

Carnegie and philanthropy: lessons for today

The Smith Institute

The Smith Institute is an independent think tank that has been set up to look at issues which flow from the changing relationship between social values and economic imperatives.

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2003

A speech by the Chancellor of the Exchequer
Rt. Hon. Gordon Brown MP

Thursday 8th May 2003
National Museum of Scotland

A celebration of Andrew Carnegie



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Preface

Wilf Stevenson

The Smith Institute is an independent think tank, which has been set up to undertake research and education in issues that flow from the changing relationship between social values and economic imperatives. In recent years the Institute has centred its work on the policy implications arising from the interactions of equality, enterprise and equity.

As part of that agenda, the institute is developing a series of pamphlets and seminars on the issues affecting future prosperity in Scotland. What mechanisms need to be in place to allow Scotland's world-class businesses to thrive? How can the transfer of skills and knowledge be encouraged and facilitated between Scotland's higher-education institutions and its business community? What elements are necessary to maximise the growth and success of new companies in Scotland?

The Smith Institute is pleased to publish a pamphlet within this agenda of issues, edited by Margaret Vaughan and written by the Chancellor of the Exchequer, Rt. Hon. Gordon Brown MP. The text is based on a lecture that the Chancellor gave to the Carnegie Foundation in 2003, during which he discusses a vision of society that is entrepreneurial yet fair, dynamic and socially cohesive – a vision that is at the same time pro-enterprise and pro-community.

We hope that those who read the speech and participate in the seminar series that it prefigures will be stimulated to add their voice to the debate, in the hope that policy makers, and those interested in the future of Scotland's society and economy, can be both better informed about this topic and encouraged to focus on possible solutions.

The Smith Institute gratefully acknowledges the support of Scottish Power towards these publications and the associated seminar series.

Carnegie and philanthropy: lessons for today

A speech by the Chancellor of the Exchequer, Rt. Hon. Gordon Brown MP

Introduction

When we came into government, I said that three traditionally important values had to be renewed: work, education and enterprise. The challenge for our generation is to build a strong entrepreneurial spirit; to link the world of education and the world of work – giving young people experience not just of work but of enterprise – in order to build a strong entrepreneurial spirit. Many steps forward have been taken; however, a deep-seated poverty of ambition in too many Scottish homes has not been banished forever. No parliament can achieve that alone. It takes leadership from the most entrepreneurial sections of society: a determination to better oneself and one's society.

Across Scotland, there are hundreds of thousands of men and women quietly giving of their time to help others: men and women moved to reach beyond themselves to enrich the lives of those in need. They face up to challenges that range from tackling drugs, vandalism and inner-city renewal to mentoring, creating role models, building communities, fostering self-belief.

They are, in a sense, the inheritors of a Scot who not only was the first businessman of the modern age but who also transformed our ideas of philanthropy with his vision of empowering people to help themselves. He stood for charity that created opportunity – a transformed role for philanthropy that promoted independence, ambition and achievement.

Andrew Carnegie's achievement was to formulate and give currency to the idea that wealth creation through enterprise happens not in isolation but as part of a symbiotic relationship between the enterprise and the society in which it operates.

He was the first business tycoon to espouse a systematic approach to giving away personal wealth. Measured in today's values, he would be worth more than \$100 billion. He gave most of it away during his lifetime. And he created the biggest philanthropic trust in the world, at \$125 million.

His philosophy of wealth as a sacred trust held for the improvement of society heralded an age of colossal foundations and funds established by other business leaders. But he did more. He diagnosed the problem of how people were held back – by lack of opportunity, lack of chances to realise their potential.

Carnegie spent his whole working life in America but grew up in Scotland, the son of a weaver. When he compared the UK and the US, he saw America as the land of opportunity, while Britain was hidebound, held back, by what he saw as deference, hierarchy and aristocracy. He fled the rigidities of the old class system based on privilege, not ability – but also despised racial segregation in the land where he made his fortune.

From Carnegie – the man, his life, his work – I believe we can learn a great deal for our time, for our generation, to change the way we see the role of business, the purpose of philanthropy and the kind of society we are. The answers for our generation will not be the same as those for Carnegie's generation. But they will be as radical, as life changing, as transformative. The challenge for us today is to see the problems around us, analyse them clearly and use the resources, skills and talents we have – not only money, but also enterprise, ingenuity and determination – to help solve the problems facing our society.

A man for all times

This historic evening, here in Edinburgh, brings together Scotland's leading entrepreneurs and philanthropists from both Scotland and America – two nations with a remarkable historical record in both fields. It is a coming together of men and women from two continents that, I believe, with our focus on Andrew Carnegie, will show that our countries are bound together by a shared history and by shared values and beliefs – not only by belief in freedom, liberty and opportunity but also by the ethics of work, duty and social responsibility.

Tonight, I want to talk about a Scot who, more than anyone, illustrates the bonds that link our two countries; a Scot who spent his whole working life in America but who said: "ever to return to Scotland was the prize of my life", and who thought of America as "Scotland realised beyond the seas".

On this, the first Carnegie Night – exactly 100 years after his greatest benefactions to Scotland – I believe that the importance to us of Andrew Carnegie is not just that he was a Scot who became the richest man in the world. Yes, Carnegie was unique in that he was the first businessman, and the first philanthropist, of the modern era. But the importance of Andrew Carnegie is not the size of his donations, nor even the breadth of his generosity: it is the sheer scale of his break with old conventions.

