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PART THREE

The New Industrial Order



The Master of Steel: Andrew Carnegie

ROBERT L. HEILBRONER

From the 1820s on, the United States industrialized at an impressive rate. But the real boost came during the Civil War, when Congress created a national currency and banking system, enacted homestead legislation, and appropriated federal aid for a transcontinental railroad. Such measures, argues historian James M. McPherson, provided “the blueprint for modern America.” From the crucible of the Civil War emerged a new America of big business, heavy industry, and commercial farming that became, by 1880, “the foremost industrial nation” in the world. The federal government played a crucial role in the postwar boom. One Republican administration after another not only maintained a protective tariff to minimize foreign competition but also gave away millions of dollars’ worth of public land to railroad companies, adopted a hard-money policy that pleased big business, and—except for the Interstate Commerce and Sherman Antitrust Acts, both adopted because of popular unrest—cheerfully refused to regulate or restrict the consolidation of America’s new industrial order.

It was during the Gilded Age (as Mark Twain called it), an era between Robert E. Lee’s surrender at Appomattox and the turn of the century, that American capitalism, growing for decades now, produced mighty combinations that controlled most of the nation’s wealth. The leaders of the new industrial order were a complex gallery of individuals popularly known as the “robber barons.” There had, of course, been many rich Americans before the Gilded Age, people who made fortunes from traffic in lands and goods. But the post-Civil War robber barons were a different breed, for they controlled the essential tools of the booming industrial economy itself: railroads (the nation’s basic transportation system), banking, and manufacturing. They eliminated competition, set prices, exploited workers, and commanded the awe or fear of an entire generation. Enough of them were rags-to-riches individuals, the kind celebrated in the novels of Horatio Alger, to encourage the notion of the American dream at

work, a dream that in the United States all who were capable could rise to the top. Some of the tycoons were gaudy vulgarians such as H. A. W. Tabor. Finding a portrait of Shakespeare hanging in a Denver opera house that he had built, Tabor demanded that the portrait be replaced with his own, storming, "What the hell has Shakespeare done for Denver?" Others were industrial pirates such as Jay Gould, a greedy rascal who made his money by various wicked means.

But other entrepreneurs fit a different pattern: like the aggressive capitalist played by Michael Douglas in the movie *Wall Street*, they were obsessed with the power that wealth brought them. An example was Cornelius "Commodore" Vanderbilt, who began his career as a ferryboat operator, rose to ownership of riverboats (hence his nickname), and went on to become a railroad magnate who owned a transportation empire worth \$80 million and lived in splendor in a Manhattan mansion. This rowdy, profane man loved to win in any way he could, once proclaiming, "Law? What do I care about the law. H'ain't I got the power?"

Then there was John D. Rockefeller, a quiet, penny-pinching millionaire whose Standard Oil Company became one of the nation's most powerful monopolies. Indeed, Rockefeller's business methods, stressing the virtues of order, organization, and planning, set the example of modern business organization. Unlike other Gilded Age entrepreneurs, however, Rockefeller had little interest in money for money's sake. At the end of his life, through foundations named after him, he donated millions of dollars to religious activities, medical research, and higher education.

And then there was steel magnate Andrew Carnegie, the subject of the insightful portrait that follows. Another self-made man, Carnegie was at one time the richest person in the world. Perhaps more than any other tycoon, he embodied the spirit of the age, a man who not only created but also advocated and celebrated industrial power. He defended democracy, capitalism, and the Anglo-Saxon race, and he even argued that evolution produced millionaires such as him, ignoring the fact that such folk enjoyed generous government benefits, not to mention the help of federal troops serving as strikebreakers. Yet Carnegie also acted on his own self-proclaimed sense of duty: having amassed a prodigious fortune, he proceeded to give almost all of it away during his lifetime. In him, Robert L. Heilbroner sees both the failures and the integrity of Gilded Age America.

GLOSSARY

ALGER, HORATIO Alger was a Gilded Age author whose heroes rose from poverty to greatness and thus fulfilled the "American dream." These rags-to-riches stories taught that hard work and determination were the secrets to wealth and success.

CARNEGIE CORPORATION OF NEW YORK After making his fortune, Carnegie established this "first great modern" philanthropic organization. Its original endowment was \$125 million, and, in Carnegie's words, it was "a sacred trust for the good of my fellow men."

CARNEGIE, McCANDLESS & COMPANY Carnegie's British-American steel company was the nucleus of his steel empire.

CHARTIST This was a follower of the nineteenth-century political and social reform movement, popular with Europe's working class, that advocated for an extension of voting rights and more representative government.

FRICK, HENRY CLAY An industrialist, art patron, and self-made millionaire, Frick combined his coke empire with Carnegie's steelworks. Coke, a derivative of coal, is used for fuel and as a reducing agent in smelting iron ore. Frick's use of violence to end the Homestead Strike earned him the reputation as "America's most hated man." His shrewd business practices made him an indispensable part of Carnegie's empire.

GARLIN, HAMLIN See glossary in selection 4.

