

## *Wealth*

### Andrew Carnegie

#### Introduction

At age 13 Andrew Carnegie immigrated with his family from Scotland to Pittsburgh, PA. He arrived in 1848, just in time to watch the city rapidly transfer into a major industrial and railroad center. After briefly working in a textile mill, Carnegie worked as a telegraph messenger in the Pittsburgh office of the Ohio Telegraph Company. In 1853, he went to work for Thomas A. Scott, a General Superintendent for the Pennsylvania Railroad. Both Scott and Carnegie quickly worked their way up the ladder. Scott arranged investment opportunities for Carnegie in industries connected to the expansion of the railroads. For example, Carnegie invested in Theodore Tuttle Woodruff's train sleeping car company, secured exclusive rights over a major telegraph company, and invested in the Columbia Oil Company in Pennsylvania, all facilitated by Scott and his connections.

During the Civil War (1861-65), Scott supervised transportation for the U.S. Military and Carnegie served as his second in command. After the war, Scott secured contracts for Carnegie's new business ventures in oil and ironworks. At the same time, Carnegie convinced Theodore Woodruff to sell his company to George Pullman, who we will discuss this week. Carnegie and Pullman would join forces again during the Panic of 1873, buying out failing railroads and other industries.

Interestingly, Carnegie's mentor, Thomas Scott, was one of the railroad men who ensured John Rockefeller had a monopoly over oil markets and freight rates. Scott controlled the Pennsylvania Railroad, which Rockefeller needed to transport his oil out of Pittsburgh. When Scott and Rockefeller failed to reach amenable terms, Rockefeller closed his plants in Pittsburgh, forcing Scott to abruptly cut worker's wages. In response, workers refused to service trains and rioted in the streets. Such began the the Great Railroad Strike of 1877. After the strike, Carnegie, Pullman, and Rockefeller, along with a handful of other wealthy men, controlled the railroads and most of the major industries in the country. They are the men George McNeill criticizes in *The Labor Movement, or the Problem of Today*. George Rice also discusses the railroad monopoly in his interview with *New York World*.

Rockefeller controlled the oil industry while Carnegie controlled the steel industry. He initially invested in ironworks, and later adopted the Bessemer Process, employing a blast furnish that heated iron to the point where imperfections are eliminated, thus creating the one of the strongest materials on earth – steel. Carnegie Steel Works, centered in Homestead, PA, produced more steel than anywhere else in the world. In 1892, workers at Homestead went on strike after wages were abruptly cut, resulting in one of the bloodiest labor strikes of the nineteenth century. Nine years later, Carnegie sold his steelworks to financier John Pierpont Morgan. Carnegie,

Rockefeller, and Morgan competed for wealthiest man in the world throughout the nineteenth century. Morgan's purchase of Carnegie Steel, known afterward as U.S. Steel, ended the competition.

Carnegie retired, and turned his attention to philanthropy, particularly his Carnegie Library program (the main branch of the Columbus Public Library is a Carnegie library). He also founded Carnegie-Mellon University in Pittsburgh, funded the National Endowment for the Arts, built Carnegie Hall. He gave away 90 percent of his wealth before his death and still managed to leave an incredible amount of generational wealth for his decedents.

After the 1887 Haymarket Riot in Chicago, Carnegie, and every other wealthy industrialist, worried about the growing power of the labor movement, particularly the call for unions. In 1889, Carnegie penned the following essay in support of unregulated capitalism and the danger of labor unions.<sup>1</sup>

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### Primary Source

The problem of our age is the proper administration of wealth, so that the ties of brotherhood may still bind together the rich and poor in harmonious relationship. The conditions of human life have not only been changed, but revolutionized, within the past few hundred years. In former days there was little difference between the dwelling, dress, food, and environment of the chief and those of his retainers. The Indians are to-day where civilized man then was. When visiting the Sioux, I was led to the wigwam of the chief. It was just like the others in external appearance, and even within the difference was trifling between it and those of the poorest of his braves. The contrast between the palace of the millionaire and the cottage of the laborer with us to-day measures the change which has come with civilization.

This change, however, is not to be deplored, but welcomed as highly beneficial. It is well, nay, essential for the progress of the race, that the houses of some should be homes for all that is highest and best in literature and the arts, and for all the refinements of civilization, rather than that none should be so. Much better this great irregularity than universal squalor. The "good old times" were not good old times. Neither master nor servant was as well situated then as to-day. A relapse to old conditions would be disastrous to both--not the least so to him who serves--and would sweep away civilization with it. But whether the change be for good or ill, it is upon us, beyond our power to alter, and therefore to be accepted and made the best of. It is a waste of time to criticize the inevitable.

It is easy to see how the change has come. In the manufacture of products, we have the whole story. Today the world obtains commodities of excellent quality at prices which even the generation preceding this would have deemed incredible. In the commercial world similar causes have produced similar results, and the race is benefited thereby. The poor enjoy what the rich

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<sup>1</sup> "[Wealth](#)," originally published in the *North American Review*, June 1889. Believed to be in the public domain.

could not before afford. What were the luxuries have become the necessities of life. The laborer has now more comforts than the landlord had a few generations ago.

