



CHAPTER
6

AMERICAN LIVES **Andrew Carnegie**
Hard Worker, Generous Patron

Section 3

"Make no effort to increase fortune, but spend the surplus each year for benevolent purposes. Cast aside business for ever, except for others."— Andrew Carnegie, memo to himself (1868)

Andrew Carnegie showed how hard work and shrewd thinking can be used to build a fortune. He then showed how that fortune can be used to benefit others.

Born in Scotland, Carnegie (1835–1919) emigrated to the United States with his family when his father could no longer find work. They settled near Lake Erie, and Carnegie—only 13—began working in a textile mill. He regretted not having had the chance for an education but found a substitute. He took advantage of the offer of a local man who provided access to his personal library to any working boys in the area. Carnegie borrowed more books than anyone else. He maintained his wide reading all his life, using it to make himself entertaining at social gatherings.

His main goal was to rise on the job, though. Carnegie soon became a telegraph messenger. He gained attention by learning to decipher messages by sound and was promoted to telegraph operator. Soon a top manager in the Pennsylvania Railroad hired him as his personal secretary. Carnegie was only 18.

He advanced through many positions at the railroad, eventually taking his former boss's job as head of the Pittsburgh division by age 30. He helped organize troop transportation and telegraph systems used in the Civil War. After the war, Carnegie resigned from the railroad and started his own company to build iron bridges. Railroad contacts helped him win business, and his company thrived.

By 1873, Carnegie was ready to launch a new business: making steel. He formed the Carnegie Company and led it to success. With strong organizational skills and a knack for spotting and promoting talent, Carnegie built a huge empire. He was committed to improving technology whenever possible. Shrewdly, he chose recessions as the time to improve his factories. The improvements cost less then, and when the economy improved he was ready to produce steel more cheaply than competitors. The strategy worked: his company earned \$40 million in prof-

its in 1900, of which \$25 million was his.

Carnegie wrote and spoke, hoping to spread his ideas about success and the responsibilities of the successful. He told students at a Pittsburgh business school how to succeed: "The rising man must do something exceptional, and beyond the range of his special department."

In 1889, he published an article called "Wealth," also known as "The Gospel of Wealth." In his essay, Carnegie argued that after accumulating a fortune, a wealthy man had a duty: he should use some of his money for "the improvement of mankind." He sold his steel company in 1901 and spent most of the rest of his life fulfilling this "gospel."

He donated about \$350 million. More than a third went to endow the Carnegie Corporation, which could continue his generosity beyond his death. He gave some \$20 million to U.S. colleges and another \$10 million to Scottish universities. He created the Carnegie Institute of Pittsburgh, which had a library, an art museum, and a music hall. He also created the Carnegie Institute of Washington for basic research in science. He also gave \$60 million to create more than 3,000 public libraries.

Carnegie lost some of his good name in the Homestead strike of 1892. Steel workers were shut out of one of his plants and lost their jobs. Although he did not direct the company's actions, he did nothing to help the situation, which cost him public support. Long after, though, he was remembered as a generous benefactor.

Questions

1. What evidence do you find that Carnegie followed his own advice in rising to the top?
2. Do you agree with Carnegie's "gospel of wealth"? Why or why not?
3. What do you consider the most important example of Carnegie's generosity?

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PRIMARY SOURCE *from The History of the Standard Oil Company*

Journalist Ida M. Tarbell exposed John D. Rockefeller's ruthless building of Standard Oil Company, the first major industrial monopoly in the United States. As you read this excerpt from Tarbell's book, think about how Rockefeller controlled the oil industry.

To know every detail of the oil trade, to be able to reach at any moment its remotest point, to control even its weakest factor—this was John D. Rockefeller's ideal of doing business. It seemed to be an intellectual necessity for him to be able to direct the course of any particular gallon of oil from the moment it gushed from the earth until it went into the lamp of a housewife. There must be nothing—nothing in his great machine he did not know to be working right. It was to complete this ideal, to satisfy this necessity, that he undertook, late in the seventies [1870s], to organize the oil markets of the world, as he had already organized oil refining and oil transporting. Mr. Rockefeller was driven to this new task of organization not only by his own curious intellect; he was driven to it by that thing so abhorrent to his mind—competition. If, as he claimed, the oil business belonged to him, and if, as he had announced, he was prepared to refine all the oil that men would consume, it followed as a corollary that the markets of the world belonged to him. . . .

When Mr. Rockefeller began to gather the oil markets into his hands he had a task whose field was literally the world, for already, in 1871, the year before he first appeared as an important factor in the oil trade, refined oil was going into every civilized country of the globe. Of the five and a half million barrels of crude oil produced that year, the world used five millions, over three and a half of which went to foreign lands. This was the market which had been built up in the first ten years of business by the men who had developed the oil territory and invented the processes of refining and transporting, and this was the market, still further developed, of course, that Mr. Rockefeller inherited when he succeeded in corraling the refining and transporting of oil. It was this market he proceeded to organize.

The process of organization seems to have been natural and highly intelligent. The entire country was buying refined oil for illumination. Many refiners had their own agents out looking for markets; others sold to wholesale dealers, or jobbers, who placed trade

with local dealers, usually grocers. Mr. Rockefeller's business was to replace independent agents and jobbers by his own employees. The United States was mapped out and agents appointed over these great divisions. Thus, a certain portion of the Southwest—including Kansas, Missouri, Arkansas and Texas—the Waters-Pierce Oil Company, of St. Louis, Missouri, had charge of; a portion of the South—including Kentucky, Tennessee and Mississippi—Chess, Carley and Company, of Louisville, Kentucky, had charge of. These companies in turn divided their territory into sections, and put the subdivisions in the charge of local agents. These local agents had stations where oil was received and stored, and from which they and their salesmen carried on their campaigns. This system, inaugurated in the seventies, has been developed until now the Standard Oil Company of each state has its own marketing department, whose territory is divided and watched over in the above fashion. The entire oil-buying territory of the country is thus covered by local agents reporting to division headquarters. These report in turn to the head of the state marketing department, and his reports go to the general marketing headquarters in New York. . . .

But the Standard Oil agents were not sent into a territory back in the seventies simply to sell all the oil they could by efficient service and aggressive pushing; they were sent there to sell all the oil that was bought. "The coal-oil business belongs to us," was Mr. Rockefeller's motto, and from the beginning of his campaign in the markets his agents accepted and acted on that principle. If a dealer bought but a barrel of oil a year, it must be from Mr. Rockefeller.

from Ida M. Tarbell, The History of the Standard Oil Company (New York: Norton, 1966), 110–112.

Discussion Questions

1. How did Rockefeller set out to acquire control of the oil industry?
2. Do you think Rockefeller deserved to be called a "robber baron?" Why or why not?