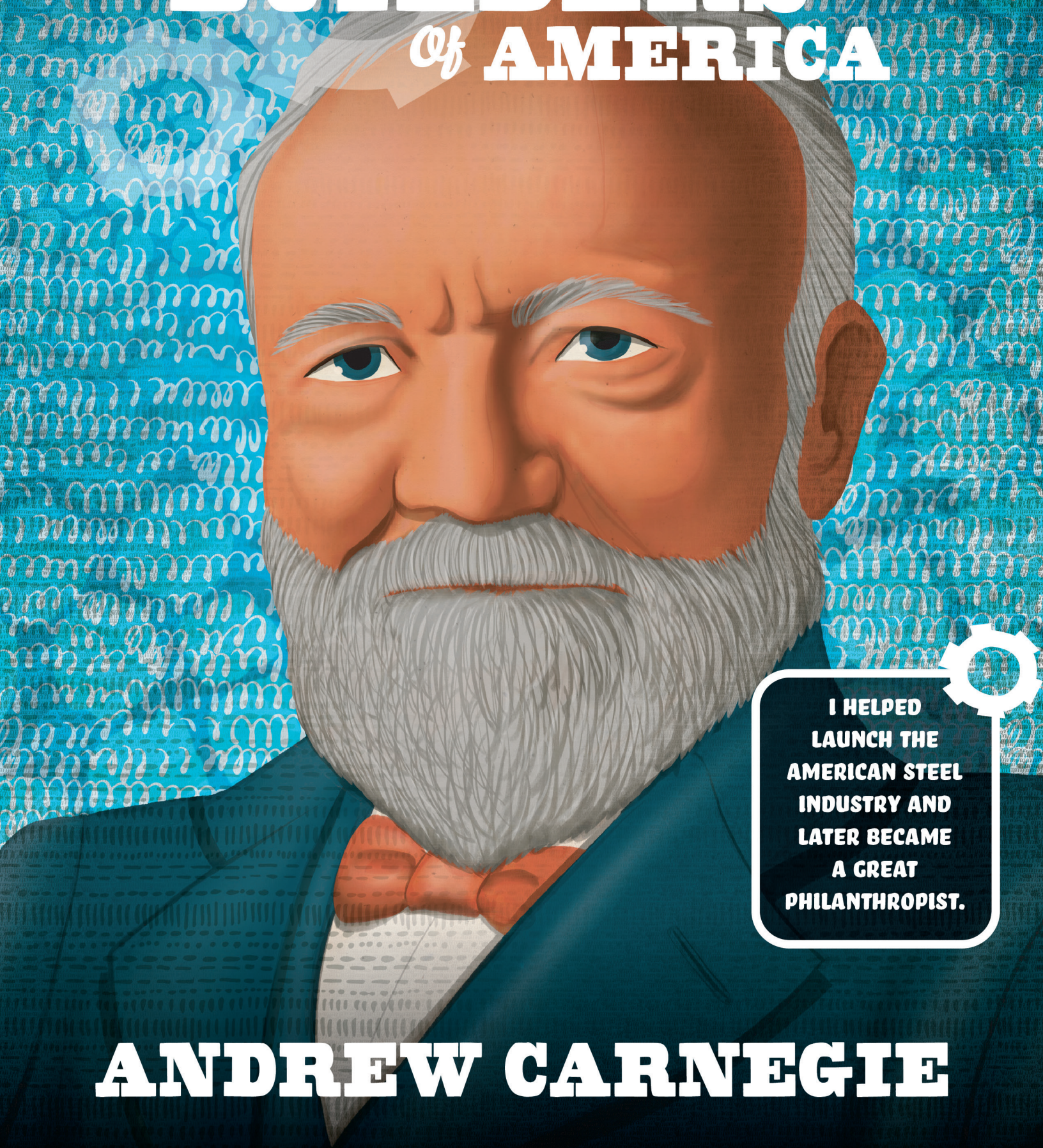


BUILDERS *Of* AMERICA



I HELPED
LAUNCH THE
AMERICAN STEEL
INDUSTRY AND
LATER BECAME
A GREAT
PHILANTHROPIST.

ANDREW CARNEGIE



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Meet Andrew Carnegie

A Scotland native, Andrew Carnegie emigrated to America with his parents and younger brother in 1848. They settled just outside of Pittsburgh and struggled to make ends meet when his father's weaving business collapsed.