GOSPEL OF WEALTH This was Carnegie's philosophy that millionaires had a duty to distribute their wealth while still alive. Carnegie wrote that the "man who dies thus rich dies disgraced." He established philanthropic foundations that successfully gave away 90 percent of his wealth.

HOMESTEAD STRIKE In 1892, union workers went on strike at Carnegie's steel plant in Homestead, Pennsylvania. The strike resulted in a bloody confrontation between locked-out union members and the company's hired Pinkerton detectives. Public opinion turned against Carnegie and his partner and plant manager, Henry Frick, who had outraged workers by lowering wages.

JONES, CAPTAIN WILLIAM One of a "brilliant assemblage" of men who were part of Carnegie's organization, Jones was "a kind of Paul Bunyan of steel," inventive in handling machinery and talented at dealing with people.

KLOMAN, ANDREW A German mechanic who made axles for the Pennsylvania Railroad, Kroman introduced Carnegie to the manufacture of iron and its value in the construction of bridges and railroads.

MORGAN, J. PIERPONT See glossary in selection 4.

PULLMAN, GEORGE Pullman was an industrialist and inventor who built a luxury sleeping car that became popular in spite of its cost, about five times the price of regular railway travel. He joined forces with Carnegie to form the Pullman Palace Car Company. Pullman's reputation was harmed

when he violently suppressed striking workers in a company town he created.

SCHWAB, CHARLES The assistant manager of Carnegie's Braddock plant, Schwab served as an intermediary between his boss and J. P. Morgan during the negotiations that led to the creation of the United States Steel Corporation. Schwab became the first president of this new corporation, which controlled more than 60 percent of America's steel production.

SCOTT, THOMAS A. Scott was a businessman and superintendent of the Pennsylvania Railroad, the largest corporation in the world in the middle of the nineteenth century. He saw potential in the young Carnegie, his "white-haired Scotch devil," and encouraged him to invest in stocks.

SPENCER, HERBERT An English philosopher, sociologist, and political theorist, Spencer coined the term "survival of the fittest" after reading Charles Darwin's *On the Origin of Species*. Carnegie was so enamored with Spencer's theories that he referred to him as "Master."

VANDERBILT, CORNELIUS See glossary in selection 4.

WOODRUFF, T. T. Woodruff, who began his career as a wagon-maker, built the first sleeping car for trains. Carnegie was impressed and bought a one-eighth interest in Woodruff's business. Soon thereafter the Pennsylvania Railroad was using sleeping cars on its route from Pittsburgh to Philadelphia.

Toward the end of his days, at the close of World War I, Andrew Carnegie was already a kind of national legend. His meteoric rise, the scandals and successes of his industrial generalship—all this was blurred into nostalgic memory. What was left was a small, rather feeble man with a white beard and pale, penetrating eyes, who could occasionally be seen puttering around his mansion on upper Fifth Avenue, a benevolent old gentleman who still rated an annual birthday interview but was even then a venerable relic of a fast-disappearing era. Carnegie himself looked back

on his career with a certain savored incredulity. "How much did you say I had given away, Poynton?" he would inquire of his private secretary; "\$324,657,399" was the answer. "Good Heaven!" Carnegie would exclaim. "Where did I ever get all that money?"

Where he *had* got all that money was indeed a legendary story, for even in an age known for its acquisitive triumphs, Carnegie's touch had been an extraordinary one. He had begun, in true Horatio Alger fashion, at the bottom; he had ended, in a manner that put the wildest of Alger's novels to shame, at the very pinnacle of success. At the close of his great deal with J. P. Morgan in 1901, when the Carnegie steel empire was sold to form the core of the new United States Steel Company, the banker had extended

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his hand and delivered the ultimate encomium of the times: "Mr. Carnegie," he said, "I want to congratulate you on being the richest man in the world."

It was certainly as "the richest man in the world" that Carnegie attracted the attention of his contemporaries. Yet this is hardly why we look back on him with interest today. As an enormous money-maker Carnegie was a flashy, but hardly a profound, hero of the times; and the attitudes of Earnestness and Self-Assurance, so engaging in the young immigrant, become irritating when they are congealed in the millionaire. But what lifts Carnegie's life above the rut of a one-dimensional success story is an aspect of which his contemporaries were relatively unaware.

Going through his papers after his death, Carnegie's executors came across a memorandum that he had written to himself fifty years before, carefully preserved in a little yellow box of keepsakes and mementos. It brings us back to December, 1868, when Carnegie, a young man flushed with the first taste of great success, retired to his suite in the opulent Hotel St. Nicholas in New York, to total up his profits for the year. It had been a tremendous year and the calculation must have been extremely pleasurable. Yet this is what he wrote as he reflected on the figures:

Thirty-three and an income of \$50,000 per annum! By this time [in] two years I can so arrange all my business as to secure at least \$50,000 per annum. Beyond this never earn—make no effort to increase fortune, but spend the surplus each year for benevolent purposes. Cast aside business forever, except for others.

Settle in Oxford and get a thorough education, making the acquaintance of literary men—this will take three years of active work—pay especial attention to speaking in public. Settle then in London and purchase a controlling interest in some newspaper or live review and give the general management of it attention, taking part in public matters, especially those connected with education and improvement of the poorer classes.

