

Chapter 4 Big Business

I Andrew Carnegie, “The Gospel of Wealth,” 1889¹

Andrew Carnegie (1835–1919) was one of the most successful entrepreneurs of his day. An emigrant from Scotland, he worked for the Pennsylvania Railroad and then moved into the iron and steel industry, eventually founding the Carnegie Steel Company, in Pittsburgh. By the 1880s, Carnegie had become one of the wealthiest steel producers in the United States, and his fortune was worth hundreds of millions of dollars. In this document, Carnegie proposed a unique vision of philanthropy. Like Carnegie, there were other Americans who had created fantastic private fortunes during the Gilded Age – and their fortunes were much too large to spend on themselves.

Carnegie advocated a new philosophy of giving – that the new wealth created by the Industrial Revolution be plowed back into philanthropy. Addressing his fellow class of the great wealthy, Carnegie urged the distribution of wealth – by enriched big businessmen. By his death in 1919, Carnegie was largely successful in giving his money away to various philanthropies that supported education and the construction of new libraries across the United States.

¹ Andrew Carnegie, “Wealth,” *North American Review* 148, no. 391 (June 1889): 653, 657–62.

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 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. Without wealth there can be no Maecenas.² 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. . . .

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 monarchical countries,

² Gaius Cilnius Maecenas (70–8 BCE) was a supporter of Roman Emperor Octavian. He was also a major patron of the arts, and his name came to represent private support for the arts.

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.

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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.

2 Herbert Spencer, "The Coming Slavery," 1884³

Herbert Spencer (1820–1903) was a British journalist and social theorist who coined the term "survival of the fittest" in applying Charles Darwin's evolutionary theories to human social interaction and whose ideas had an important influence upon Gilded Age American social thought. Andrew Carnegie and William Graham Sumner, among other business leaders of the late nineteenth century, used Spencer's theory to justify ruthless capitalism.

The following excerpt is from a series of four essays that Spencer wrote in 1884 to expand on and confirm some of the predictions he had made in an article he wrote in 1860. Spencer's views on the plight of the poor, presented

here, clearly shocked those who believed that government and private wealth could be used to improve conditions in society.

[2] THE COMING SLAVERY

The kinship of pity to love is shown among other ways in this, that it idealizes its object. Sympathy with one in suffering suppresses, for the time being, remembrance of his transgressions. The feeling which vents itself in "poor fellow!" on seeing one in agony, excludes the thought of "bad fellow," which might at another time arise. Naturally, then, if the wretched are unknown or but vaguely known, all the demerits they may have are ignored; and thus it happens that when, as just now, the miseries of the poor are depicted, they are thought of as the miseries of the deserving poor, instead of being thought of, as in large measure they should be, as the miseries of the undeserving poor. Those whose hardships are set forth in pamphlets and proclaimed in sermons and speeches which echo throughout society, are assumed to be all worthy souls, grievously wronged; and none of them are thought of as bearing the penalties of their own misdeeds.

On hailing a cab in a London street, it is surprising how frequently the door is officiously opened by one who expects to get something for his trouble. The surprise lessens after counting the many loungers about tavern-doors, or after observing the quickness with which a street-performance, or procession, draws from neighbouring slums and stable-yards a group of idlers. Seeing how numerous they are in every small area, it becomes manifest that tens of thousands of such swarm through London. "They have no work," you say. Say rather that they either refuse work or quickly turn themselves out of it. They are simply good-for-nothings, who in one way or other live on the good-for-somethings—vagrants and sots, criminals and those on the way to crime, youths who are burdens on hard-worked parents, men who appropriate the wages of their wives, fellows who share the gains of prostitutes; and then, less visible and less numerous, there is a corresponding class of women.