He redefined the role of business in society and transformed the very purpose of philanthropy. He put not just business but the whole community at the centre of a civic

society that neither is reliant on the state running everything nor leaves it to the vagaries of an invisible hand. Carnegie was relentlessly, radically forward looking. He took a uniquely modern view of the role of business and the creation of wealth. He said that to die rich was to die disgraced.

Others said of him that when memories and traditions of his Dunfermline days came into conflict with his consuming business ambitions, the business side always won. Keir Hardie said that Carnegie could not square his account with humanity by returning 8% of his riches to the community as a kind of hush money. The steel town of Pittsburgh that he created was described, even by his brother Tom, as "hell with the lid taken off", which is why others said of him that all the good he did in the last 20 years of his life could not undo the evil he had done in his first 60.

Man and boy

To understand who Andrew Carnegie was and what he did, think of him first as a young boy of ambition but no prospects, who finished school aged 12 and left Scotland. Yet, some 70 years later, he was financing the education of half of Scotland's university students.

Think of Carnegie as a young man who, in 1845, had to agitate and campaign just to read a library book in Pittsburgh. Half a century later, he had opened 3,000 libraries and the minds of millions around the world.

He was influenced by the Scotland he left behind. His impoverished childhood left in him a lasting intolerance of the heavy hand of class prejudice, snobbery, and the forces that held back talented people simply by accident of their birth. He reserved his most acidic attacks for the British aristocracy. In America, at least, poverty was not a barrier to making something of himself. In Britain, anyone born poor was – he thought – almost always destined to be poor. A staunch republican and antimonarchist, he predicted that "even Englishmen will soon become satisfied that no man should be born to honours but that these should be reserved for those who merit them".

His controversial essays *Triumphant Democracy* expanded his thesis in the opening line: "The old nations of the earth creep on at a snail's pace; the republic thunders past with the rush of the express." He extolled the virtues of a society unfettered by restrictions of birth, class and aristocracy, which, he believed, still held back so many in Britain. He dedicated the book to America "under whose equal laws I am made the peer of any man although denied political equality by my native land".

In his lifetime, attempts were made to furnish him with an aristocratic background. A genealogist offered an illustrious pedigree tracing his lineage back to Sir James Carnegie, fifth earl of Southness, and even to Scottish kings: "I am sorry to hear that," Carnegie said, "because my wife married me under the impression that I was the son of a weaver."

His desire to help people help themselves was part of his broader analysis: a recognition of the economic and social problems he saw around him in Scotland, an appreciation that what held people back was the absence of opportunity. In very specific and targeted ways, he set about transforming opportunities available to those denied them, through:

- the offer of university education to those excluded from it;
- the opening-up of libraries to those without them;
- the provision of life-enhancing community facilities for those who would never otherwise have them.

In a famous essay on wealth, he summed it up: "The best means of benefitting the community is to place within its reach the ladders upon which the aspiring can rise – free libraries, parks and means of recreation by which men are helped in body and mind; works of art, certain to give pleasures and improve the public taste; and public institutions of varying kinds, which will improve the general condition of the people; in this manner returning their surplus wealth to the mass of their fellows in the forms best calculated to do them lasting good."

As Ramsay Macdonald wrote: "His gifts and endowments were never casual but bore the stamp of constructive genius."

What Carnegie achieved for Scottish universities in his day was revolutionary. For centuries since the reformation, Scots talked of the democratic intellect, Scotland's social mobility, the "lad of pairts", able but poor young people from every village and town able to enjoy education. Without the philanthropy of Carnegie, it would be just talk, a Scots myth.

Carnegie's interest in scholarships began with the encouragement of a friend, the MP for Dunfermline, Lord Shaw. In 1895, he told Carnegie of the boatman on Carnegie's Cluny Estate who longed to study to be a doctor but could not afford to do so. Carnegie began to investigate the possibility of funding free university education.

His clear view that society had to be transformed and that extending access to education was the best example of helping people to help themselves – “educate man and his shackles fall” – was not entirely shared by the Scottish university establishment. Some university principals to whom he talked were adamantly against his vision, saying that it would create unwarranted ambition on the part of the poor, many of whom were “hopelessly unprepared”.

Just as Carnegie was ready to fund Scottish universities, his scheme was thrown off track: persuaded, first, that he should retreat from his plan for free education and help only those unable to attend “on grounds of poverty”, then, even more damaging to his original scheme, persuaded by university establishments that the priority must be to endow research buildings and equipment.

He told Shaw he had been persuaded by the powers that be that the free-university plan was “no good”; the help was not needed. Shaw had to threaten to resign as a trustee of the universities fund before Carnegie agreed to pay £1 million for the payment of ordinary class fees as well as the £1 million already promised for research equipment and refurbishment. It was not, in the end, free education for all but support on application by suitably qualified Scots students through bursaries to study at university. The universities were not – as the establishment had forecast – swamped by “ill-prepared students with unwarranted ambitions”.