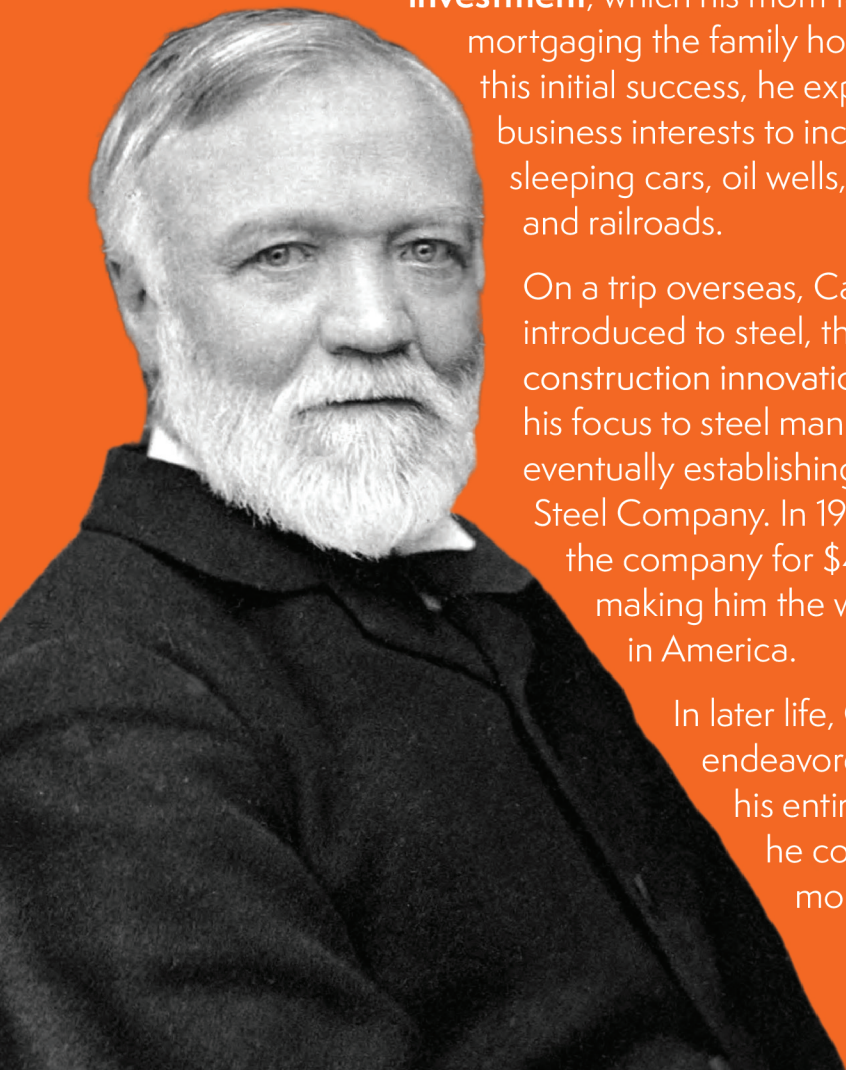
To help support the family, Carnegie worked as a bobbin boy in a cotton factory. At 14, he became a messenger for a **telegraph** office where he taught himself how to use the equipment. With this new skill, he was soon promoted to telegraph operator.

Pennsylvania Railroad **superintendent**, Thomas Scott, took notice of Carnegie and offered him a position and an opportunity to learn the railroad industry. Carnegie later succeeded his boss as superintendent of the Pennsylvania Railroad's western division when he was just 24.

At Scott's recommendation, Carnegie made his first-ever **investment**, which his mom facilitated by mortgaging the family home. Following this initial success, he expanded his business interests to include railway sleeping cars, oil wells, iron works, and railroads.

On a trip overseas, Carnegie was introduced to steel, the latest construction innovation. He shifted his focus to steel manufacturing, eventually establishing the Carnegie Steel Company. In 1901, he sold the company for \$480 million, making him the wealthiest man in America.

In later life, Carnegie endeavored to give away his entire fortune, which he considered a moral imperative.



At-a-Glance

- ★ Born November 25, 1835 in Dunfermline, Scotland.
- ★ Led the expansion of the American steel industry.
- ★ Known for his ambition, keen eye for opportunity, and willingness to take calculated risks.
- ★ One of the most important **philanthropists** of his time.
- ★ Often referred to as the "Patron Saint of Libraries" for founding 2,509 libraries in English-speaking countries.
- ★ Died on August 11, 1919 in Lenox, Massachusetts.



