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Andrew Carnegie

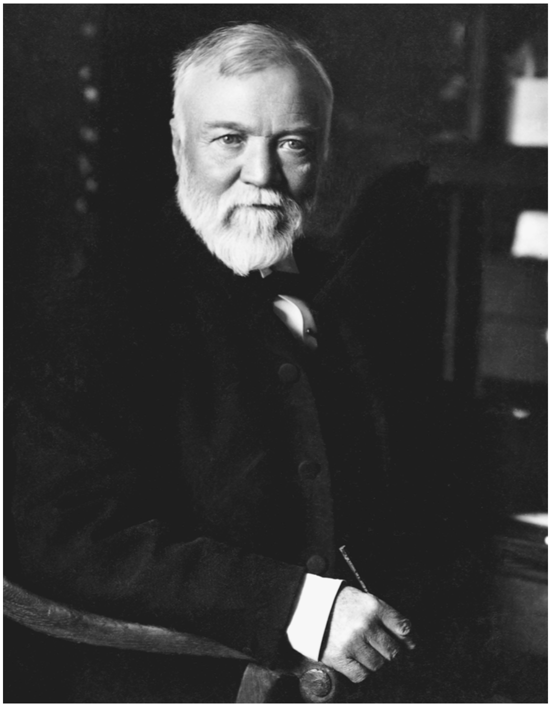
Excerpt from "The Gospel of Wealth"

Originally published in the North American Review, *June 1889; available at* American Studies at the University of Virginia *(Web site)*

"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 rise the aids by which they may rise; to assist, but rarely or never to do all."

More than any other time in American history, the Gilded Age (approximately 1877–99) was characterized by the phenomenal wealth and far-reaching power of a handful of men. Known as robber barons, these men ruled the business world by taking complete control of the industrialization (a transition to an economy based on business and industry rather than agriculture) of the country, also known as the Industrial Revolution. Generally speaking, they accumulated billions of dollars by exploiting (using to their advantage) the working-class poor. They underpaid and overworked the labor that made their factories and businesses run. Robber barons were not known for their honesty or integrity in the way they conducted business.

It would be incorrect to say that the robber barons set the standards for the industrialization of America. They did not. The Industrial Revolution happened because of the determination and perseverance of small-business owners who relied on proven business strategies to keep their companies alive. And that is where the robber barons differed greatly from other industrialists: They took risks by experimenting with strategies that no one had ever used before in business. Those strategies, supplemented by the barons' greed and desire for power, gave them wealth but a bad reputation as well.



Industrialist, robber baron, and philanthropist Andrew Carnegie. © CORBIS.

Among the most notable robber barons were John D. Rockefeller (1839–1937), owner of the Standard Oil Company, which at its peak controlled 90 percent of America's oil industry; Cornelius Vanderbilt (1794–1877), a railroad tycoon (exceptionally wealthy industrialist) considered by many to be the first true robber baron; Jay Gould (1836–1892), a railroad financier (one who deals with large amounts of money in finance and investment businesses) who often competed with Vanderbilt; and J. P. Morgan (1837–1913), the most famous banker and financier of his day. Unlike his peers, Morgan had a reputation as a man of his word who valued honesty more than money.

Another famous robber baron was Andrew Carnegie (1835–1919), owner of Carnegie Steel. Unlike his fellow industrialists, Carnegie was an immigrant. Born in Scotland, he moved to the United States at the age of twelve. Although born into poverty, Carnegie's intelligence and resourcefulness turned misfortune to fortune. By the age of thirty-three, the Scotsman was worth $400,000 (approximately $5 million in twenty-first-century money).

Like the other robber barons, Carnegie overworked and underpaid his employees. In doing so, he kept his operating costs as low as possible, which allowed him to provide steel to buyers at a price lower than his competitors.

Carnegie was in the right business at the right time. The industrialization of America made steel the number-one selling product. Steel was used in the construction and maintenance of railroads as well as nearly every other industry of the day. He sold his company to U.S. Steel (owned by robber baron J. P. Morgan) in 1901 for $250 million ($4.5 billion in twenty-first-century money) and became the wealthiest man in the world.