Before Carnegie, total university endowments were £72,000. Carnegie's fund was £2 million. Total government aid to all four Scottish universities in 1902 was £50,000 a year. What Carnegie offered in annual income alone was in excess of £100,000. The scale not only of what Carnegie gave but also of what he achieved must not be underestimated. In the first year of the trust's operation, more than a third of the student population of Scottish universities were “Carnegie pupils”. In 1901, of 6,190 students in total, 2,683 were Carnegie students. His scheme was astonishingly successful. By 1910, he was sponsoring more than half of Scotland's university students.

Ever the radical, he made it possible for women to become medical students at a time when this was still very rare. In 1902, 78 women received grants for medical school. He was crucial too in sponsoring women missionaries. Education, he said, may be trusted “to burst every obstruction which stands in the path of democracy”.

All this was transformative. It changed the life of Scotland by opening up opportunity

in a real way. What he achieved in a blaze of publicity for thousands of working-class students in Scotland, Carnegie also achieved quietly, and without much recognition, for thousands of black students in America – prompted by his hatred for racial segregation.

While it is possible to measure the transformative impact of his university endowments, his endowment of libraries is less open to measurement. It was, though, almost certainly even more radical and life changing in its impact. Over the door of the Carnegie Library of Pittsburgh, carved in stone, was Carnegie's message: "Let there be light". And he offered every community that met his terms a library for its citizens. It was, in reality, his attempt at a vision of lifelong learning for all. Carnegie favoured libraries as centres of equality, where the lowliest worker and the richest magnate had equal access to the greatest literature the world produced.

In his time, he endowed almost 3,000 libraries, in every continent. He was not the first to see libraries as the means to realise people's untapped potential but, as he wrote later, it was the early influence of his father that encouraged his interest in them: "I have said often that I had never heard of a lineage for which I would exchange that of a library-founding weaver." His father had been involved in helping set up a library for working people in the kingdom: Carnegie never forgot it.

Another free lending library touched Carnegie's life, this time in his teens, when he was in the US. It was privately owned, by a wealthy landowner, but open to local apprentices free of charge. Carnegie did not qualify for free entry. It became his first venture into the public arena, campaigning to have it open to all young people. His letter writing campaign to local newspapers was successful.

In 1901, he decided to make the donation of libraries an industry in itself, after selling his business for \$500 million. "The Gods send thread for a web begun," he said. In keeping with his view that charity should empower, his philanthropy was conditional on locals helping themselves. He offered the buildings, but the communities had to provide the land and raise money for the books. "I give you the seed, cultivate it as you will," he said.

He funded 2,811 libraries, at a cost of £60 million. Not all were impressed. Mark Twain said: "He has bought fame and paid cash for it; he has arranged that his name shall be famous in the mouths of men for centuries to come." Another critic gibed that he was so vain that if he made a donation to Athens, he would insist on renaming the Parthenon "Carnegie-polis". In fact, he did not demand that his name be used on libraries. He did, though, insist

on a bust of Burns at every library, so that there were more statues of Burns in America than of any other human being.

He was not averse to honours: he had the freedom of more US towns and cities than did any American president and of more in the UK than did Winston Churchill. Perhaps he protested his modesty a shade too much. When a friend wrote of his charity work, Carnegie replied: "Your references to me are all too flattering but I am not altogether displeased although you know my modesty by nature."

Education, to Carnegie, meant more than schooling: it included cultural enrichment. As a 14-year-old telegraph messenger in Pittsburgh, Carnegie would withhold delivery of telegrams to the theatre until just before show time. He would then ask permission to sneak into the upper seats of the theatre to watch the performance. He wrote later of being "dazzled by the world that lay behind the green curtains".

His broad view of cultural empowerment did not extend to organised religion. His religious donations were restricted to 8,000 church organs "to lessen the pain of the sermons". You cannot always trust what the pulpit says but you can depend upon what the organ says, was his explanation.

The crowning glory of his philanthropy he regarded as the purchase from his family's archenemies, the lairds of Pittencrieff, of the local park in his home town. The lairds had prosecuted his relatives for trespass in the huge area of open space, which included the abbey and palace grounds, at the centre of Dunfermline. On one day a year, the laird opened the park to the public. For the other 364 days, entry was forbidden for public use.

Carnegie bought the park in 1902 and handed it over to the people of Dunfermline in 1903, exactly 100 years ago. As a child, Carnegie had regarded the grounds as a paradise, a paradise lost to the people locked outside its gates. He described with glee their purchase and donation as "the most soul-satisfying public gift I ever made, or ever can make ... poetic justice that I should arise and dispossess the lairds and become the agent for conveying the glen and park to the people of Dunfermline forever. This is the crowning of my career."

Carnegie's trust deed for his home town illustrates his radical aspirations. It was "in pursuance of a duty I have long felt incumbent upon me ... to distribute in my lifetime the surplus wealth I possess in such a manner as shall best advance the well-being and

happiness of the greatest number of beneficiaries ... for the purpose of introducing into the daily lives of the masses such privileges and enjoyment as are under present circumstances considered beyond their reach but which if brought within their reach are calculated to carry into their homes and their conduct sweetness and light".

Remember, he told Dunfermline, you are pioneers. It was an experiment to be repeated in the land where he had made his riches. Carnegie provided for Dunfermline the first free music lessons, the first free swimming baths, a physical education college, a medical and dental centre for children. The trustees were to include miners and trade union leaders. He also devised a scheme for a version of council housing, which had to be sidelined because of opposition from landlords who feared the loss of their rental profits.

