeller was always economical, some would say miserly, in his own affairs. He reviewed every household bill and often "patrolled the hallways turning off gaslights." The titan and his family owned several residences, but there were no racehorses, no decadent parties, no yachts, no extravagant traveling or gaudy personal trinkets. When Cettie, his beloved wife of 50 years, died in 1915, her most costly items of clothing were a seal coat and muff valued at \$135. Rockefeller gave away hundreds of millions of dollars to his children and to selected causes (including medical research and black schooling). When he died, his own personal estate (which had been devastated by the 1929 crash) stood at a "mere" \$26 million.

Chernow labors mightily to set Standard's commercial accomplishments reasonably straight. He identifies correctly the factors that account for the early growth of the firm (entrepreneurship, economies of scale, technological innovation) and its ability to maintain market leadership. He also identifies correctly the changing market conditions at the turn of the century that eroded Standard's market share prior to the antitrust suits. Indeed, Chernow even admits that the subsequent legal actions may have been "superfluous."

But there are problems with some of his economic and legal analysis. Lacking a correct (Austrian) theory of monopoly, Chernow is unnecessarily bothered by Standard's "predatory" pricing and by the "rebates" it was able to wring consistently from the railroads. Also, he constantly refers to Standard as a "monopoly" even though there were always rivals in domestic refining (147 in 1911), and even though most markets were legally open to entry.

The greatest disappointment in *Titan* is Chernow's virtual non-treatment of the classic antitrust decisions that broke up Standard. While the book builds to this climax, the Circuit Court (1909) and Supreme Court (1911) decisions are tossed off in less than two pages! Readers are not told that the Circuit Court never made any legal judgment on

Standard's business practices or economic performance. Instead, it decided the case on the more narrow issue of whether Standard Oil of New Jersey was a "trust" or "combination" in restraint of trade. Under the legal precedents, it was. Guilty; divestiture ordered. And while the Supreme Court announced that dominant firms should be judged by a "rule of reason," it never applied that rule to the evidence in the case.

These are not dry academic points. They are crucially important to any overall evaluation of the firm in the marketplace and to an understanding of any appropriate "monopoly" policy. Unfortunately, Chernow misses it all very badly. Still this is a blockbuster book that every student (and professor) of business history would do well to study carefully. □

D.T. Armentano, professor emeritus of economics at the University of Hartford, is the author of Antitrust and Monopoly: Anatomy of a Policy Failure.

The Great Betrayal: How American Sovereignty and Social Justice Are Being Sacrificed to the Gods of the Global Economy

by Patrick Buchanan

Little Brown & Company • 1998 • 320 pages
• \$22.95

Reviewed by James Bovard

Patrick Buchanan has given America one of the most eloquent theological tracts of recent decades. Unfortunately, when Buchanan, a two-time presidential candidate, takes his theological views into economic areas, the result is a recipe for poverty, conflict, and subjugation.

The subtitle of Buchanan's book is "How American Sovereignty and Social Justice Are Being Sacrificed to the Gods of the Global Economy." Buchanan seems obsessed with demons—denouncing economist Frederic Bastiat as "heretical," denouncing elites for betraying America, denouncing foreigners at every opportunity. He seems far more interested in the proliferation of enemies than with

the simple mechanics of economic exchange.

In a chapter entitled "Anatomy of a Murder," Buchanan uses the American auto industry as the consummate example of the evils of American trade policy. He declares: "The U.S. auto industry can justifiably claim to have been a victim of abuse, neglect, and abandonment by the government of the United States." The one lesson from this chapter is that no industry can be held responsible for its own incompetence and abuse of loyal customers.

He begins by declaring that Volkswagen Beetles were the first foreign auto to get significant market share in the United States—and then stresses Hitler's role in creating the Volkswagen corporation and the fact that the company (like many German corporations) relied on slave labor from concentration camps during World War II. Readers are left with the impression that all Volkswagens are forever tainted by this Original Sin and that anyone who bought a Beetle or any foreign car was morally inferior to people who bought American-made cars.

One issue Buchanan did not find space for is quality and reliability. *Consumer Reports* in the early-to-mid-1980s repeatedly flogged the Big Three American automakers for the high rate of defects in their new cars—at a time when Japanese companies had far better quality control. Buchanan, like other protectionists, ignores how foreign competition improves the quality of domestic products.

Among other notions of unfair trade, Buchanan claims that foreigners unfairly benefit because they are not forced to comply with the same regulations and pay the same taxes that American companies face. He has shifted from his earlier beliefs that government must slash the burden of regulations and taxes on American citizens and American businesses—and is now on a holy crusade to "level the playing field" by imposing more taxes and burdens on foreign businesses. The fact that many European companies face heavier tax and regulatory burdens than do U.S. companies somehow never gets mentioned. Even were that not so, why should foreign companies be considered cheaters if their nations' tax systems are not as idiotic as is the U.S. Internal Revenue Code?