Man must have an idol—the amassing of wealth is one of the worst species of idolatry—no idol more debasing than

the worship of money. Whatever I engage in I must push inordinately; therefore should I be careful to choose that life which will be the most elevating in its character. To continue much longer overwhelmed by business cares and with most of my thoughts wholly upon the way to make more money in the shortest time, must degrade me beyond hope of permanent recovery. I will resign business at thirty-five, but during the ensuing two years I wish to spend the afternoons in receiving instruction and in reading systematically.

It is a document which in more ways than one is Carnegie to the very life: brash, incredibly self-confident, chockablock with self-conscious virtue—and more than a little hypocritical. For the program so nobly outlined went largely unrealized. Instead of retiring in two years, Carnegie went on for thirty-three more; even then it was with considerable difficulty that he was persuaded to quit. Far from shunning further money-making, he proceeded to roll up his fortune with an uninhibited drive that led one unfriendly biographer to characterize him as "the greediest little gentleman ever created." Certainly he was one of the most aggressive profit seekers of his time. Typically, when an associate jubilantly cabled: "No. 8 furnace broke all records today," Carnegie coldly replied, "What were the other furnaces doing?"

It is this contrast between his hopes and his performance that makes Carnegie interesting. For when we review his life, what we see is more than the career of another nineteenth-century acquirer. We see the unequal struggle between a man who loved money—loved making it, having it, spending it—and a man who, at bottom, was ashamed of himself for his acquisitive desires. All during his lifetime, the money-maker seemed to win. But what lifts Carnegie's story out of the ordinary is that the other Carnegie ultimately triumphed. At his death public speculation placed the size of his estate at about five hundred million dollars. In fact it came to \$22,881,575. Carnegie *had* become the richest man in the world—but something had also driven him to give away ninety percent of his wealth.

Actually, his contemporaries knew of Carnegie's inquietude about money. In 1889, before he was

world-famous, he had written an article for the *North American Review* entitled "The Gospel of Wealth"—an article that contained the startling phrase: "The man who dies thus rich dies disgraced." It was hardly surprising, however, if the world took these sentiments at a liberal discount: homiletic millionaires who preached the virtues of austerity were no novelty; Carnegie himself, returning in 1879 from a trip to the miseries of India, had been able to write with perfect sincerity, "How very little the millionaire has beyond the peasant, and how very often his additions tend not to happiness but to misery."

What the world may well have underestimated, however, was a concern more deeply rooted than these pieties revealed. For, unlike so many of his self-made peers, who also rose from poverty, Carnegie was the product of a radical environment. The village of Dunfermline, Scotland, when he was born there in 1835, was renowned as a center of revolutionary ferment, and Carnegie's family was itself caught up in the radical movement of the times. His father was a regular speaker at the Chartist rallies, which were an almost daily occurrence in Dunfermline in the 1840's and his uncle was an impassioned orator for the rights of the working class to vote and strike. All this made an indelible impression on Carnegie's childhood.

"I remember as if it were yesterday," he wrote seventy years later, "being awakened during the night by a tap at the back window by men who had come to inform my parents that my uncle, Bailie Morrison, had been thrown in jail because he dared to hold a meeting which had been forbidden . . . It is not to be wondered at that, nursed amid such surroundings, I developed into a violent young Republican whose motto was 'death to privilege.'"

From another uncle, George Lauder, Carnegie absorbed a second passion that was also to reveal itself in his later career. This was his love of poetry, first that of the poet Burns, with its overtones of romantic egalitarianism, and then later, of Shakespeare. Immense quantities of both were not only committed to memory, but made into an integral—indeed, sometimes an embarrassingly evident—part of his life: on first visiting the Doge's palace in Venice he

thrust a companion in the ducal throne and held him pinioned there while he orated the appropriate speeches from *Othello*. Once, seeing Vanderbilt walking on Fifth Avenue, Carnegie smugly remarked, "I would not exchange his millions for my knowledge of Shakespeare."

But it was more than just a love of poetry that remained with Carnegie. Virtually alone among his fellow acquirers, he was driven by a genuine respect for the power of thought to seek answers for questions



Andrew Carnegie, in his mid-twenties when photographed here in 1861, was the son of Scottish working-class radicals and the product of a stern religious upbringing. In his younger days, he thought that the amassing of wealth was "one of the worst species of idolatry." However, he abandoned his plans to retire at thirty-five in order to devote his energies to self-improvement and benevolent enterprises. Instead, he became one of the richest men the world had ever known.

that never even occurred to them. Later, when he "discovered" Herbert Spencer, the English sociologist, Carnegie wrote to him, addressing him as "Master," and it was as "Master" that Spencer remained, even after Carnegie's lavishness had left Spencer very much in his debt.

But Carnegie's early life was shaped by currents more material than intellectual. The grinding process of industrial change had begun slowly but ineluctably to undermine the cottage weaving that was the traditional means of employment in Dunfermline. The Industrial Revolution, in the shape of new steam mills, was forcing out the hand weavers, and one by one the looms which constituted the entire capital of the Carnegie family had to be sold. Carnegie never forgot the shock of his father returning home to tell him, in despair, "Andra, I can get nae mair work."

