

ANDREW CARNEGIE

Captain of Industry or Robber Baron?

Andrew Carnegie was born in Scotland in 1835. He migrated to the Allegheny, Pennsylvania with his family when he was 13 years old. He took a job as a bobbin boy, changing spools of thread in a local cotton mill 12 hours a day, 6 days a week. His starting salary was \$1.20 per week. In 1850, his pay went up to \$2.50 per week when he became a messenger boy with the Ohio Telegraph Company. Within a year, he was promoted to telegraph operator and became known for his hard work and perseverance. In addition, he was granted access, along with the other working boys, to the 400 volume personal library of one of the managers of the company. With access to this library, Carnegie educated himself about a wide range of topics. He continued to work up the ranks of the telegraph company.

In the 1870s, Carnegie built Carnegie Steel Company in Pittsburgh, Pennsylvania. He went on to merge with or buy out several other smaller companies into Carnegie Steel Company, which had a near-monopoly on the steel making industry. Whenever someone tried to compete with Carnegie, he could lower his prices and drive them out of business, raising his prices again once there was less competition. By the 1890s, it was the largest and most profitable business in the world.

Two innovations allowed Carnegie Steel to become so successful. First, he brought the Bessemer steel process in the United States. This created a cheap and efficient mass production of steel. Carnegie also hired scientists to improve the quality of his steel. He is reported to have said, "Adopt every improvement, have the best machinery, and know the most." Second, he vertically integrated his company. This means that Carnegie Steel controlled all aspects of the steel making process, from the iron and coal mines that produced the raw material for steel and fuel to heat his furnaces, to the factories that formed the steel and railroads that delivered the product. Carnegie took steps to cut costs wherever possible. Many in the public were concerned that Carnegie was not looking out for the best interests of his employees.

In 1901, Carnegie felt like it might be time for retirement. He sold the company to J.P. Morgan, the banking giant, for \$480 million. Morgan combined Carnegie Steel with other companies to form U.S. Steel. After selling his company, Carnegie turned his attention to philanthropy, especially in the areas of libraries and education. Carnegie funded 3,000 libraries, located in 47 US states and seven other countries. Many of these libraries came to be called Carnegie Libraries due to Carnegie's significant economic contributions. He donated millions of dollars to start the Carnegie Institute of Technology, the Carnegie Institution, and Carnegie Mellon University. He set up the Carnegie Trust for Universities in Scotland and was a significant donor to the Tuskegee Institute for African-American education.

Carnegie gave money to other causes as well. He set up a series of philanthropic organizations to give money to meaningful public causes, like public parks and organizations that promote of peace and democratic republican government. He helped Booker T. Washington establish the National Negro Business League. By the time he died, Carnegie had given away about \$350,695,653. That is about \$4.2 billion today. His will stipulated that his remaining \$30 million dollars be given away to other foundations, charities, and causes.

JOHN D. ROCKEFELLER

Captain of Industry or Robber Baron?

John D. Rockefeller was born the second of six children in Richford, New York. When he was sixteen, Rockefeller got a job as an assistant bookkeeper working long hours for which he earned about 50 cents a day. Even at this salary, Rockefeller donated about 6% of his earnings to charity. By the time he was twenty, he was donating 10%, mostly to the local Baptist church.

During the Civil War, Rockefeller managed his brother's business, hired replacement soldiers, and made a number of successful business ventures, including building an oil refinery in 1863 near Cleveland, Ohio. Whale oil had become very expensive and oil was just emerging as a possible cheap replacement. Once the refinery took off, Rockefeller donated large amounts of money to the Union cause. He was a strong supporter of the Republican party, Abraham Lincoln, and abolition.

Once the war ended, he felt it was a good time to take advantage of the post-war prosperity in the North. Rockefeller's brother built another refinery in Cleveland in 1866 and Rockefeller would control costs, manage waste, and reinvest the profits from the refineries. By 1868, it was the largest oil refinery in the world. In June 1870, Rockefeller formed Standard Oil Trust.