Humble Origins

The oldest of three children, Andrew Carnegie was born in the attic of a small one-story house in Dunfermline, Scotland. His sister died in childhood and the family later welcomed another boy, Tom.

Carnegie's father, William, worked as a highly skilled **damask** weaver. When an industrial textile factory opened in town, business shrank and the family fell into poverty. His mother, Margaret, opened a small shop to supplement their income.

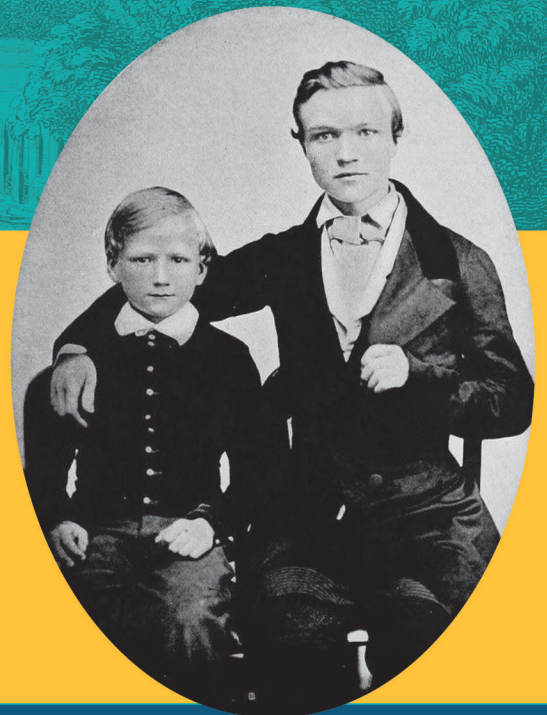
Carnegie took pride in becoming useful to his parents at age ten when he ran shop errands after school. He also handled the accounts of the shop's patrons, introducing him to business affairs at this early age.

At school, Carnegie developed a passion for books and reading. He memorized works of poetry and enjoyed reading about Scottish and American history. He and his family were strong admirers of the American Republic and one of his earliest memories was seeing a small map of America.

After his father sold the last of his hand weaving looms for a fraction of its value, the family decided to emigrate to America. A friend loaned them the money needed to pay for their passage. Later in life, Carnegie recalled his tearful goodbye from his beloved childhood town, despite his optimism about the future.

“Young people should know that a sunny disposition can be cultivated; that the mind like the body can be moved from shade into sunshine.”

Andrew Carnegie



Andrew Carnegie and his younger brother, Tom

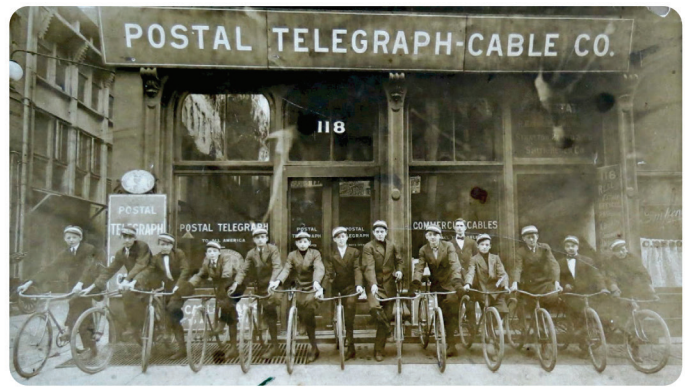
Immigrants in a New Land

Carnegie's family moved to Allegheny, Pennsylvania, and his father resumed weaving tablecloths that he sold door-to-door for a meager profit. He eventually gave up weaving and obtained work in a cotton factory where he found his son a job that earned \$1.20 per week.

Carnegie later reflected on his role as a bobbin boy: "The hours hung heavily upon me and in the work itself I took no pleasure; but the cloud had a silver lining, as it gave me the feeling that I was doing something for our world—our family. I have made millions since, but none of those millions gave me so much happiness as my first week's earnings."

His mother worked binding shoes, a skill she had learned in childhood. She was Carnegie's heroine: a dignified lady who worked tirelessly to provide a proper upbringing for him and Tom.

Carnegie admired his parents and appreciated the sense of honor, independence, and self-respect that pervaded their household. Because they communicated openly about their financial situation, 14-year-old Carnegie determined that his family needed to earn \$25 per month to support themselves.