Is it natural that happiness should be the lot of such? or is it natural that they should bring unhappiness on themselves and those connected with them? Is it not manifest that there must exist in our midst an immense amount of misery which is a normal result of misconduct, and ought not to be dissociated from it? There is a notion, always more or less prevalent and just now vociferously expressed, that all social suffering is removable, and that it is the duty of somebody or other to remove it. Both these beliefs are false. To separate pain from ill-doing is to fight against the constitution of

³ *Popular Science Monthly* XXIV (April 1884): 721–2.

things, and will be followed by far more pain. Saving men from the natural penalties of dissolute living, eventually necessitates the infliction of artificial penalties in solitary cells, on tread-wheels, and by the lash. I suppose a dictum, on which the current creed and the creed of science are at one, may be considered to have as high an authority as can be found. Well, the command "if any would not work neither should he eat," is simply a Christian enunciation of that universal law of Nature under which life has reached its present height—the law that a creature not energetic enough to maintain itself must die: the sole difference being that the law which in the one case is to be artificially enforced, is, in the other case, a natural necessity. And yet this particular tenet of their religion which science so manifestly justifies, is the one which Christians seem least inclined to accept. The current assumption is that there should be no suffering, and that society is to blame for that which exists.

3 Henry Demarest Lloyd, "The Lords of Industry," 1884⁴

*Henry Demarest Lloyd (1847–1903) was one of the original muckrakers, a group of journalists in the late nineteenth and early twentieth centuries who exposed corrupt politicians and monopolistic business practices. In 1881, he wrote an exposé of the railroads and Standard Oil Company that ran in the Atlantic Monthly. In 1885, he left the Tribune and devoted himself to pursuing his interest in public welfare, traveling to various countries around the world and writing about their social welfare policies. His most important book, *Wealth against Commonwealth* (1894), was a 500-page critique of monopolies, especially Standard Oil. His faith in democracy was diminished when the book failed to spark a public outcry against monopolistic business practices. His experiences with populist and progressive politics were also disappointing, and he spent the last years of his life supporting socialism, which seemed to him the best hope for opposing monopoly power and obtaining rights for workers.*

The following article details the trend toward monopoly in a large number of essential industries in the United States. The excerpt presented here focuses on the coal industry.

Adam Smith said in 1776: "People of the same trade hardly meet together even for merriment and diversion but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices." The expansive

ferment of the New Industry, coming with the newscience, the new land, and the new liberties of our era, broke up these "conspiracies," and for a century we have heard nothing of them; but the race to overrun is being succeeded by the struggle to divide, and combinations are re-appearing on all sides. This any one may see from the reports of the proceedings of the conventions and meetings of innumerable associations of manufacturers and dealers and even producers, which are being held almost constantly. They all do something to raise prices, or hold them up, and they wind up with banquets for which we pay.

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Last July Messrs. Vanderbilt, Sloan,⁵ and one or two others out of several hundred owners of coal lands and coal railroads, met in the pleasant shadows of Saratoga to make "a binding arrangement for the control of the coal trade." . . . The gratuitous warmth of summer suggested to these men the need the public would have of artificial heat, at artificial prices, the coming winter. It was agreed to fix prices, and to prevent the production of too much of the raw material of warmth, by suspensions of mining. In anticipation of the arrival of the cold wave from Manitoba, a cold wave was sent out all over the United States, from their parlors in New York, in an order for halftime work by the miners during the first three months of this year, and for an increase of prices. These are the means this combination uses to keep down wages—the price of men, and keep up the price of coal—the wages of capital. Prices of coal in the West are fixed by the Western Anthracite Coal Association, controlled entirely by the large railroads and mine-owners of Pennsylvania. This association regulates the price west of Buffalo and Pittsburgh and in Canada. Our annual consumption of anthracite is now between 31,000,000 and 32,000,000 tons. The West takes between 5,000,000 and 6,000,000 tons. The companies which compose the combination mine, transport, and sell their own coal. They are obliterating other mine-owners and the retailer. The Chicago and New York dealer has almost nothing to say about what he shall pay or what he shall charge, or what his profits shall be. The great companies do not let the little men make too much. Year by year the coal retailers are sinking into the status of mere agents of the combination, with as little freedom as the consumer.

There was an investigation of the coal combination by the Pennsylvania legislature in 1871, the testimony taken in which showed, as summarized in

⁴ *North American Review* 138 (January/June 1884): 535–53.

⁵ Railroad industrialist William Henry Vanderbilt (1821–1885) and Pennsylvania coal magnate Samuel Sloan (1817–1907).