A family council of war was held, and it was decided that there was only one possible course—they must try their luck in America, to which two sisters of Carnegie's mother, Margaret, had already emigrated. With the aid of a few friends the money for the crossing was scraped together, and at thirteen Andrew found himself transported to the only country in which his career would have been possible.

It hardly got off to an auspicious start, however. The family made their way to Allegheny, Pennsylvania, a raw and bustling town where Carnegie's father again sought work as an independent weaver. But it was as hopeless to compete against the great mills in America as in Scotland, and soon father and son were forced to seek work in the local cotton mills. There Andrew worked from six in the morning until six at night, making \$1.20 [a week] as a bobbin boy.

After a while his father quit—factory work was impossible for the traditional small enterpriser—and Andrew got a "better" job with a new firm, tending an engine deep in a dungeon cellar and dipping newly made cotton spools in a vat of oil. Even the raise to \$3 a week . . . could not overcome the horrors of that lonely and foul-smelling basement. It was perhaps the only time in Carnegie's life when his self-assurance deserted him: to the end of his days the merest whiff of oil could make him deathly sick.

Yet he was certain, as he wrote home at sixteen, that "anyone could get along in this Country," and the rags-to-riches saga shortly began. The telegraph had just come to Pittsburgh, and one evening over a game of checkers, the manager of the local office informed Andrew's uncle that he was looking for a messenger. Andy got the job and, in true Alger fashion, set out to excel in it. Within a few weeks he had carefully memorized the names and the locations, not only of the main streets in Pittsburgh, but of the main firms, so that he was the quickest of all the messenger boys.

He came early and stayed late, watched the telegraphers at work, and at home at night learned the Morse code. As a result he was soon the head of the growing messenger service, and a skilled telegrapher himself. One day he dazzled the office by taking a message "by ear" instead of by the commonly used tape printer, and since he was then only the third operator in the country able to turn the trick, citizens used to drop into the office to watch Andy take down the words "hot from the wire."

One such citizen who was especially impressed with young Carnegie's determination was Thomas A. Scott, in time to become one of the colorful railway magnates of the West, but then the local superintendent of the Pennsylvania Railroad. Soon thereafter Carnegie became "Scott's Andy"—telegrapher, secretary, and general factotum—at thirty-five dollars a month. In his *Autobiography* Carnegie recalls an instance which enabled him to begin the next stage of his career.

One morning I reached the office and found that a serious accident on the Eastern Division had delayed the express passenger train westward, and that the passenger train eastward was proceeding with a flagman in advance at every curve. The freight trains in both directions were standing on the sidings. Mr. Scott was not to be found. Finally I could not resist the temptation to plunge in, take the responsibility, give "train orders" and set matters going. "Death or Westminster Abbey" flashed across my mind. I knew it was dismissal, disgrace, perhaps criminal punishment for me if I erred. On the other hand, I could bring in the wearied freight train men who had lain out all night. I knew I could. I knew just what to do, and so I began.

Signing Scott's name to the orders, Carnegie flashed out the necessary instructions to bring order out of the tangle. The trains moved; there were no mishaps. When Scott reached the office Carnegie told him what he had done. Scott said not a word but looked carefully over all that had taken place. After a little he moved away from Carnegie's desk to his own, and that was the end of it. "But I noticed," Carnegie concluded good-humoredly, "that he came in very regularly and in good time for some mornings after that."

It is hardly to be wondered at that Carnegie became Scott's favorite, his "white-haired Scotch devil." Impetuous but not rash, full of enthusiasm and good-natured charm, the small lad with his blunt, open features and his slight Scottish burr was every executive's dream of an assistant. Soon Scott repaid Andy for his services by introducing him to a new and very different kind of opportunity. He gave Carnegie the chance to subscribe to five hundred dollars' worth of Adams Express stock, a company which Scott assured Andy would prosper mightily.

Carnegie had not fifty dollars saved, much less five hundred, but it was a chance he could ill afford to miss. He reported the offer to his mother, and that pillar of the family unhesitatingly mortgaged their home to raise the necessary money. When the first dividend check came in, with its ornate Spencerian flourishes, Carnegie had something like a revelation. "I shall remember that check as long as I live," he subsequently wrote. "It gave me the first penny of revenue from capital—something that I had not worked for with the sweat of my brow. 'Eureka!' I cried, 'Here's the goose that lays the golden eggs.'" He was right; within a few years his investment in the Adams Express Company was paying annual dividends of \$1,400.

It was not long thereafter that an even more propitious chance presented itself. Carnegie was riding on the Pennsylvania line one day when he was approached by a "farmer-looking" man carrying a small green bag in his hand. The other introduced himself as T. T. Woodruff and quite frankly said that he wanted a chance to talk with someone connected with the

railroad. Whereupon he opened his bag and took out a small model of the first sleeping car.

Carnegie was immediately impressed with its possibilities, and he quickly arranged for Woodruff to meet Scott. When the latter agreed to give the cars a trial, Woodruff in appreciation offered Carnegie a chance to subscribe to a one-eighth interest in the new company. A local banker agreed to lend Andy the few hundred dollars needed for the initial payment—the rest being financed from dividends. Once again Andy had made a shrewd investment: within two years the Woodruff Palace Car Company was paying him a return of more than \$5,000 a year.