FROM MESSENGER TO MESSAGES

Carnegie credited his real start in life to his job as a **messenger** boy for the Ohio Telegraph Company, where he earned \$2.50 per week. He reported to work in his nicest clothes and expressed a willingness to memorize all of the city's streets so that he could deliver telegrams quickly.

In a few months, Carnegie received a pay raise. He shared all of his earnings with his parents, and they were soon able to repay the money they had borrowed for their journey to America.

Carnegie was soon entrusted with greater responsibilities. He was often asked to watch the office during his manager's short absences and began to receive messages and assign them to the other messengers.

Carnegie regularly came to work early to sweep the office before the telegraph operators arrived. In the quiet morning hours, he practiced on the equipment and taught himself the art of telegraphy. As a result of his new skill, he was sometimes asked to stand in for an absent operator. Carnegie soon learned to take messages by ear, an accomplishment so rare that people often came to the office just to watch him work.

Industrious Investor

Carnegie's unusual new skill did not go unnoticed. Thomas A. Scott, superintendent of the Pittsburgh division of the Pennsylvania Railroad, became a frequent visitor to the telegraph office and was impressed with Carnegie's ability, efficiency, and cheerful demeanor. When he offered him a job, Carnegie jumped at the chance to work for Scott, who taught him the railroad business.

Meanwhile, Carnegie's new income of \$35 per month made it possible for his family to buy the lot and two small houses where they had been living. When his father died in 1855, Carnegie took on management of all household affairs. Although deeply distressed, he was satisfied that his father had lived to see the family become more financially secure.

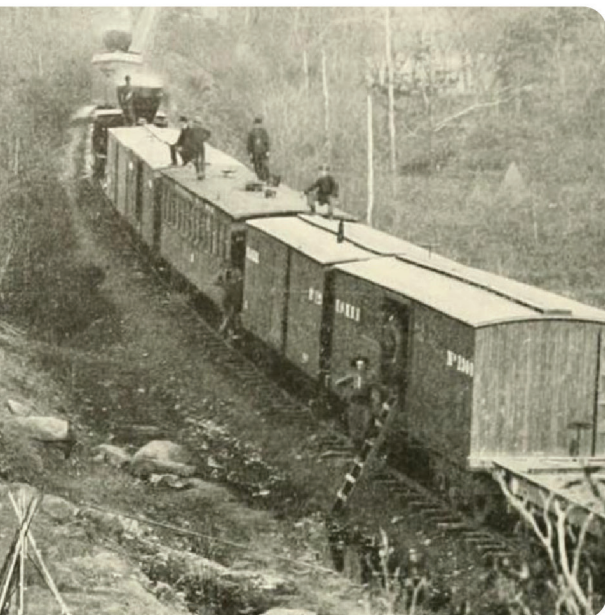
Carnegie began receiving monthly **dividends** of \$10 from his first investment, sparking his interest in investing.

Soon after, inventor T. T. Woodruff approached Carnegie on a train to show him a model of his new sleeping car. Impressed with Woodruff's design, Carnegie quickly arranged a meeting with Scott, who promptly ordered the construction of two sleeping cars. In gratitude, Woodruff offered Carnegie an eighth interest in his venture.

When Scott became VP of the Pennsylvania Line in 1859, Carnegie was promoted to superintendent of the Pittsburgh division, for a salary of \$1,500 per year. Finally, the Carnegies could afford to move to an upper-class neighborhood, and they settled into Homewood, just outside of Pittsburgh.

FUN FACT

When Carnegie was in charge of the telegraph office during the Civil War, he frequently came into contact with President Lincoln, who often came to the office awaiting replies to telegrams.



Civil War

When the Civil War erupted in 1861, Carnegie was summoned to Washington, D.C. by Scott, who was now Assistant Secretary of War in charge of the Transportation Department. Carnegie became Scott's assistant in charge of the military railroads and the government's telegraph office.