Standard Oil Trust developed over 300 oil-based products from paint to Vaseline to chewing gum. By the end of the 1870s, Standard Oil was a horizontally integrated company and refined over 90% of the oil in the U.S. Rockefeller had become a millionaire. He also had a monopoly. This was controversial because despite improving the quality and availability of petroleum products while greatly reducing their cost to the public, Standard Oil's business practices put many other companies out of business. Rockefeller would offer to buy his competitors, and if they refused, he would lower his prices until he ran them into bankruptcy. Then he would buy their businesses at a better deal. In addition, Rockefeller was getting involved in other industries, like railroads, coal, and steel.

Rockefeller had always been interested in charitable giving, but as he earned more and more money, his giving increased dramatically, especially to educational and public health efforts. He worked with the American Baptists who were setting up schools and colleges for freedmen in the South during Reconstruction. In 1884, Rockefeller provided major funding for a college in Atlanta for African-American women, which became Spelman College. He also made a number of large donations to Denison University and gave \$80 million to the University of Chicago, making it a world-class institution. In 1902, he created a General Education Board to promote education at all levels all over the country, especially for black school in the South.

Through the General Education Board, Rockefeller revolutionized the study of medicine at the top performing colleges and universities in the country. He founded the Rockefeller Institute for Medical Research in New York City and the Rockefeller Sanitary Commission in 1909, an organization that eventually eradicated the hookworm disease. The Rockefeller Foundation, created in 1913, continued to give money to the arts, public health, and medical training, including Johns Hopkins School of Hygiene and Public Health, the first of its kind. All said, Rockefeller is reported to have donated over \$550 million.

J.P. MORGAN

Captain of Industry or Robber Baron?

John Pierpont Morgan was born in 1837 to a very successful businessman who saw that his son received the best education. Morgan was sent to schools in France, Switzerland, and Germany. By the time he was fifteen, Morgan had started collecting art works from around the world. When he started his career in banking, Morgan was well educated and sophisticated, and was used to high living.

Morgan's first job was as an accountant, the person who keeps track of financial records, for a company with close ties to his father. When the Civil War broke out, Morgan and his father funded entrepreneurs, or people who start businesses, to increase industrial companies that were making railroads or steel manufacturing. They felt this would help the Union cause.

Morgan became famous for buying failing companies and making them profitable. He was especially active in the railroad industry. He realized that there were too many railroads competing with each other. They were not able to make enough money to survive. Morgan decided to consolidate, or combine, many of these railroad companies by buying them up. With less competition, they were able to make more money, but it left many others without a job. He did the same thing with the steel industry, buying out Andrew Carnegie's Carnegie Steel Company and combining it with his Federal Steel Company. This meant Morgan not only had a monopoly on the railroad industry, but also the steel industry. By 1895, his investment company, J.P. Morgan and Company, was internationally recognized as one of the most powerful financial institutions in the world.

In 1907, Morgan used his power and money to help prevent a financial crisis. When word of the coming crisis was reported, he assembled a group of fifty bankers in the library of his home and locked the door. He convinced the men to raise \$25 million to save companies facing financial disaster and when he unlocked the doors at 4:45 in the morning, the panic was considered under control. While Americans were thankful for Morgan's help, many were concerned that this one man appeared to have more power than Congress or the President.

Morgan's financial support allowed many companies to thrive in the industrial era. American Telephone and Telegraph (AT&T), McCormick Company, General Electric (GE), and Westinghouse all were started with Morgan's help. Morgan also gave his money to public causes. When he died, he gave most of his impressive art collection to the Metropolitan Museum of Art in New York City, where he had served as President of the Museum. This gift was worth about \$60 million at the time, and about \$1 billion today. Although he was not as wealthy as many of the other industrialists of the time, Morgan was seen as the national symbol of wealth. He was known as "Jupiter" in New York, after the most powerful god of Roman mythology and once famously said, "I you have to ask how much it costs, you can't afford it."

