

## **Andrew Carnegie: Robber Baron Or Captain of Industry?**

**Industrialization brought wealth to a few on a scale previously unknown in this country. Businessmen such as Andrew Carnegie, John D. Rockefeller, Cornelius Vanderbilt, and James J. Hill accumulated fortunes of hundreds of millions of dollars. Whether one views these men positively or negatively depends upon one's frame of reference. For example, some viewed Andrew Carnegie as an ambitious, hardworking competitor who made a fortune and used his wealth for the public good. Others stress his unscrupulous tactics, which, they said, merit his being called a "robber baron."**

### **Part A.**

**Read the following selections and in the margin beside each one, write a word or phrase indicating a quality of Andrew Carnegie the reading illustrates.**

Thus is the problem of Rich and Poor to be solved. The laws of accumulation will be left free; the laws of distribution free. Individualism will continue, but the millionaire will be but a trustee for the poor; intrusted for a season with a great part of the increased wealth of the community, but administering it for the community far better than it could or would have done for itself.<sup>1</sup>

**-- Andrew Carnegie**

When demand ran high, and markets were scarce, he showed little mercy, broke his contracts for delivery and raised prices...

Another device of the Carnegie Brothers which brought much business, was to ingratiate (win favor from) the railroad purchasing agents by allowing them a commission of as much as \$2 per ton on rails-which, as a "reform" president of the Santa Fe declared one day, was "simply stealing." His continued close relations with the railroad men also enable Carnegie to win secret rebates for his steel shipments over their lines which helped him further to get advantage of competitors. But in using these shifts...he was simply neutralizing rivals who moved with equal strength and freedom from scruples through the jungle of the market.

...In their great perplexity as to how the volume of production should be allotted and the disordered price structure sustained, the steel masters began to come together in secret peace conclaves. These first moves toward ending "ruinous" competition, that is, toward inaugurating monopoly prices, were made in the late 70's... With difficulty, agreements would be reached as to the share each one would enjoy...The pool would hold together for a time...but in these "middle ages" of American industry, individual members would impatiently break from their agreements.... the sharp-trading Carnegie would fight for a larger and larger share of the trade.<sup>2</sup>

Carnegie was essentially an industrial capitalist in that his money came from industry and not from bankers. He put a large part of his profits back into the business, and he did not allow his corporation's stock to be sold to persons outside his organization. He was successful because he skillfully chose partners of almost equal ability, such as Frick and Charles Schwab. His labor policy, like that of most of the corporation leaders of this era, was one of long hours, low wages, and hostility to trade unions. Carnegie was willing to make innovations in methods and machinery, ready to discard equipment whenever better came along. He made improvements in time of depression, and when prosperity returned, he was ready to produce.<sup>3</sup>

The new company (United State Steel) printed \$300 million worth of bonds for Carnegie and put them in a vault in Hoboken. He never saw them, and he never touched them; he gave them away. In giving them away he found peace. He gave 3,000 libraries, costing \$60 million.... He gave 4,100 church organs. He founded Carnegie Trust for the Universities of Scotland, Carnegie Hall in New

York, Carnegie Institutes in Pittsburgh and Washington. He established Carnegie School of Technology, and finally, the Carnegie Foundation with an endowment of \$125 million. He became a leader for world peace, and built the Peace Palace at the Hague in the Netherlands.<sup>4</sup>

The eight wonder of the world is this: two pounds of iron-stone purchased on the shore of Lake Superior and transported to Pittsburgh; two pounds of coal mined in Connellsville and manufactured into coke and brought to Pittsburgh; half pound of limestone mined east of the Alleghenies and brought to Pittsburgh; a little manganese ore, mined in Virginia and brought to Pittsburgh. And these four and one half pounds of material manufactured into one pound of solid steel and sold for one cent. That's all that needs to be said about the steel business.<sup>5</sup>

-- Andrew Carnegie

During the year 1900, Carnegie owned 58.5% percent of the stock of his great steel company. That year it made a profit of 40 million dollars. Carnegie personal gain that year, whether or not he took it dividends, was therefore well over 23 million-with no income taxes to pay.... And these figures include no other income he may have had from any other property.<sup>6</sup>

...during the nineties he (Carnegie) acquired an estate in his native Scotland, Skibo, on which he really let himself go. Eventually the estate reached 32,000 acres in size. Carnegie had two or three hundred tenants, he poured out money on the construction of roads...he and his guests were awakened at eight o'clock each morning by the Carnegie bagpiper approaching the castle from a distance and then circling it and skirling beneath the bedroom windows, and a little later they ate breakfast to the music of an organ played by the Carnegie organist.<sup>7</sup>

This strike (Homestead Strike, 1892) was incited by the Carnegie Steel Company itself when, with Carnegie in Europe, President Henry Clay Frick tried to cut wages. The powerful Amalgamated Association of Iron and Steel Workers, with an AFL affiliated, refused to accede to Frick's proposal. On July 1, 1892, Frick anticipated a walkout by closing down the plant and hiring 300 Pinkertons to protect it. When the Pinkertons arrived by barge several days later, they were overwhelmed by an army of angry workers. Frick then requested the governor of Pennsylvania to call out the state militia to preserve order. Only after five months did the workers begin to go back to their jobs on company terms.<sup>8</sup>

## Part B.

Interpret Andrew Carnegie's career by answering these questions.

1. Explain how each of the following persons would have viewed Andrew Carnegie.
  - A. Andrew Carnegie in his own epitaph:
  - B. A worker in the Homestead Steel Company, 1892:
  - C. An avid reader in a small town with a Carnegie library:
  - D. A steel-purchasing agent for the Studebaker Carriage Company:
  - E. A present-day American historian:
2. Write a one-sentenced thesis explaining your own interpretation of Carnegie's successes and shortcomings.
3. Did your class discussion of Carnegie change your view of him as a person and a businessman? Why, or why not?
4. How does a person's background affect his interpretation of a person or an event?

<sup>1</sup>Gail Kennedy, ed., *Democracy and the Gospel of Wealth* (Lexington, MA:D.C. Heath &Co., 1949), 8.

<sup>2</sup>Matthew Josephson, *The Robber Barons* (New York: Harcourt, Brace and Jovanovich, Inc, 1962), 257-259.

<sup>3</sup>Carl N. Degler, et al., *The Democratic Experience* (Glenview, IL:Scott, Foresman and Co., 1977),332

<sup>4</sup>Harold C. Livesay, *Andrew Carnegie and the Rise of Big Business* (Boston, MA: Little, Brown and Co., 1975), 188.

<sup>5</sup>Livesay,189.

<sup>6</sup>Frederick Lewis Allen, *The Big Change 1900-1950* (New York: Harper and Row publishers, Inc., 1952), 27.

<sup>7</sup>Allen, 32-33.

<sup>8</sup>Richard Hofstadter, et al., *The United States* (Englewood Cliffs, N.J.:Prentice-Hall Inc., 1976), 380-381.