Carnegie's wealth troubled him. He had known poverty and despair in his younger years, so he understood firsthand the struggles and suffering of the poor. Although he reigned as king of the steel industry for thirty years, he privately longed to change his focus from making money to doing good for those less fortunate than himself. In this respect, Carnegie set himself apart from his robber baron colleagues.

In 1889, Carnegie published an essay in a political magazine. In the essay, he explained his philosophy on wealth and how to distribute it after death. The essay attracted much attention because its author claimed that the wealthy have a responsibility to give back to society and work for its greater good. This attitude was not popular among America's upper class, who had been living for decades with the idea that hard work was all that was needed to succeed. The general attitude was that the poor were poor because God made them that way and that they deserved their status in society.

Carnegie developed his ideas while reading the work of a philosopher he greatly admired, Herbert Spencer (1820–1903). Spencer's philosophy was based on the evolutionary theory of Charles Darwin (1809–1882), which said the strong survive while the weak die. Spencer applied that biological theory to society and promoted the idea that competition was natural and that those most fit to live in society would rise to the top. It was Spencer who coined the phrase "survival of the fittest." Carnegie found in Spencer's philosophy the permission to succeed in business, even as he struggled internally with his high-society position and life of privilege.

Things to remember while reading the excerpt from "The Gospel of Wealth":

- Carnegie was highly respected in American society. His opinions mattered. His was a true rags-to-riches story. Carnegie was considered a perfect example of a poor man who achieved the American Dream.
- Carnegie's life was one of paradox (contradictions). As the richest man in the world, he spoke out against privilege. He championed the working man, even as he crushed labor unions and cut his employees' wages.
- Before the Industrial Revolution, the gap between the upper classes and the lower classes was not so large. There had always been people who had money and people who did not, but industrialism allowed people in the right circumstances to make more money than was ever possible before. Without the working class, robber barons could not have elevated themselves to the highest positions in American society.

A Different Kind of Gospel

The industrialization of America was looked upon by some as progress. Others considered it a phenomenon that caused more harm than good. There were those who believed that industrialization gave birth to overcrowded slums and a greatly increased poor population that lived in despair and hopelessness.

There was nothing anyone could do to stop industrialization. But churches and religious organizations were determined to do what they could to improve the situation for the working-class poor. The result was what religious leaders from different faiths called the Social Gospel. The concept was based on the idea that through reform laws and religion, a fair and just society was attainable.

The Social Gospel sought reform on every level: child labor, work conditions, housing, education, and more. In some ways, the idea was the opposite of the "survival of the fittest" beliefs of men like Andrew Carnegie and John D. Rockefeller. They believed the powerful and wealthy had the right to their lives of privilege, even while others suffered. But in other ways, the philosophies were similar. Both Carnegie and Rockefeller were famous for their philanthropy (charitable donations). Between the two of them, hundreds of millions of dollars were given to help those in need.

The major difference between the Social Gospel movement and the philanthropy of Carnegie and Rockefeller was that the activists sought to change the law and offer protective measures to the poor. The robber barons did not want the laws changed; the laws already in place worked in their favor and allowed them to run their businesses in such a way that they made millions off the cheap labor of the working class.

Social Gospel faded away as an active movement, but its efforts influenced the reforms of the Progressive Era (approximately 1900–17). The philosophy of the Social Gospel movement stands as the foundation for religious charities throughout the world.

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Excerpt from "The Gospel of Wealth"

Administering: Distributing.

Competence: Money used for the basics in life.

Surplus: Extra.

Decedents: Dead.

Bequeathed: Given.