JAY GOULD

Captain of Industry or Robber Baron?

Jay Gould was born in 1836 and by age sixteen he started his own land surveying business in the Catskill Mountains of New York. With the money from this business, he went into partnership with a tanner, someone who makes leather out of animal skin. He quickly brought in a leather merchant to sell their goods in New York City, where they could make more money.

Gould started as an investor, someone who buys and sells the inventions of others, or who gives others money to start their businesses with the understanding that once the business is running, the investor will be paid back with interest. He moved to New York City where he could invest in the new stock market. This is where he realized how much money was to be made in the railroad industry, since railroads were necessary to transport raw materials to factories that would turn them into manufactured goods and were gaining popularity as a mode of transportation.

However, Gould got a reputation for being untrustworthy. For example, in 1867, he agreed to sell Cornelius Vanderbilt a certain number of parts, or shares, of Gould's Erie Railroad. Vanderbilt believed he was buying a certain percent of the railroad, but as soon as the agreement was made, Gould cut the company into more shares, making each one less valuable. Now Vanderbilt had to pay the same price for a product that was worth less and a two-year battle began for control of the entire railroad. Gould ended up paying Vanderbilt \$1 million to end their struggle, but he also got control of the railroad, eventually connecting the two largest cities in the United States; New York City and Chicago. Gould continued to buy lines that connected important cities.

Gould also tried to manipulate the prices of things so that he could make more money. This often hurt investors who did not know why prices were changing. For example, Gould bought lots of gold, driving up the price. The government, wanting to make money on the high price of gold and concerned that there would not be enough to maintain the economy, started selling its stockpile and the prices began to drop. People who had borrowed money to buy gold, thinking the price would continue to go up, panicked and immediately sold their gold. The price plummeted in only three hours. Gould was blamed for the business slowdown, or recession, that followed. But Gould did not really care about other people's misfortunes, especially those of the poor. He once famously said, "I can hire one-half of the working class to kill the other half."

It was easiest to manipulate prices in industries where Gould had a monopoly, so he created monopolies on freight railroads, elevated trains in New York City, and telegraph companies. Controlling the telegraph companies also meant that Gould could control communication in many parts of the country. This increased his power.

Jay Gould died suddenly of pneumonia in 1892. He was only fifty-six years old. His estate, or personal property, was valued at about \$77 million at the time. Today that would be close to \$1.5 billion. Many suspect that Gould did not give his money to charitable causes because he died while still trying to build a bigger fortune, but we will never know if that was part of his plan. Instead, his entire estate was passed on to his children.

CORNELIUS VANDERBILT

Captain of Industry or Robber Baron?

Vanderbilt was born in 1794 to a poor family and quit school at the age of 11 to work for his father in boat transportation. When he turned sixteen he persuaded his mother to give him \$100 loan for a boat to start his first business. He opened a transport and freight service between New York City and Staten Island for eighteen cents a trip. He repaid the loan after the first year with an additional \$1,000. His manners were rough but developed a reputation for honesty. He charged reasonable prices and worked very hard.

During the War of 1812, Vanderbilt received a government contract to supply the forts around New York. This allowed him to build other boats for trade along the coast. By 1817, Vanderbilt had \$9,000 and a small fleet of sailing vessels. With the invention of the steam engine, Vanderbilt turned his attention to steamships. He made a fortune shipping along America's rivers. Eventually, his shipping companies were so large that he could cut rates to drive his competition out of business. Sometimes, he would take bribes from these businesses to take his company elsewhere.

By the 1840's Vanderbilt was running more than 100 steamboats and his company had more employees than any other business in the United States. Vanderbilt had a reputation for allowing his passengers to ride in style, causing his ships to be called "floating palaces". His love for luxury and the his Staten Island mansion caused the New York City elite to snub him, saying he was a rich but hopelessly vulgar, or offensive, man.

