Handout 2 Carnegie and Rockefeller - Documents

Meet Andrew Carnegie: The Two Andrews

Generous and naïve, while often grasping and ruthless, Andrew Carnegie personally embodied the contradictions that divided America in the Gilded Age. At a time when America struggled—often violently—to sort out the competing claims of democracy and individual gain, Carnegie championed both. He saw himself as a hero of working people, yet he crushed their unions. The richest man in the world, he railed against privilege. A generous philanthropist, he slashed the wages of the workers who made him rich.

The roots of Carnegie’s internal conflicts were planted in Dunfermline, Scotland, where he was born in 1835, the son of a weaver and political radical who instilled in young Andrew the values of political and economic equality. His family’s poverty, however, taught Carnegie a different lesson. When the Carnegies emigrated to America in 1848, Carnegie determined to bring prosperity to his family.

Carnegie’s climb from the slums of Pittsburgh to the mansions of New York paralleled America’s transformation from a sleepy agricultural nation into the world’s foremost industrial power. By 1868 Carnegie, then 33, was worth $400,000 (nearly $5 million today); but his wealth troubled him, as did the ghosts of his radical past. He wrote himself a telling letter, promising that he would stop working in two years and pursue a life of good works: "To continue much longer overwhelmed by business cares . . . must degrade me beyond hope of permanent recovery."

Yet Carnegie’s business cares held him in sway. For three decades, he dominated the steel industry, and although he allowed himself time for vacations in Scotland and for his troubled courtship of Louise Whitfield, his thoughts rarely strayed from his mills.

Carnegie did not forget his radical roots. In a period of turbulent labor unrest, Carnegie publicly supported the unions. In his own mills, though, his position was less clear. He usually avoided using strike breakers, but drove a hard bargain and typically got his way, most notably during the bloody lockout at his Homestead works in 1892.

With his partner Henry Clay Frick, Carnegie broke the steel unions. His empire grew. By 1900, Carnegie Steel produced more steel than the entire British steel industry. When he sold the company to J.P. Morgan in 1901, Carnegie personally earned $250 million (approximately $4.5 billion today).

Carnegie then turned his enormous energies to philanthropy and the pursuit of world peace, hoping perhaps that donating his wealth to charitable causes would mitigate the grimy details of its accumulation. In the public memory, he may have been correct. Today he is most remembered for his generous gifts of music halls, educational grants, and nearly 3,000 public libraries. By the time of his death in 1919, he had given away over $350 million (more than $3 billion in 1996 dollars).
Philanthropy 101: The Carnegie Legacy

Carnegie was often frustrated by criticism of his philanthropic efforts. Nothing Carnegie had done in business was as roundly criticized as the things he did "for the benefit of all mankind." Although his gifts pleased many, conservatives called him a socialist, and the general public frequently accused him of trying to use his millions to prostitute universities—even science itself.

Years later, the public can look back more charitably. The foundations established by Carnegie have given away close to $2 billion and have funded some of the century's most significant initiatives. Here is a very abbreviated rundown of what some of Carnegie's foundations have achieved:

The Carnegie Corporation of New York
By 1911, Carnegie had given away over $43 million for libraries and close to $110 million for other causes. He formed the Carnegie Corporation of New York to give away the $150 million that remained. The Carnegie Corporation's mandate was to "promote the advancement and diffusion of knowledge and understanding." Since then, it has given large grants to the other Carnegie trusts as well as universities, colleges, schools and educational entities—including public television's "Sesame Street."

The Carnegie Endowment for International Peace
Founded in 1910 with $10 million from Carnegie, the Endowment is the oldest public policy institution in the United States concentrating on issues of war and peace. Over the years, it has funded conferences and publications on major policy issues, as well as funding the work of researchers such as Sigmund Freud and Gunnar Myrdal.

The Carnegie Institution of Washington
Though encouraged to finance a national university, Carnegie feared that such an endeavor might weaken existing schools. Instead he chose in 1901 to create a national research institution that would be a resource for all universities. With Theodore Roosevelt's support, Carnegie endowed the Institution with $10 million, adding $2 million in 1909 and another $10 million in 1911. Since then, scientists on the Institution's payroll have, among other accomplishments:

- Discovered the expansion of the universe
- Proved DNA is the genetic material
- Devised applications as varied as radar and hybrid corn
- Opened Mayan ruins in Central America

The Carnegie Foundation for the Advancement of Teaching
Founded by Carnegie in 1905 to provide pensions for teachers, the foundation established the first
widespread educational standards for the nation's colleges and universities. In addition, the foundation developed standardized, machine-scored tests, a function that merged into the Educational Testing Service in 1947. Because the foundation only gave money to secular schools, it was also responsible for the decision of many colleges to drop their religious affiliations.

**The Carnegie Hero Funds**

These international organizations continue to give medals and money to those who are injured in an attempt to "preserve and rescue their fellows." Since 1904, over $20 million has been awarded to these "heroes of peace."

Andrew Carnegie (1835-1919) was a massively successful business man. His wealth was based on the provision of iron and steel to the railways, but he was also a man who recalled his radical roots in Scotland before his immigration to the United States. To resolve what might seem to be contradictions between the creation of wealth, which he saw as proceeding from immutable social laws, and social provision he came up with the notion of the "gospel of wealth." He lived up to his word, and gave away his fortune to socially beneficial projects, most famously by funding libraries. His approval of death taxes might surprise modern billionaires!