Investments now began to play an increasingly important role in Carnegie's career. Through his railroad contacts he came to recognize the possibilities in manufacturing the heavy equipment needed by the rapidly expanding lines, and soon he was instrumental in organizing companies to meet these needs. One of them, the Keystone Bridge Company, was the first successful manufacturer of iron railway bridges. Another, the Pittsburgh Locomotive Works, made engines. And most important of all, an interest in a local iron works run by an irascible German named Andrew Kloman brought Carnegie into actual contact with the manufacture of iron itself.

None of these new ventures required any substantial outlay of cash. His interest in the Keystone Bridge Company, for instance, which was to earn him \$15,000 in 1868, came to him "in return for services rendered in its promotion"—services which Carnegie, as a young railroad executive, was then in a highly strategic position to deliver. Similarly the interest in the Kloman works reflected no contribution on Carnegie's part except that of being the human catalyst and buffer between some highly excitable participants.

By 1865 his "side" activities had become so important that he decided to leave the Pennsylvania Railroad. He was by then superintendent, Scott having moved up to a vice presidency, but his salary of \$2,400 was already vastly overshadowed by his income from various ventures. One purchase alone—the Storey farm in Pennsylvania oil country, which Carnegie and a few associates picked up for \$40,000—was

eventually to pay the group a million dollars in dividends in one year. About this time a friend dropped in on Carnegie and asked him how he was doing. "Oh, I'm rich, I'm rich!" he exclaimed.

He was indeed embarked on the road to riches, and determined, as he later wrote in his *Autobiography*, that "nothing could be allowed to interfere for a moment with my business career." Hence it comes as a surprise to note that it was at this very point that Carnegie retired to his suite to write his curiously introspective and troubled thoughts about the pursuit of wealth. But the momentum of events was to prove far too strong for these moralistic doubts. Moving his headquarters to New York to promote his various interests, he soon found himself swept along by a succession of irresistible opportunities for money-making.

One of these took place quite by chance. Carnegie was trying to sell the Woodruff sleeping car at the same time that a formidable rival named George Pullman was also seeking to land contracts for his sleeping car, and the railroads were naturally taking advantage of the competitive situation. One summer evening in 1869 Carnegie found himself mounting the resplendent marble stairway of the St. Nicholas Hotel side by side with his competitor.

"Good evening, Mr. Pullman," said Carnegie in his ebullient manner. Pullman was barely cordial.

"How strange we should meet here," Carnegie went on, to which the other replied nothing at all.

"Mr. Pullman," said Carnegie, after an embarrassing pause, "don't you think we are making nice fools of ourselves?" At this Pullman evinced a glimmer of interest. "What do you mean?" he inquired. Carnegie quickly pointed out that competition between the two companies was helping no one but the railroads. "Well," said Pullman, "what do you suggest we do?"

"Unite!" said Carnegie. "Let's make a joint proposition to the Union Pacific, your company and mine. Why not organize a new company to do it?" "What would you call it?" asked Pullman suspiciously. "The Pullman Palace Car Company," said Carnegie and with this shrewd psychological stroke won his point.

A new company was formed, and in time Carnegie became its largest stockholder.

Meanwhile, events pushed Carnegie into yet another lucrative field. To finance the proliferating railway systems of America, British capital was badly needed, and with his Scottish ancestry, his verve, and his excellent railroad connections Carnegie was the natural choice for a go-between. His briefcase stuffed with bonds and prospectuses, Carnegie became a transatlantic commuter, soon developing intimate relations both with great bankers like Junius Morgan (the father of J. P. Morgan), and with the heads of most of the great American railroads. These trips earned him not only large commissions—exceeding on occasion \$100,000 for a single turn—but even more important, established connections that were later to be of immense value. . . .

But his trips to England brought Carnegie something still more valuable. They gave him steel. It is fair to say that as late as 1872 Carnegie did not see the future that awaited him as the Steel King of the world. The still modest conglomeration of foundries and mills he was gradually assembling in the Allegheny and Monongahela valleys was but one of many business interests, and not one for which he envisioned any extraordinary future. Indeed, to repeated pleas that he lead the way in developing a steel industry for America by substituting steel for iron rails, his reply was succinct: "Pioneering don't pay."

What made him change his mind? The story goes that he was awe-struck by the volcanic, spectacular eruption of a Bessemer converter, which he saw for the first time during a visit to a British mill. It was precisely the sort of display that would have appealed to Carnegie's mind—a wild, demonic, physical process miraculously contained and controlled by the dwarfed figures of the steel men themselves. At any rate, overnight Carnegie became the perfervid prophet of steel. Jumping on the first available steamer, he rushed home with the cry, "The day of iron has passed!" To the consternation of his colleagues, the hitherto reluctant pioneer became an advocate of the most daring technological and business expansion; he joined them

enthusiastically in forming Carnegie, McCandless & Company, which was the nucleus of the empire that the next thirty years would bring forth.