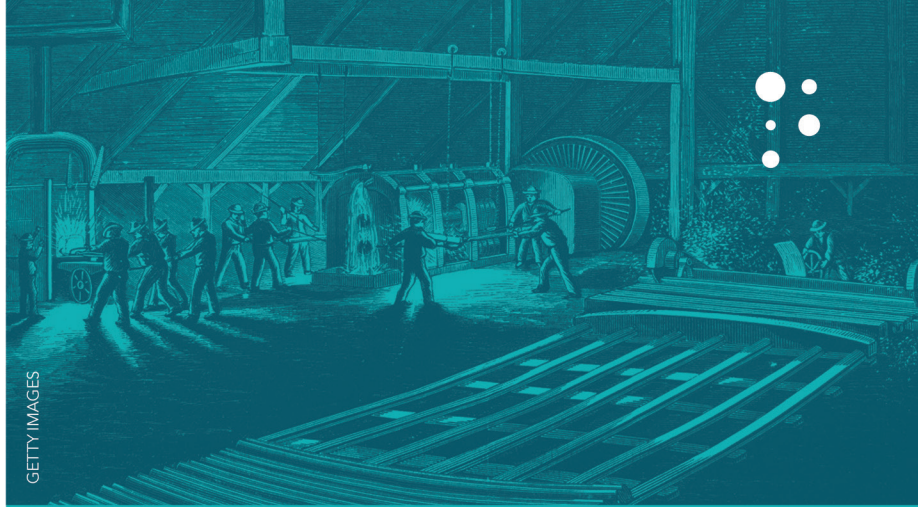
Carnegie's team contributed to the war effort by successfully transporting Union troops and wounded volunteers to safety. He organized groups of railway workers who repaired broken branches in the rail line, enabling heavy trains to pass. Carnegie also worked day and night to open telegraph communication to the South.

Iron Bridges and Oil Wells

During the war, Carnegie observed that wooden railway bridges were not sufficient as they were apt to burn in fires, causing major delays in transportation. Carnegie had once seen a small iron bridge and decided that iron should be the future of bridge-building. In 1863, with four colleagues, he established the Keystone Bridge Company, the first iron railway bridge construction company.

Carnegie attributed the company's success to their commitment to quality. They used only the best materials, critically inspected their own work, and declined any project that they could not build safely, earning them a reputation in dependability. In his autobiography, Carnegie remarked, "The surest foundation of a manufacturing concern is quality. After that, and a long way after, comes cost."

Around this time, the great Pennsylvania oil wells attracted Carnegie's attention, and he began investing earnestly in oil. As his personal investments grew and required greater attention, he decided to leave his position at Pennsylvania Railroad to focus exclusively on his personal business affairs.



GETTY IMAGES

"Steel is King"

Notwithstanding iron's significance, Carnegie happened upon a superior building material during a visit to Britain. There he met Henry Bessemer, an engineer who had discovered that blowing hot air through molten iron burned away impurities, resulting in a material known as steel. Carnegie returned to America and informed his partners, "Steel is king," reflecting his realization that steel would soon outpace iron. He then organized a group of investors to establish a steel-rail company in 1873.

Carnegie carefully studied his competitors to learn their strengths and weaknesses. He discovered that they were discarding thin steel shavings called "scale" that fell on the floor during steel manufacturing. He then offered to cart away their scale and used the shavings to make steel rails for his own company.

When Carnegie entered the steel business, England dominated world markets and the price of steel was \$56 per ton. By 1900, Carnegie was manufacturing steel for \$11.50 per ton, surpassing the entire production of England. Carnegie's success was due to his ability to improve his company's products. A classic market **entrepreneur**, Carnegie took huge risks, overcame competitors, and ultimately launched the American steel industry onto the world stage.



Vertical Integration

Carnegie believed that the path to success in any business was to master that business, rather than to invest in faraway operations. Therefore, he invested heavily in his own company to obtain greater efficiency and a superior product. From 1888 to 1897, Carnegie and his partners doubled investments in their mills to over \$45 million and more than tripled their production of iron and steel to 18,000 tons per day.

In an effort to control all stages of production, Carnegie organized the business accordingly, from acquiring raw materials to building the final product, a practice known as “vertical integration.” He purchased coke fields and iron-ore deposits that furnished the raw materials for steel production. He also bought ships and railroads to transport these supplies to his steel mills. By controlling all levels of production, the company’s earnings were significantly increased.

Innovation = Success

To maintain advantage, Carnegie and his partners erected three blast furnaces so that they could produce their own ferro manganese, an alloy of iron and manganese used in steel manufacturing. As a result of their experimentation, they were able to supply the entire American demand for ferro manganese, causing prices to fall from \$80 to \$50 per ton, single-handedly revolutionizing steel manufacturing.

On the human side of the business, Carnegie recruited only the most capable employees, supported paying higher wages, and offered incentives to high-performing employees as an investment that encouraged loyalty and success.