The problem of our age is the 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 contrast between the palace of the millionaire and the cottage of the laborer with us today 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. Without wealth there can be no Maecenas [Note: a rich Roman patron of the arts]. The "good old times" were not good old times. Neither master nor servant was as well situated then as today. 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. . . .

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 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 monarchial 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 today 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.

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. 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.

The growing disposition to tax more and more heavily large estates left at death is a cheering indication of the growth of a salutary change in public opinion. Of all forms of taxation, this seems the wisest. Men who continue hoarding great sums all their lives, the proper use of which for public ends would work good to the community, should be made to feel that the community, in the form of the state, cannot thus be deprived of its proper share. By taxing estates heavily at death, the state marks its condemnation of the selfish millionaire's unworthy life.

This policy would work powerfully to induce the rich man to attend to the administration of wealth during his life, which is the end that society should always have in view, as being that by far most fruitful for the people.

There remains, then, only one mode of using great fortunes: but in this way 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 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; 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 result for the community—the man of wealth thus becoming the sole 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.

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Introduction: The Rockefellers

"Mr. Rockefeller, your fortune is rolling up like an avalanche! You must distribute it faster than it grows! If you do not, it will crush you and your children and your children's children!"

—Rev. Frederick Gates, hired by John D. Rockefeller to guide his philanthropy

They feared the temptations of wealth, yet their estate was once described as the kind of place God would have built—if only he had the money. They amassed a fortune that outraged a democratic nation, then gave much of it away. They were the closest thing this country had to a royal family, but they shunned the public eye, retreating behind the walls of their palatial home at Pocantico Hills, New York.

"The Rockefellers" is the saga of four generations of a legendary American family whose name is synonymous with great wealth.

The story begins in the Christian revivalist fervor of the 1830s with a marriage of opposites: Eliza Davison, a pious young woman, and "Devil Bill" Rockefeller, swindler, snake-oil salesman, and eventually, bigamist. Their son, John D. Rockefeller, created an industrial empire—and a personal fortune—on a scale the world had never known. He ruthlessly crushed his competitors in the process, alienating the public and leaving a stain on the family name. His dutiful son, John D. Jr., was a self-sacrificing young man who devoted his life to redeeming his family's reputation. Junior's five sons scaled the heights of the American century. One, Nelson, reached highest, exposing the very private Rockefellers once again to the harsh judgment of public opinion. In the 1960s, a fourth generation of Rockefellers, "the Cousins," rebelled against their family, which had come to personify what was then known as "the establishment."

The world's first billionaire, John D. Rockefeller Sr. held 90 percent of the world's oil refineries, 90 percent of the marketing of oil, and a third of all the oil wells. Working methodically and secretly, he did more than transform a single industry. When he formed his feared monopoly, Standard Oil, in 1870 he changed forever the way America did business.

Because of the ruthless war he waged to crush his competitors, Rockefeller was, to many Americans, the embodiment of an unjust and cruel economic system. Yet he lived a quiet and virtuous life. "I believe the power to make money is a gift of God," Rockefeller once said. "It is my duty to make money and even more money and to use the money I make for the good of my fellow men." By the end of his life, he had given away half his fortune. But Rockefeller's vast philanthropy could not erase the memory of his predatory business practices. In 1902, when McClure's magazine published journalist Ida Tarbell's scathing exposé of Standard Oil, it unleashed a torrent of rage. In 1911, Standard Oil was declared in violation of antitrust laws and dissolved.

John D.'s only son, Junior, faced an almost impossible task, says biographer Ron Chernow: "He had to figure out a way to change the image of this family without openly repudiating the father he loved." The struggle took its toll. Junior suffered from incapacitating headaches and was forced to take rest cures to relieve the strain. In his quest for redemption and respectability, Junior would give away hundreds of millions of dollars, and would demand impeccable behavior from his six children. John D. III became a philanthropist and a valued
expert on Asian affairs; Laurance, a leading venture capitalist and conservationist; Nelson was four times governor of New York and vice president of the United States; David, president of The Chase Manhattan Bank, was a leading figure in international finance; Winthrop was elected governor of Arkansas; Abby was deeply involved in cancer research.

The Rockefellers transformed America, helping build many of the institutions that defined the United States in the 20th century: the United Nations, Spelman College, Acadia National Park, Grand Teton National Park, the United Negro College Fund, Lincoln Center, Chase Manhattan Bank, Riverside Church, Pan American Airlines, Radio City Music Hall, The Cloisters, the University of Chicago, Rockefeller Center, Colonial Williamsburg, and the Department of Health, Education and Welfare to name just a few. Junior's wife, Abby, a leading patron of the arts, co-founded the Museum of Modern Art, known to the third generation of Rockefellers as "Mother's museum."

When he died at age 86, Junior left his six children and 22 grandchildren an invaluable inheritance: a name which stood not for corporate greed, but for "the well-being of mankind." Junior had lived to see his final vindication—the election of his son, Nelson, as governor of New York in 1958. "It was a sign that the people of the United States had in fact fully accepted the Rockefellers in spite of the early history of the family," says Nelson's son, Steven. "Nelson had done something that no other Rockefeller had ever done," says his biographer, Joseph Persico. "He had won the affirmation of the people."

Philanthropy 101: Carnegie vs. Rockefeller

Carnegie and oil tycoon John D. Rockefeller were rivals in the field of philanthropy. The newspapers kept score. Here’s a snapshot of the race to give it away:

The Box Scores

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<th>Year</th>
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<th>Carnegie</th>
<th>Rockefeller</th>
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