The price we pay for this salutary change is, no doubt, great. We assemble thousands of operatives in the factory, in the mine, and in the counting-house, of whom the employer can know little or nothing, and to whom the employer is little better than a myth. Under the law of competition, the employer of thousands is forced into the strictest economies, among which the rates paid to labor figure prominently, and often there is friction between the employer and the employed, between capital and labor, between rich and poor. Human society loses homogeneity.

The price which society pays for the law of competition, like the price it pays for cheap comforts and luxuries, is also great; but the advantage of this law are also greater still, for it is to this law that we owe our wonderful material development, which brings improved conditions in its train. But, whether the law be benign or not, we must say of it, as we say of the change in the conditions of men to which we have referred: It is here; we cannot evade it; no substitutes for it have been found; and while the law may be sometimes hard for the individual, it is best for the race, because it insures the survival of the fittest in every department.

We accept and welcome therefore, as conditions to which we must accommodate ourselves, great inequality of environment, the concentration of business, industrial and commercial, in the hands of a few, and the law of competition between these, as being not only beneficial, but essential for the future progress of the race. Having accepted these, it follows that there must be great scope for the exercise of special ability in the merchant and in the manufacturer, who has to conduct affairs upon a great scale. That this talent for organization and management is rare among men is proved by the fact that it invariably secures for its possessor enormous rewards, no matter where or under what laws or conditions. The experienced in affairs always rate the MAN whose services can be obtained as a partner as not only the first consideration, but such as to render the question of his capital scarcely worth considering, for such men soon create capital; while, without the special talent required, capital soon takes wings.

Such men become interested in firms or corporations using millions; and estimating only simple interest to be made upon the capital invested, it is inevitable that their income must exceed their expenditures, and that they must accumulate wealth. Nor is there any middle ground which such men can occupy, because the great manufacturing or commercial concern which does not earn at least interest upon its capital soon becomes bankrupt. It, must either go forward or fall behind: to stand still is impossible. It is a condition essential for its successful operation that it should be thus far profitable, and even that, in addition to interest on capital, it should make profit. It is a law, as certain as any of the others named, that men possessed of this peculiar talent for affair, under the free play of economic forces, must, of necessity, soon be in receipt of more revenue than can be judiciously expended upon themselves; and this law is as beneficial for the race as the others<sup>2</sup>.

Objections to the foundations upon which society is based are not in order, because the condition of the race is better with these than it has been with any others which have been tried. Of the effect of any new substitutes proposed we cannot be sure.

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<sup>2</sup> Accumulation of wealth is progress, and wealth equals worth.

The Socialist or Anarchist who seeks to overturn present conditions is to be regarded as attacking the foundation upon which civilization itself rests, for civilization took its start from the day that the capable, industrious workman said to his incompetent and lazy fellow, "If thou dost not sow, thou shalt not reap," and thus ended primitive Communism by separating the drones from the bees. One who studies this subject will soon be brought face to face with the conclusion that upon the sacredness of property civilization itself depends--the right of the laborer to his hundred dollars in the savings bank, and equally the legal right of the millionaire to his millions<sup>3</sup>. To these who propose to substitute Communism for this intense Individualism the answer, therefore, is: The race has tried that. All progress from that barbarous day to the present time has resulted from its displacement. Not evil, but good, has come to the race from the accumulation of wealth by those who have the ability and energy that produce it.

We start, then, with a condition of affairs under which the best interests of the race are promoted, but which inevitably gives wealth to the few. Thus far, accepting conditions as they exist, the situation can be surveyed and pronounced good. The question then arises, --and, if the foregoing be correct, it is the only question with which we have to deal, --What is the proper mode of administering wealth after the laws upon which civilization is founded have thrown it into the hands of the few? And it is of this great question that I believe I offer the true solution. It will be understood that fortunes are here spoken of, not moderate sums saved by many years of effort, the returns on which are required for the comfortable maintenance and education of families. This is not wealth, but only competence which it should be the aim of all to acquire...

There are but three modes in which surplus wealth can be disposed of. It can be left to the families of the decedents; or it can be bequeathed for public purposes; or, finally, it can be administered during their lives by its possessors. Under the first and second modes most of the wealth of the world that has reached the few has hitherto been applied. Let us in turn consider each of these modes. The first is the most injudicious. In monarchical countries, the estates and the greatest portion of the wealth are left to the first son, that the vanity of the parent may be gratified by the thought that his name and title are to descend to succeeding generations unimpaired. The condition of this class in Europe to-day teaches the futility of such hopes or ambitions. The successors have become impoverished through their follies or from the fall in the value of land...Observation teaches that, generally speaking, it is not well for the children that they should be so burdened. Neither is it well for the state...