His gifts were sometimes looked upon, perhaps not surprisingly, with suspicion. If he saw charitable giving as a sacred duty, not a reluctant necessity, Carnegie also had to answer the charge of hypocrisy. The one levelled by Keir Hardie was that Carnegie could not square his account with humanity. He is rightly criticised for his role in the Pittsburgh homestead strike. Peter Krass, his most recent biographer, has found new evidence implicating Carnegie's corporation in the quelling of the strike, although it was probably his partner, Henry Frick, who was most to blame for the violent form it took. Indeed, many communities rejected Carnegie's gifts in protest at the way that he ran his businesses.

But Carnegie's view of philanthropy was radical. In giving, he said, "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 deserve to rise the aids by which they may rise ... to assist but rarely or never to do all". A man of wealth was thus "the mere agent and trustee for his poorest brethren".

It's not what you do ...

The common view of corporate responsibility in Carnegie's day, and before, was of business people giving charitable donations out of profits to build memorials to their name, rather than focusing on the ends to be furthered. Carnegie's view was that charity or corporate social responsibility was not about applying bandages but about changing society. He was determined to "improve mankind", a term used on a number of the philanthropic deeds he wrote.

The question of corporate social responsibility for Carnegie's time was what companies did with their wealth, not how they made it. In his day, corporate social responsibility was

measured by what was given away. Most, now, would accept that what happens inside the company matters as much for corporate social responsibility as does the company's charitable work in the rest of the community.

Carnegie's model of corporate responsibility was bold for his time, but too narrow for ours. In this era, staff morale and motivation, brand loyalty and reputational risk, and environmental sustainability – questions of corporate social responsibility – are now also widely recognised as key drivers of competitive advantage. As corporate social responsibility has come to mean not simply philanthropy but also greater transparency, environmental care, direct engagement in community involvement, we have seen British companies lead the world in the advancement of corporate social responsibility as it has moved from the margins to the mainstream, from the arena of charity to the arena of corporate strategy.

It is a recognition that corporate social responsibility means that trust is critical to success; that reputational management is essential; that a brand must enjoy people's confidence. It is a recognition that when business loses trust and then legitimacy – through lack of transparency or social engagement, or corporate social irresponsibility – it is at its most vulnerable. So it does matter how you run your business.

Carnegie believed that business men and women had an important personal responsibility for the development of society as a whole. While others in business gave to charity, they thought little of its purpose. He defined civic responsibility in terms of investing in human capital, of opening up and releasing potential. He thought charity worthless if it only papered over the cracks: it had to be enabling and empowering.

Carnegie transformed our view of the purpose of philanthropy, and the challenges he identified are with us still and worth revisiting. His notion of philanthropy as empowering people rather than creating dependency is the model of our time, forcing us to look at new areas – particularly to address poverty of aspiration. While his work preceded the welfare state, he challenges us on what we mean by our responsibilities to each other and the importance of duties reflected in an even greater role for community and voluntary action, not as an afterthought or add-on but at the heart of all we do.

If wealth is a sacred trust, as he argued, success and the accumulation of wealth are not an end in themselves but a means of contributing back to the society in which that wealth has been accumulated. Carnegie's philosophy is summed up in his statement that "the

best means of benefitting the community is to place within its reach the ladders upon which the aspiring can rise". He did not despise charities that picked up the pieces: the soup kitchens or the midnight clubs for fallen women. But business did not exist apart from society: it had a responsibility to it, he said. And he defined civic responsibility in terms of investing in human capital, of opening up and releasing potential.

In our time

Our interest in Carnegie, today, is not what he gave but why he gave what he did. We might say, with some truth, that he listened too little to his beneficiaries. But his diagnosis of what held back Scotland and America, and his conclusion that what mattered was to empower people and enable them to realise their potential, still challenge us. I believe that starting from the same analysis, we reach – in our very different context – a different conclusion: that what is holding millions of people back from achieving their potential is not the restrictions on educational opportunity that Carnegie diagnosed for his day. It is, among so many, not just poverty but what Aneurin Bevan called a poverty of ambition.

There is a glimpse of this analysis in Carnegie's writings. While he saw the problem, first, as poverty and the denial of opportunity, he also saw beneath it, to a deeper poverty of aspiration. In his autobiography he tells how, at the age of 26 and well on the way to making his first million, he returned to Dunfermline for the first time. His joy at seeing his family was tempered by dismay at the poverty of their ambitions, at their not daring to dream of escape from the narrow confines set for them by their birth and social status.

His aunt paid him the dubious compliment of proclaiming that he now had it within himself to open a shop in the high street. This, when his annual income exceeded the combined profits of all the shopkeepers in the town. In a letter to his cousin, he wrote: "Isn't it strange how little ambition most of our Scotch acquaintances have to become independent ..." Carnegie identified as a challenge not just the poverty of people but the poverty of their aspirations.

It is that poverty of aspiration that the former director of Scottish Enterprise, Crawford Beveridge, spoke of when he referred to the Scots' lack of self-belief. Tom Hunter, who is here tonight, has said that we are "a division-three player and our rates of opportunity entrepreneurship are half the levels of other nations".