The actual process of growth involved every aspect of successful business enterprise of the times: acquisition and merger, pools and commercial piracy, and even, on one occasion, an outright fraud in selling the United States government overpriced and underdone steel armor plate. But it would be as foolish to maintain that the Carnegie empire grew by trickery as to deny that sharp practice had its place. Essentially what lay behind the spectacular expansion were three facts.

The first of these was the sheer economic expansion of the industry in the first days of burgeoning steel use. Everywhere steel replaced iron or found new uses—and not only in railroads but in ships, buildings, bridges, machinery of all sorts. As Henry Frick himself once remarked, if the Carnegie group had not filled the need for steel another would have. But it must be admitted that Carnegie's company did its job superlatively well. In 1885 Great Britain led the world in the production of steel. Fourteen years later her total output was 695,000 tons less than the output of the Carnegie Steel Company alone.

Second was the brilliant assemblage of personal talent with which Carnegie surrounded himself. Among them, three in particular stood out. One was Captain William Jones, a Homeric figure who lumbered through the glowing fires and clanging machinery of the works like a kind of Paul Bunyan of steel, skilled at handling men, inventive in handling equipment, and enough of a natural artist to produce papers for the British Iron and Steel Institute that earned him a literary as well as a technical reputation. Then there was Henry Frick, himself a self-made millionaire, whose coke empire naturally complemented Carnegie's steelworks. When the two were amalgamated, Frick took over the active management of the whole, and under his forceful hand the annual output of the Carnegie works rose tenfold. Yet another was Charles Schwab, who came out of the tiny monastic town of Loretto, Pennsylvania, to take a job as a stake driver. Six months later he had been promoted by Jones into the assistant managership of the Braddock plant.

These men, and a score like them, constituted the vital energy of the Carnegie works. As Carnegie himself said, "Take away all our money, our great works, ore mines and coke ovens, but leave our organization, and in four years I shall have re-established myself."

But the third factor in the growth of the empire was Carnegie himself. A master salesman and a skilled diplomat of business at its highest levels, Carnegie was also a ruthless driver of his men. He pitted his associates and subordinates in competition with one another until a feverish atmosphere pervaded the whole organization. "You cannot imagine the abounding sense of freedom and relief I experience as soon as I get on board a steamer and sail past Sandy Hook," he once said to Captain Jones. "My God!" replied Jones. "Think of the relief to us!"

But Carnegie could win loyalties as well. All his promising young men were given gratis ownership participations—minuscule fractions of one percent, which were enough, however, to make them millionaires in their own right. Deeply grateful to Jones, Carnegie once offered him a similar participation. Jones hemmed and hawed and finally refused; he would be unable to work effectively with the men, he said, once he was a partner. Carnegie insisted that his contribution be recognized and asked Jones what he wanted. "Well," said the latter, "you might pay me a hell of a big salary." "We'll do it!" said Carnegie. "From this time forth you shall receive the same salary as the President of the United States." "Ah, Andy; that's the kind of talk," said Captain Bill.

Within three decades, on the flood tide of economic expansion, propelled by brilliant executive work and relentless pressure from Carnegie, the company made immense strides. "Such a magnificent aggregation of industrial power has never before been under the domination of a single man," reported a biographer in 1902, describing the Gargantuan structure of steel and coke and ore and transport. Had the writer known of the profits earned by this aggregation he might have been even more impressed: three and a half million dollars in 1889, seven million in 1897, twenty-one million in 1899, and an immense

forty million in 1900. "Where is there such a business!" Carnegie had exulted, and no wonder—the majority share of all these earnings, without hindrance of income tax, went directly into his pockets.

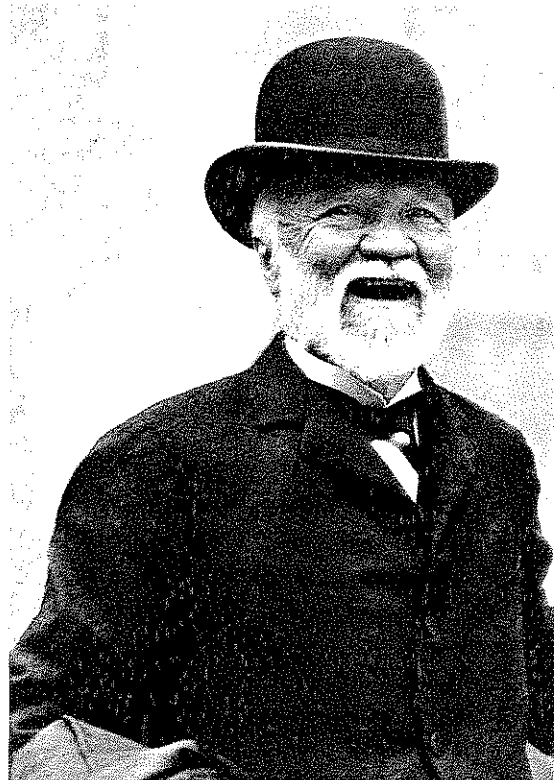
Nevertheless, with enormous success came problems. One of these was the restiveness of certain partners, under the "Iron-Clad" agreement, which prevented any of them from selling their shares to anyone but the company itself—an arrangement which meant, of course, that the far higher valuation of an outside purchaser could not be realized. Particularly chagrined was Frick, when, as the culmination of other disagreements between them, Carnegie sought to buy him out "at the value appearing on the books." Another problem was a looming competitive struggle in the steel industry itself that presaged a period of bitter industrial warfare ahead. And last was Carnegie's own growing desire to "get out."