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 from 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 [so] that the **vanity** of the parent may be gratified by the thought that his name and title are to descend to succeeding generations unimpaired. Why should men leave great fortunes to their children? If this is done from affection, is it not misguided affection? 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. Beyond providing for the wife and daughters moderate sources of income, and very moderate allowances indeed, if any, for the sons, men may well hesitate, for it is no longer questionable that great sums bequeathed oftener work more for the injury than for the good of the recipients. Wise men will soon conclude that, for the best interests of the members of their families and of the state, such bequests are an improper use of their **means.**

As to the second mode, that of leaving wealth at death for public uses, it may be said that this is only a means for the disposal of wealth, provided a man is content to wait until he is dead before it becomes of much good in the world. Knowledge of the results of **legacies** bequeathed is not calculated to inspire the brightest hopes of much **posthumous** good being accomplished. The cases are not few in which the real object sought by the **testator** is not attained, nor are they few in which his real wishes are **thwarted.** In many cases the bequests are so used as to become only monuments of his **folly.**

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 prepared to put it in practice by degrees 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 [it will be] 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 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.

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;**

Injudicious: Unwise.

Monarchical countries: Nations ruled by kings or queens who inherited their positions.

Vanity: Excessive pride.

Means: Wealth.

Legacies: Gifts.

Posthumous: After death.

Testator: Person who leaves behind a will distributing his property and wealth.

Thwarted: Prevented.

Folly: Foolish ideas.

Antidote: Cure.

Sway: Controlling influence.

Principal: Main.

Trifling: Small, of little importance.

Unostentatious: Simple.

Extravagance: Luxury.

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. . . .

Brethren: Brothers; fellow human beings.

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 rise the aids by which they may rise; to assist, but rarely or never to do all. Neither the individual nor the race is improved by **almsgiving.** Those worthy of assistance, except in rare cases, seldom require assistance.

Bestowing: Giving away to.

Almsgiving: Giving to the poor.

Such, in my opinion, is the true gospel concerning wealth, obedience to which is destined some day to solve the problem of the rich and the poor, and to bring "Peace on earth, among men goodwill."

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What happened next . . .

For all their greed and corruption, many robber barons defied the label given them and established the model for the basis of American philanthropy. Carnegie himself refused to simply give money to the poor, but in his lifetime, his wealth established nearly three thousand public libraries throughout the world, numerous universities and educational foundations, several music halls (including the famous Carnegie Hall in New York City), and other self-improvement and scientific initiatives.

Carnegie founded the Carnegie Corporation of New York. Its mission was to "promote the advancement and spread of knowledge and understanding." This charitable organization remains active in the twenty-first century and regularly donates to institutions that provide educational grants, universities, colleges, and companies focused on education. The popular children's television show *Sesame Street,* for example, is funded in part by the Carnegie Corporation.

Other robber barons became philanthropists as well. J. P. Morgan left one of the most extensive art collections ever put together upon his death, and he donated sizeable sums of money to art museums and collections throughout his life. Rockefeller and Carnegie were in

Carnegie Hall on the day of its opening, May 5, 1891. © CORBIS.

direct competition with each other's level of giving throughout their later years. Newspapers even kept score of who donated more money to charity. For instance, in 1904, the *Times of London* reported Carnegie's total at $21 million and Rockefeller's at $10 million; in 1910, the *New York American* said Carnegie was up to $179.3 million and Rockefeller over $134.2 million; and in 1913, the *New York Herald* noted that Carnegie's sum had increased to $332 million and Rockefeller's $175 million.

The age of the robber baron and his philanthropy ended with the presidency of Woodrow Wilson (1856–1924; served 1913–21), who passed legislation introducing the income tax (taxes paid on money earned) and estate tax (taxes paid on money left at the time of death). These taxes inhibited the quick growth of monetary fortune.

The New York Philharmonic performs at the renovated Carnegie Hall on December 15, 1986. © BETTMANN/CORBIS.

Did you know . . .

- Carnegie's sixty-four-room mansion was so big that it took two tons of coal to heat it on a typical winter day.
- Carnegie first worked as a bobbin boy setting up spools of thread in a cotton factory, where he earned $1.20 a week.
- By the time he died, Carnegie had given away $350 million. Per instructions left in his will, the remaining $30 million was given away to foundations and charities.

Consider the following . . .

- How does American society define "success"?
- Capitalism is based on the idea that every individual has an equal opportunity for success. Is this true in American society? Why or why not?
- Can a person be a ruthless businessman but still be a good person?

For More Information

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