What has stunted our growth and sapped our strength? In her recent book *The Scots Crisis of Confidence*, Carol Craig deals with the charge that Scots are less entrepreneurial in our

attitudes to business than any other European nation, apart from Slovakia and Estonia; that an American study says that while Scots-Americans, with less than 2% of US households, account for 9% of its millionaires, Scots as a group are generally not prepared to take risks; the extreme charge from Alan Bold that the Scots are a nation of "losers" and jealous of others' success.

She suggests that Scotland's low levels of business creation – and the "lack of desire to make something of yourself and your life" – are due not directly to there being no separate state or even to Calvinism but, instead, "to a general lack of confidence, a fear of failure, a fear of success, an ambivalence about money, an overconcern with others' views, an ambivalence about wealth creation" and, she adds, a sense that private enterprise appears to have failed the people of Scotland. "It is easy to see why we have significant economic problems in Scotland ... we have communities where people seem to be devoid of motivation and ambition for themselves and their families." And it is a problem best addressed not by state action but by us working together.

So I do not think Carnegie's desire to empower people, to realise their potential, would lead him to libraries or even universities today. What in his time demanded that philanthropy make possible the provision of libraries and the chance to go to university demands in our time that philanthropy attempt something far more ambitious. Indeed, Carnegie would have said that Scots were right not to emphasise position and so overvalue status but wrong to keep people in their place and so undervalue aspiration. That is why I think that, for example, Tom Hunter's Enterprise in Schools initiative is in the spirit of Carnegie: the issue is the realisation of potential, applied to a new time; the issue now is poverty of aspiration. It is about opening up confidence, making people realise their potential.

That is why enterprise education is symbolic as well as important in itself. For, when I was at school, there was a gulf between business and education. Business people rarely visited schools and pupils seldom went for work experience to business firms. The world of business and the world of education were remote. Today, there are changes; a quiet transformation of attitudes and links between schools and business is beginning to take shape. With businesses linked to schools, we must see the broad purpose – not that young people be machine-tooled to fit business needs but that they see the opportunities that, with enterprise and hard work on their part, are open to them.

I think Carnegie's diagnosis, applied to our times, challenges us in other areas too: I think

of the role of business in making sport one of the battlegrounds in the fight against drugs, thus enlisting a community effort that challenges young people, showing them that the evil of drugs prevents them from realising their potential. I think also of community engagement by young people and how while some can afford a gap year after school, serving the community, others cannot – and yet community work is one essential for citizenship training in the modern world. So, we should see charity as breaking new ground as the purpose of philanthropy is realised: not the elevation of the status of the giver but the elevation of the potential of the recipient.

Carnegie stood for a view of society that was different from the society of his time and quite different from the society of today. Again, I believe, his views are relevant to us. In his trust deed to Dunfermline, he talked of his duty. He talked, constantly, of putting something back, in the tradition of the Scottish Enlightenment, which posited a view of the individual and their role in society. He thought of Scotland as a community where people accepted responsibility towards and for each other. And he spoke repeatedly of each person's responsibility to "give back" to the communities and society that nurtured them.

Not only did Carnegie see society as more than a collection of competitive individuals, stranded on their own: he saw as real our responsibilities, in his vision of how civic society should develop. Adam Smith, the great theorist of market forces, identified what he called the theory of the "invisible hand". But Adam Smith also was the man who believed in society and the theory of the helping hand. His major book of philosophy, *The Theory of Moral Sentiments*, argued that economics, markets, did not exist in isolation. Political economy was about the responsibilities we accepted for each other: "However selfish so every man be supposed," he wrote, "there are evidently some principles in his nature which interest him in the fortune of others and render their happiness necessary to him though he derives nothing from it except the pleasure of seeing it."

So too Carnegie; the hero of individualism, the competitive, appetitive Scot, was also the communitarian sure of his duties and responsibilities as a citizen to our shared needs, mutual interests, common responsibilities. "Every Scotchman is two Scotchmen. As his land has the wild barren stern crags and mountain peaks and also the smiling valleys where the mildest foxglove and bluebell blossom, so the Scotchman with his rugged force and hard intellect has a heart capable of being touched to the finest issue." Carnegie was sure where duty took him: "There is a class, higher than all, who worship neither at the shrine of wealth nor fame but at the noblest of all shrines, the shrine of service."

Again, Carnegie drew conclusions that are relevant to our time. The society he envisaged was neither a laissez-faire economy nor a centralised state. Just as he sought to redefine the role of business and the purpose of philanthropy, so too he tried to redefine the role of individual, community and state. Before 1945 and especially before 1900, during Carnegie's lifetime, the individual had been on his or her own, left to his or her own devices, the whim of charity or that untidy patchwork of provision with the state playing an uncertain role.

After 1945, a new relationship emerged between the state, the individual and the community, whereby the individual was empowered with new rights to education, employment, healthcare and social security – rights guaranteed by the state acting on behalf of the community. After a time, hostility to the new collectivism grew, with the growth of the new right antistate movement, and people felt that individual initiative was being stifled, personal responsibility undervalued, local endeavour undermined. As Carol Craig writes: "The combination of strong collectivist values and belief in egalitarianism encourages us all to toe the line and conform. When we add to these attitudes the dependency which welfare policies and corporatism can encourage, it is easy to see why we have significant economic problems in Scotland."