There remains, then, only one mode of using great fortunes; but in this we have the true antidote for the temporary unequal distribution of wealth, the reconciliation of the rich and the poor--a reign of harmony--another ideal, differing, indeed, from that of the Communist in requiring only the further evolution of existing conditions, not the total overthrow of our civilization. It is founded upon the present most intense individualism, and the race is projected to put it in practice by degree whenever it pleases. Under its sway we shall have an ideal state, in which the surplus wealth of the few will become, in the best sense the property of the many, because administered for the common good, and this wealth, passing through the hands of the few, can be made a much more potent force for the elevation of our race than if it had been distributed in small sums to the people themselves. Even the poorest can be made to see this, and to agree that

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<sup>3</sup> John D. Rockefeller used to say, "God gave me my money."

great sums gathered by some of their fellow-citizens and spent for public purposes, from which the masses reap the principal benefit, are more valuable to them than if scattered among them through the course of many years in trifling amounts.

If we consider what results flow from the Cooper Institute, for instance, to the best portion of the race in New York not possessed of means, and compare these with those which would have arisen for the good of the masses from an equal sum distributed by Mr. Cooper in his lifetime in the form of wages, which is the highest form of distribution, being for work done and not for charity, we can form some estimate of the possibilities for the improvement of the race which lie embedded in the present law of the accumulation of wealth. Much of this sum if distributed in small quantities among the people, would have been wasted in the indulgence of appetite, some of it in excess, and it may be doubted whether even the part put to the best use, that of adding to the comforts of the home, would have yielded results for the race, as a race, at all comparable to those which are flowing and are to flow from the Cooper Institute from generation to generation. Let the advocate of violent or radical change ponder well this thought.<sup>4</sup>

Poor and restricted are our opportunities in this life; narrow our horizon; our best work most imperfect; but rich men should be thankful for one inestimable boon. They have it in their power during their lives to busy themselves in organizing benefactions from which the masses of their fellows will derive lasting advantage, and thus dignify their own lives...

This, then, is held to be the duty of the man of Wealth: First, to set an example of modest, unostentatious living, shunning display or extravagance; to provide moderately for the legitimate wants of those dependent upon him; and after doing so to consider all surplus revenues which come to him simply as trust funds, which he is called upon to administer, and strictly bound as a matter of duty to administer in the manner which, in his judgment, is best calculated to produce the most beneficial results for the community--the man of wealth thus becoming the mere agent and trustee for his poorer brethren, bringing to their service his superior wisdom, experience and ability to administer, doing for them better than they would or could do for themselves.

The best uses to which surplus wealth can be put have already been indicated. These who, would administer wisely must, indeed, be wise, for one of the serious obstacles to the improvement of our race is indiscriminate charity. It were better for mankind that the millions of the rich were thrown in to the sea than so spent as to encourage the slothful, the drunken, the unworthy. Of every thousand dollars spent in so called charity to-day, it is probable that \$950 is unwisely spent; so spent, indeed as to produce the very evils which it proposes to mitigate or cure.

In bestowing charity, the main consideration should be to help those who will help themselves; to provide part of the means by which those who desire to improve may do so; to give those who desire to use the aids by which they may rise; to assist, but rarely or never to do all. Neither the

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<sup>4</sup> Peter Cooper was an industrialist who made his money in iron and railroads. In 1859, Cooper founded The Cooper Institute in New York City, now known as Cooper Union. The school initially offered free adult education classes to anyone interested. By the turn of the twentieth century, the school developed into a highly respected college; the school did not charge tuition with the hope of making college available to those without financial means. The school remained tuition free until 2014, when the Board of Trustees voted to charge partial tuition in an effort to offset financial difficulties at the school. In 2018, the Board voted to return to the tuition-free model by 2020, thus returning to Peter Cooper's original vision of affordable and accessible education.

individual nor the race is improved by alms-giving. Those worthy of assistance, except in rare cases, seldom require assistance. The really valuable men of the race never do, except in cases of accident or sudden change. Everyone has, of course, cases of individuals brought to his own knowledge where temporary assistance can do genuine good, and these he will not overlook. But the amount which can be wisely given by the individual for individuals is necessarily limited by his lack of knowledge of the circumstances connected with each. He is the only true reformer who is as careful and as anxious not to aid the unworthy as he is to aid the worthy, and, perhaps, even more so, for in alms-giving more injury is probably done by rewarding vice than by relieving virtue.

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; entrusted 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. The best minds will thus have reached a stage in the development of the race in which it is clearly seen that there is no mode of disposing of surplus wealth creditable to thoughtful and earnest men into whose hands it flows save by using it year by year for the general good. This day already dawns. Of such as these the public verdict will then be: "The man who dies thus rich dies disgraced." Such, in my opinion, is the true Gospel concerning Wealth, obedience to which is destined someday to solve the problem of the Rich and the Poor, and to bring 'Peace on earth, among men Good-Will.'