Already he was spending half of each year abroad, first traveling, and then, after his late marriage, in residence in the great Skibo Castle he built for his wife on Dornoch Firth, Scotland. There he ran his business enterprises with one hand while he courted the literary and creative world with the other, entertaining Kipling and Matthew Arnold, Paderewski and Lloyd George, Woodrow Wilson and Theodore Roosevelt, Gladstone, and of course, Herbert Spencer, the Master. But even his career as "Laird" of Skibo could not remove him from the worries—and triumphs—of his business: a steady flow of cables and correspondence intruded on the "serious" side of life.

It was Schwab who cut the knot. Having risen to the very summit of the Carnegie concern he was invited in December, 1900, to give a speech on the future of the steel industry at the University Club in New York. There, before eighty of the nation's top business leaders he painted a glowing picture of what could be done if a super-company of steel were formed, integrated from top to bottom, self-sufficient with regard to its raw materials, balanced in its array of final products. One of the guests was the imperious J. P. Morgan, and as the speech progressed it was noticed that his concentration grew more and more

intense. After dinner Morgan rose and took the young steel man by the elbow and engaged him in private conversation for half an hour while he plied him with rapid and penetrating questions; then a few weeks later he invited him to a private meeting in the great library of his home. They talked from nine o'clock in the evening until dawn. As the sun began to stream in through the library windows, the banker finally rose. "Well," he said to Schwab, "if Andy wants to sell, I'll buy. Go and find his price."

Carnegie at first did not wish to sell. Faced with the actual prospect of a withdrawal from the business he had built into the mightiest single industrial empire



Carnegie Corporation of New York

In his late years, Carnegie turned again toward the idealism of his youth. Declaring that his riches had come to him as a "sacred trust" to administer for the good of humanity, he endowed numerous philanthropies and managed to give away 90 percent of his wealth before he died.

in the world, he was frightened and dismayed. He sat silent before Schwab's report, brooding, loath to inquire into details. But soon his enthusiasm returned. No such opportunity was likely to present itself again. In short order a figure of \$492,000,000 was agreed on for the entire enterprise, of which Carnegie himself was to receive \$300,000,000 in five percent gold bonds and preferred stock. Carnegie jotted down the terms of the transaction on a slip of paper and told Schwab to bring it to Morgan. The banker glanced only briefly at the paper. "I accept," he said.

After the formalities were in due course completed, Carnegie was in a euphoric mood. "Now, Pierpont, I am the happiest man in the world," he said. Morgan was by no means unhappy himself: his own banking company had made a direct profit of \$12,500,000 in the underwriting transaction, and this was but a prelude to a stream of lucrative financings under Morgan's aegis, by which the total capitalization was rapidly raised to \$1,400,000,000. A few years later, Morgan and Carnegie found themselves aboard the same steamer en route to Europe. They fell into talk and Carnegie confessed, "I made one mistake, Pierpont, when I sold out to you."

"What was that?" asked the banker.

"I should have asked you for \$100,000,000 more than I did."

Morgan grinned. "Well," he said, "you would have got it if you had."

Thus was written *finis* to one stage of Carnegie's career. Now it would be seen to what extent his "radical pronouncements" were serious. For in the *Gospel of Wealth*—the famous article combined with others in book form—Carnegie had proclaimed the duty of the millionaire to administer and distribute his wealth *during his lifetime*. Though he might have "proved" his worth by his fortune, his heirs had shown no such evidence of their fitness. Carnegie bluntly concluded: "By taxing estates heavily at his death, the State marks its condemnation of the selfish millionaire's unworthy life."

Coming from the leading millionaire of the day, these had been startling sentiments. So also were his views on the "labor question" which, if patronizing,

were nonetheless humane and advanced for their day. The trouble was, of course, that the sentiments were somewhat difficult to credit. As one commentator of the day remarked, "His vision of what might be done with wealth had beauty and breadth and thus serenely overlooked the means by which wealth had been acquired."

For example, the novelist Hamlin Garland visited the steel towns from which the Carnegie millions came and bore away a description of work that was ugly, brutal, and exhausting: he contrasted the lavish care expended on the plants with the callous disregard of the pigsty homes: "the streets were horrible; the buildings poor; the sidewalks sunken and full of holes. . . . Everywhere the yellow mud of the streets lay kneaded into sticky masses through which groups of pale, lean men slouched in faded garments. . . ." When the famous Homestead strike erupted in 1892, with its private army of Pinkerton detectives virtually at war with the workers, the Carnegie benevolence seemed revealed as shabby fakery. At Skibo Carnegie stood firmly behind the company's iron determination to break the strike. As a result, public sentiment swung sharply and suddenly against him; the *St. Louis Post-Dispatch* wrote: "Three months ago Andrew Carnegie was a man to be envied. Today he is an object of mingled pity and contempt. In the estimation of nine-tenths of the thinking people on both sides of the ocean he has . . . confessed himself a moral coward."