Yet, I believe that out of the reaction against the Left's old policies for big government and the Right's overzealous faith in laissez faire – leaving everything, including poverty relief, to the market – a new, more balanced approach is emerging. In my view, it is one that sees the individual enhanced by a supportive community and sees a strong and effective civic society in what we might think of as the middle ground between markets and state.

Instead of people looking upwards to Whitehall for all solutions, in locality after locality more and more people will take more charge of the decisions that affect them: government enabling and empowering rather than directing and controlling – something that is humbling for government because it forces recognition of its limitations and the strengths of local and voluntary action in communities and neighbourhoods.

So, while in the immediate post-war years the most urgent priority was to provide on a national basis and to a national standard such essential social services as education and healthcare, today the way forward often lies in empowering community and voluntary organisations to do things that they are better equipped than the state to do. It is to say that when we look closely at continuing barriers to a genuinely equal access to these opportunities, or at the continuing causes of social exclusion or low cultural expectations,

they are often of a sort that the state is not well placed to tackle through direct action. Problems once solved only by the state acquiring more power can be solved today only by the state giving away much of its power.

Indeed, the remedy to many of our social problems lies not in the state taking more power on behalf of the people but in the state giving existing powers back to the people. Look at all the successful movements today, from the hospice movement to Jubilee 2000. Grass-roots, innovative, independent, they offer a one-to-one approach, a personal touch, are able to innovate and to see problems close up, more clearly. This is not to ignore the role of the state, of course, because charity can be arbitrary; it can be taken away as quickly as it can be given. But we need the innovation, localism, individualism and entrepreneurship that come with local community endeavours.

Carnegie's projects for libraries and university places, radical and effective as they were, remain creatures of his time. But his underlying goals, his determination and his radically innovative approach are enduring, relevant and still right for our time. A century on, they still challenge us today.

The challenge for our generation is to build a strong entrepreneurial spirit; to link the world of education and the world of work – giving young people experience not just of work but of enterprise – in order to build a strong entrepreneurial spirit. Many steps forward have been taken; however, the deep-seated poverty of ambition in too many Scottish homes has not been banished forever. No parliament can achieve that alone. It takes leadership from the most entrepreneurial sections of society.

I have already mentioned those hundreds of thousands of men and women who give of their time to help others. Individuals of vision and purpose who inspire, whose actions are already changing the communities around them; men and women of compassion and community spirit who sense that, by working together and sharing their experiences, they can build stronger communities. They do what the voluntary, charitable and community organisations – and, often, local councils – can do well, but which the central state cannot do easily or even well: they offer one-to-one, person-to-person, face-to-face caring.

I want to thank all of you here for the contribution your businesses make to the economy and to the wealth of Scotland. For the encouragement I know that, as today's generation of entrepreneurs, you give to the next generation of entrepreneurs and for the quiet,

effective work so many of you do for charity and your communities and, thus, the part you play in building a Scotland that is both enterprising and caring.

I think tonight is significant for this final reason. Once in a generation, you come across individuals or a group of people who light a flame and then that flame lights the way for the community around them. You, here tonight, are, in my view, such a group – capable of achieving in our time more than Carnegie achieved in his. It is your wisdom we celebrate tonight, your wisdom we rely upon, in the spirit of Andrew Carnegie, to help transform Scottish life and make the role of business, the purpose of philanthropy, and an expansive view of our responsibilities count in new, challenging ways – in great and transformative ways – for our time and our generation.

It is a privilege to be part of this evening.

Andrew Carnegie



Andrew Carnegie was born in Dunfermline, Scotland, on November 25, 1835. He was the first son of William Carnegie, a linen weaver and local leader of the Chartists, and of Margaret Carnegie, daughter of Thomas Morrison, a shoemaker and political and social reformer. William Carnegie's handloom business dwindled in the wake of industrialization, and in 1848 the family emigrated to the United States, settling in Allegheny, Pennsylvania. There, at the age of 13, Andrew began his career as bobbin boy in a cotton factory.

A voracious reader, he took advantage of the generosity of an Allegheny citizen who opened his library to local working boys. Books provided most of his education as he moved from being a Western Union messenger boy to telegraph operator and then to a series of positions leading to superintendent of the Western Division of the Pennsylvania Railroad.

While still employed by the railroad, Mr. Carnegie invested in a new company to manufacture railway sleeping cars. From there, he expanded his business ventures to encompass the building of bridges, locomotives, and rails. In 1865, he organized the first of his many companies, the Keystone Bridge Company, and in 1873, the first of his steel works. Mr. Carnegie's companies were founded not as stock corporations but as partnerships, in line with his philosophy that "it shall be the rule for the workman to be Partner with Capital, the man of affairs giving his business experience, the working man in the mill his mechanical skill, to the company, both owners of the shares and so far equally interested in the success of their joint efforts." As associates, Mr. Carnegie attracted young men with exceptional talent for organization and management. The steel company prospered, and when Mr. Carnegie sold out to J.P. Morgan in 1901, the Carnegie Company was valued at \$400 million. It figured prominently in the newly formed United States Steel Company.