During the California Gold Rush in 1849, Vanderbilt opened a new route across Central America for people trying to get to the west coast. This shortened the trip by 600 miles and took 2 days off the length of the trip. Vanderbilt also charged half the price of other transporters. This decision made him over \$1 million every year and showed him that railroads were the transportation of the future. He went on to monopolize the railroads in New York and to own many other important rail lines that connected the larger cities in the country.

In 1873, the country was experiencing a recession, or slowdown in business. Many were concerned that this recession was becoming a crisis and that the government was not powerful enough to stop it. Vanderbilt responded by paying out millions of dollars to investors and starting new building projects in New York City, including building Grand Central Station, giving employment to thousands of men. His actions are seen as an important reason why the crisis did not get worse, although he also benefited by gaining control of more of the railroads in New York. Vanderbilt was not known for his charitable giving, but he did contribute land for a Moravian Church on Staten Island, \$50,000 for the Church of the Strangers in New York City, and \$1 million to Central University, which then became Vanderbilt University. The gift to Vanderbilt University was the largest charitable gift in American at that time. Upon his death, he was the second-richest man in the United States, after John D. Rockefeller, and was worth \$143 billion dollars today.

HENRY FORD

Captain of Industry or Robber Baron?

Henry Ford was born in Michigan in 1863 and would revolutionize industry with the use of the moving assembly line, a method of manufacturing where a series of individuals created a finished product by performing one task as the product moved down the line. This was so efficient (without waste) that the cost of Ford's cars dropped to just \$300, low enough that his own workers could afford his product. Soon many other companies were adopting the moving assembly line in their factories.

Ford dreamed of building a working automobile, so at age seventeen, he quit school and farming with his family and walked to Detroit where he got a job at the Michigan Car Works making parts for cars. He made extra money repairing watches when he was not at work. When the internal combustion engine, one that ran on gasoline instead of coal or steam, was invented, Ford switched jobs to work at the Dry Dock Engine Company as an apprentice.

The first cars powered by an internal combustion engine were so expensive, they were seen as a luxury only for the wealthy. Ford's vision was to create such a vehicle that was inexpensive enough that ordinary people could afford to buy one. In 1893, he tested his first engine. In 1896, he drove his first *Quadricycle* on the street. By 1899, he started his own company, the Detroit Automobile Company, but by 1902 he had to abandon the business because he spent more time perfecting his models than actually selling anything.

In 1903, Ford formed the Ford Motor Company with \$28,000 raised by ordinary citizens. That same year, he rolled out his first model, the Model A. Two or three workers produced each car from parts ordered from other companies. By 1908, the factory was producing about 100 cars per day. But Ford was not satisfied. He wanted to produce 1,000 cars a day. When he produced his Model T, at the end of 1908, he finally reached the 1,000 cars a day mark. With so many Model Ts on the market, they became affordable. Cars were no longer a luxury reserved for the wealthy.

Six-years after introducing the Model T, Ford had another innovation. He offered to pay his workers \$5 a day, more than twice the average daily salary for other companies. He also reduced the workday from nine to eight hours, allowing the company to run three shifts to keep up with production. Although the factories were now open through the night, workers had to work fewer hours. Ford could also employ even more people. These actions made Ford a hero to workers and showed that some of the wealth generated by industry could be shared with the workers who made that industry possible. Although Ford publicly held anti-Semitic views, there is no record of him discriminating against Jews in his factories, and he regularly hired Black workers, women, and handicapped men in the early 1920s when this was not common.

However, his reputation was damaged in 1932. When the country was in the midst of the Great Depression, Ford cut workers pay from \$7 to \$4, significantly less than what other companies were paying. Workers reported that they were being fired from the company from participating in activities that Ford did not approve of, like smoking, drinking, or being politically active. Henry Ford also did not allow his workers to unionize, and would hire strikebreakers to beat up union activists. His company was the last major American automobile manufacturer to recognize union contracts.