In an important sense the newspaper was right. For though Carnegie continued to fight against "privilege," he saw privilege only in its fading aristocratic vestments and not in the new hierarchies of wealth and power to which he himself belonged. In Skibo Castle he now played the role of the benign autocrat, awakening to the skirling of his private bagpiper and proceeding to breakfast to the sonorous accompaniment of the castle organ.

Meanwhile there had also come fame and honors in which Carnegie wallowed unashamedly. He counted the "freedoms" bestowed on him by grateful or hopeful cities and crowed, "I have fifty-two and

Gladstone has only seventeen." He entertained the King of England and told him that democracy was better than monarchy, and met the German Kaiser: "Oh, yes, yes," said the latter worthy on being introduced. "I have read your books. You do not like kings." But Mark Twain, on hearing of this, was not fooled. "He says he is a scorner of kings and emperors and dukes," he wrote, "whereas he is like the rest of the human race: a slight attention from one of these can make him drunk for a week. . . ."

And yet it is not enough to conclude that Carnegie was in fact a smaller man than he conceived himself. For this judgment overlooks one immense and irrefutable fact. He did, in the end, abide by his self-imposed duty. He did give nearly all of his gigantic fortune away.

As one would suspect, the quality of the philanthropy reflected the man himself. There was, for example, a huge and sentimentally administered private pension fund to which access was to be had on the most trivial as well as the most worthy grounds: if it included a number of writers, statesmen, scientists, it also made room for two maiden ladies with whom Carnegie had once danced as a young man, a boyhood acquaintance who had once held Carnegie's books while he ran a race, a merchant to whom he had once delivered a telegram and who had subsequently fallen on hard times. And then, as one would expect, there was a benevolent autocracy in the administration of the larger philanthropies as well. "Now everybody vote Aye," was the way Carnegie typically determined the policies of the philanthropic "foundations" he established.

Yet if these flaws bore the stamp of one side of Carnegie's personality, there was also the other side—the side that, however crudely, asked important questions and however piously, concerned itself with great ideals. Of this the range and purpose of the main philanthropies gave unimpeachable testimony. There were the famous libraries—three thousand of them costing nearly sixty million dollars; there were the Carnegie institutes in Pittsburgh and Washington, Carnegie Hall in New York, the Hague Peace Palace, the Carnegie Endowment for International Peace,

and the precedent-making Carnegie Corporation of New York, with its original enormous endowment of \$125,000,000. In his instructions to the trustees of this first great modern foundation, couched in the simplified spelling of which he was an ardent advocate, we see Carnegie at his very best:

Conditions on earth [sic] inevitably change; hence, no wise man will bind Trustees forever to certain paths, causes, or institutions. I disclaim any intention of doing so . . . My chief happiness, as I write these lines lies in the thot [sic] that, even after I pass away, the welth [sic] that came to me to administer as a sacred trust for the good of my fellow men is to continue to benefit humanity . . .

If these sentiments move us—if Carnegie himself in retrospect moves us at last to grudging respect—it is not because his was the triumph of a saint or a philosopher. It is because it was the much more difficult triumph of a very human and fallible man struggling to retain his convictions in an age, and in the face of a career, which subjected them to impossible temptations. Carnegie is something of America writ large; his is the story of the Horatio Alger hero after he has made his million dollars. In the failures of Andrew Carnegie we see many of the failures of America itself. In his curious triumph, we see what we hope is our own steadfast core of integrity.

QUESTIONS TO CONSIDER

- 1 Describe Carnegie's personal "gospel of wealth." Do you see any contradiction in his desire to use his money to help his fellow man and the manner in which he acquired his wealth? Under what conditions, for example, did his steelworkers live, and how did Carnegie react when they went on strike at his Homestead plant?
- 2 Why did Carnegie's family leave Scotland? What were some of young Carnegie's early jobs in America, and what qualities did he display that were signs of his later success? For example, why was he the fastest telegraph messenger in Pittsburgh? What risks

did he take and what lessons did he learn while working for the Pennsylvania Railroad?

3 What "shrewd psychological stroke" did Carnegie make that consolidated the sleeping car business under one large company? What were his motivations for taking that action?

4 What were the three factors that contributed to "the spectacular expansion" of Carnegie's steel empire? Which of the three do you think was most important? Do modern entrepreneurs like Donald Trump and Bill Gates follow some of the same strategies that made Carnegie such a successful businessman?

5 All his life, Carnegie insisted upon his hatred of aristocratic privilege, yet he lived in a magnificent Scottish castle, and he courted the acquaintance of famous politicians, scholars, and royal personages. How did he justify his actions? Did he see himself as a different type of aristocrat? Why did he go back to Great Britain to live?

6 Why does the author state that the "failure" of Carnegie also reflected the failure of America in the Gilded Age? What were the social and economic consequences of the huge concentration of power and money in the hands of a small percentage of the population?