Mr. Carnegie's philanthropic career began around 1870. He is best known for his gifts for free public library buildings. His first such gift was to his native Dunfermline in 1881, and it was followed by similar ones to 2,508 communities in the English-speaking world. In 1889, he wrote *The Gospel of Wealth* in which he boldly articulated his view that the rich are merely "trustees" of their wealth and are under a moral obligation to distribute it in ways that promote the welfare and happiness of the common man. Mr. Carnegie was a prolific writer, but the quotation for which he is most famous comes from *Wealth*: "The man who dies thus rich dies disgraced."

When Mr. Carnegie retired from business in 1910, he set about in earnest to distribute his fortune. In addition to libraries, he provided hundreds of church organs to local communities; he was the benefactor of numerous colleges and schools and of nonprofit organizations and associations in his adopted country, in his native land, and in other parts of the world. His most significant contribution, both in terms of money and in terms of enduring influence, was the establishment of several endowed trusts or institutions bearing his name.

Andrew Carnegie died in 1919, leaving his wife, Louise Whitfield Carnegie, and their daughter, Margaret Carnegie Miller. All told, he had given away about \$350 million during his lifetime, but the legacy of his generosity continues to unfold in the work of the trusts and institutions that he endowed.

Successful Scotland publications and seminar series

Successful Scotland publications

Carnegie and philanthropy: lessons for today is the second monograph published by the Smith Institute to accompany its Successful Scotland series of events.

The first of these publications is *Chasing the tartan tiger: lessons from a celtic cousin?* by Wendy Alexander MSP

In this pamphlet Wendy Alexander analyses how Scotland can build its own economic success by becoming a 'Tartan Tiger'. Through her original and insightful research she seeks to draw on the lessons that Scotland can learn from the successes and failures of the Irish 'economic miracle'. She argues that what is needed is for Scotland to 'do a Scotland', and thereby create its own economic success and deliver real change which rises above the rhetoric of so much of the debate.

The pamphlet sets out a long-term road map for change, where:

- Self-belief matters;
- Economic goals will temporarily take precedence; and
- There is a greater emphasis of consensus-building on the economy.

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Successful Scotland seminar series

Background

The recent history of economic growth and activity in Scotland has been patchy, and some commentators have argued that Scotland has lost some of the ground it had gained in the last 10 or 15 years. The Smith Institute has now decided to look at some of the issues affecting future prosperity in Scotland in a series of seminars in the Spring of 2004.

Seminar 1: Staying in Scotland

Figures for Scotland show relatively high levels of investment in manufacturing alongside low levels of venture capital investment. Scotland has several internationally renowned companies with global reach headquartered in Scotland, demonstrating that Scotland can provide a competitive economic environment. But there still only a few of them, and not much evidence of many more companies capable of joining that group in the near future. What do these companies think should happen to help them achieve their goals, and to play their part in a Successful Scotland? What can be done to grow the next group of companies into international leaders? Where does Scotland's competitive advantage lie?

Seminar 2: Becoming a Tartan Tiger

In a recent pamphlet for the Smith Institute, Wendy Alexander notes that Scots seeking inspiration for the new Scotland often look across the Irish Sea, and observe what has been described as the Celtic Tiger economy. But she goes on to ask: "How might Scotland achieve such levels of economic growth and national self-esteem? What can the Celtic Tiger tell us about becoming a Tartan Tiger?" She argues that the Irish experience is complex and the lessons more subtle than superficial. There are no simple no off-the-shelf "policy parachutes" that can deliver a Tartan Tiger. Economic success stories can rarely be replicated in a straightforward way. So for Scotland to "do an Ireland" requires that she "does a Scotland". This Seminar will discuss the arguments made in the pamphlet.

Seminar 3: Innovation in Scotland

Despite a rich history of invention and engineering manufacture, current levels of innovation (as measured by 1999 levels of R&D expenditure) in Scotland are significantly lower than other regions of the UK. As a significant driver of productivity growth, the extent to which Scotland is able to innovate – to develop and apply new processes and technologies – will be key to Scotland's future prosperity. Evidence shows that under-performing regions and localities have particular problems in absorbing new technologies. Is this the case in Scotland? What are the new sources of innovation in Scotland?

How can we maximise their growth and success? Could the links between Scottish universities and business be improved and, if so, how? Are new policy interventions necessary to help bridge the Scottish innovation deficit?

Seminar 4: Opportunity for all

The Government has introduced a range of policy measures designed to counter poverty in childhood and old age, and to tackle individual and area social exclusion. Much has been achieved and there is more to come as the various measures work their way through the system. At this seminar we want to look at the impact of these measures in Scotland and assess whether there are any special conditions or features of the Scottish economy which require additional measures, or changes to the current UK schemes.

Further publications

One of the main focuses of the Smith Institute's work is the government's determination to secure full employment and rising prosperity in every region and community of the country. This is, we believe, an important strand of policy making. We also believe that, although these ambitious economic goals have not yet received as much attention from commentators and other policy makers as the government's measures to create macroeconomic stability, or its championing of strong competition policies, they will prove to be at least as important to the prosperity of the nation in the long run.

As part of this agenda, the Smith Institute has published a number of monographs which focus on the development of policy for Britain's regions:

New Scotland New Britain

Rt. Hon. Gordon Brown MP & Douglas Alexander MP

Price: £9.95

ISBN: 902488 032

Published: 1999

The authors set out a vision of the new Scotland in the new Britain. They first outline how the new Scottish Parliament addresses an old grievance – by safeguarding and making accountable Scotland's civic institutions – before explaining how the new constitutional settlement equips Scotland to meet the new challenges of the global economy. Taking issue with the identity politics of Nationalism, they present the case for a new Britain not based on deference and uniformity but united by shared values and common purpose – a new Britain defined as a multi-ethnic, multicultural, multinational state.