Carnegie’s accounting team developed extremely detailed cost and production accounting procedures, giving the company the ability to analyze their standing and ultimately, a leading edge in manufacturing.



CONTROVERSY STRIKES

Many of Carnegie’s employees were part of a union called the Amalgamated Association of Iron and Steel Workers. Carnegie’s company, Carnegie Steel, had a contract with the union, but it was due to expire in July 1892. Carnegie was visiting Scotland, so he charged business partner Henry Clay Frick with ending the contract early and breaking the union so his employees couldn’t join it. Frick cut the workers’ wages, angering them into striking. This event became known as the Homestead Strike. Frick fired all 3,800 workers and hired a private security company to guard the mill.

Many of the workers revolted. Thousands stormed the plant. For the next 12 hours, the security team and workers exchanged heavy gunfire. Although the guards surrendered, many were severely beaten. When the workers took control of the factory, Frick summoned the National Guard to restore order. At least three guards and seven workers were killed in the riot.

Following the strike, many of the workers and union leaders faced criminal charges. Some workers returned to the mill, agreeing to work longer hours for reduced wages. Although Carnegie was abroad during the ordeal, some people criticized him for not returning to **quell** the dispute.



A. CARNEGIE

GETTY IMAGES



Fascinating Facts

- In Scotland, young Carnegie kept pigeons and rabbits as pets. His first business venture involved organizing his friends to gather food for them. In return, he promised to name new rabbits after them.
- Carnegie developed an appreciation for libraries when Colonel Anderson made his 400-volume collection available to “working boys.” Carnegie credits the Colonel with opening the light of knowledge to him when he was just a messenger boy.
- In 1883, Carnegie purchased a rival steel mill called Homestead Works. The mill provided beams for the first skyscraper in America, the ten-story Home Insurance Building in Chicago.
- In 1887, Carnegie married Louisa Whitfield in New York. In 1897, the couple welcomed their first and only child, Margaret, named after Carnegie’s mother.
- The Carnegies resided for part of the year in Skibo Castle in northern Scotland.

Later Life

In 1889, Carnegie published a pair of articles that came to be known as “The Gospel of Wealth.” He wrote that a man who accumulates great wealth has a responsibility to use it to improve mankind through philanthropic causes.

When Carnegie sold his steel company to J.P. Morgan for \$480 million in 1901, he began to distribute his massive fortune. His wealth helped establish numerous colleges, schools, and nonprofit organizations and associations across the U.S. and abroad. He also funded over 2,500 libraries and paid for thousands of church organs in the United States and around the world.

Carnegie's legacy includes the prestigious music venue Carnegie Hall, the creation of Sesame Street, and the establishment of Carnegie Corporation of New York (which has supported everything from the discovery of insulin to the dismantling of nuclear weapons).

True or False?

1. **Andrew Carnegie was born in Dunfermline, Scotland on November 25, 1835.**
2. **Carnegie credited his real start in life to his position as a bobbin boy in a cotton mill.**
3. **After his first successful investment, Carnegie expanded his business interests to include railway sleeping cars, oil wells, iron works, and railroads.**
4. **During a visit to Britain, Carnegie learned how to manufacture steel, a building material stronger than iron.**
5. **In vertical integration, a company attempts to control a single stage of production or a single industry completely, making it less competitive.**
6. **Upon his retirement, Carnegie bequeathed his fortune to his family.**

Answer key on page 9



Mr. and Mrs. Andrew Carnegie, 1908

Glossary



- **Telegraph:** A communications system that transmits and receives coded signals by wire.
- **Superintendent:** A person who supervises or directs an enterprise, organization, or district.
- **Investment:** The outlay of money or capital in order to earn a profit.
- **Philanthropist:** One who helps others and society overall through charitable aid or donations.
- **Damask:** A patterned fabric of cotton, linen, silk, or wool.
- **Messenger:** A person who is hired to carry telegrams, letters, or parcels.
- **Dividends:** A sum of money paid to shareholders of a corporation out of earnings.
- **Entrepreneur:** A person who starts and operates a business, usually with substantial initiative and risk.
- **Quell:** To suppress, put an end to, or pacify.

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TRUE OR FALSE? 1-T. 2-F. 3-T. 4-T. 5-F. 6-F.

TELEGRAPH OPERATOR: 1-A sunny disposition is worth more than fortune. 2-The great aim of every child should be to do something beyond the sphere of his duties, something which attracts the attention of those over him.



Take some notes!

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