Empowering Government: Reforming the Civil Service

(The Industry Forum in association with the Smith Institute)

Price: £50.00

Published: 1999

This report looks at the role of the Civil Service in the context of the Government's modernising agenda. It draws on three main sources: a research study by a team headed by Professor Sue Richards of Birmingham University, which gathered evidence from serving civil servants as well as those working with them; the input of a Research Steering Group, whose very senior membership was drawn from the three main political parties, from the civil service and from industry; and input from members of the Industry Forum

with direct experience of working both with and in Government. Three cases studies were chosen as the focus of research: the Better Regulation (now Regulatory Impact Assessment) Unit, the Government's Information Technology Strategy, and Area-Based Regeneration Policy. The research casts light on the competencies now needed in senior civil servants. On the basis of this and of the new agenda reflected in the Government's White Paper on Modernising Government, the report makes a number of important proposals for reform.

Towards a New Regional Policy: Delivering Growth and Full Employment

Rt. Hon. Richard Caborn MP, Ed Balls, Graham Hall, Bob Kerslake and John Healey MP

Price: £9.95

ISBN: 1 902488 36 9

Published: 2000

The contributors outline the policies needed to overcome the problems of uneven growth and persistent disparities between and within regions. They take the view that regional inequality is not inevitable, but that ending it requires both a bottom-up approach and one that aims to strengthen the essential building blocks of growth - innovation, skills, the development of enterprise - by exploiting the indigenous strengths in each region and city. The role of Regional Development Agencies is discussed, along with a more effective role for local government, support for community finance initiatives, the physical and social regeneration of cities and urban areas and action to tackle inequality and exclusion.

New Britain

Rt. Hon. Gordon Brown MP, Linda Colley, Deborah Mattinson & Michael Wills MP

Price: £9.95

ISBN: 1 902488 16 4

Published: 2001

Report of a conference on 15th April 1999, with a foreword by Rt. Hon. Gordon Brown MP. Deborah Mattinson presented the results of research into current understandings of 'Britishness', showing a multi-layered sense of national identity. Against that background, Michael Wills argued the case for constitutional reform. Professor Linda Colley addressed 'Britain as Europe', showing the extent to which Britain has always, over history, formed an integral part of Europe, for all its imperial involvements elsewhere. Finally, Gordon

Brown spoke about the 'patriotism of common purpose', offering an inclusive vision of Britishness for the twenty-first century.

Age of Regions: Meeting the UK Productivity Challenge

Price: £9.95

ISBN: 1 902488 50 4

Published: 2002

This is the second Smith Institute pamphlet in the RDA series. With contributions from Ed Balls, John Healey MP, Alan Johnson MP and Rt. Hon. Nick Raynsford MP, this pamphlet 'joins up' RDA and productivity thinking across Whitehall. The pamphlet also includes contributions from regional 'practitioners' who bring their expertise to this important debate.

Growing The Economy: The Local Dimension

Rt. Hon. John Prescott MP, Ed Balls, John Healey MP, Cllr Richard Leese, Tom Riordan, Eddie Rodgers and Cathy Koester

Price: £9.95

ISBN: 1 902488 62 8

Published: 2003

The contributors emphasise the need for local government involvement if the aims of full employment and rising prosperity are to be achieved in every region and community of our country. Through a series of essays from both local and national perspectives, the wide range of authors outline the policy tools that will tackle regional and local divides and actively involve local government in strategic decision making. The need for a truly regional perspective is emphasised as is the importance of tangible flagship projects alongside flexible, locally powerful networks, delivery structures and business links. The case studies seek to identify the 'winning characteristics' of well-performing councils, identifying the crucial elements that allow successful and dynamic economic leadership in the regions.

Growing the Economy: Solving the London Housing Crisis

Peter Bill, Anna Minton, John Gummer MP, Alastair Stewart, Charmaine Young CBE,
Geoff Marsh, and Elliot Lipton

Price: £9.95

ISBN: 1 902488 64 4

Published: 2003

The second pamphlet in our series on Growing the Economy is edited by Peter Bill, the distinguished Editor of the Estates Gazette. The Monograph comprises six specially commissioned essays by key experts within the area of housing and planning. Through their contributions, the authors outline a new approach to the problem of how to cater for the demand for housing in and around London. The pamphlet addresses issues such as delivering good-quality key worker housing, modernising the planning permission process, creating developments that promote community cohesion, and constructively involving the private sector in the process of providing homes.

Progress in the Regions: Five Years of Leading the RDAs

Jaqui Smith MP, Bryan Gray, John Healey MP, Ed Balls. Edited by Tony Pilch

Price: £9.95

ISBN: 1 902488 66 0

Published: 2003

The Smith Institute has been following the regional economic agenda since the RDAs were established in 1999, and this pamphlet provides both a retrospective look at the achievements of the RDAs and a consideration of the challenges that they face in coming years. It features contributions from all the current and former RDA chairs, alongside essays by key individuals who have been closely involved with the regional agenda.

These publications are available to purchase from:

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