LEGEND DOSSIER

Andrew Carnegie

The Immigrant's Edge

VOLUME I

Carnegie arrived in America at thirteen with nothing, walked Pittsburgh's streets after dark memorizing every firm, and died owning more steel capacity than any individual in history. But twelve men died at Homestead because he arranged to be unreachable. This volume traces the immigrant edge that built a fortune and the blind spots it could never repair.

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VOLUME I

The Barges on the Monongahela

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KEY MOTIFS

Identity Loop | Path Dependence | Information Asymmetry | Cost Compression | Constraint Creativity

> *"No pangs remain of any wound received in my business career save that of Homestead."*
>
> — Andrew Carnegie, Autobiography

LEGEND PROFILE

Andrew Carnegie

Era: 1835-1919

Industry: Steel & Railroads

Builder Constructor

Psychology & Behavior

Strategy & Decision-Making

History & Geopolitics

Written by Martin Mach

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> — Andrew Carnegie, Autobiography

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I

The Barges on the Monongahela

Twelve men died on the banks of the Monongahela River on July 6, 1892.[2] The Pinkerton guards came down the water on barges, two of them, the Iron Mountain and Monongahela, converted from Great Lakes trading vessels and loaded with Winchester rifles, side arms, and three hundred men who had been told they were guarding freight.[2] They were coming to break a strike at Andrew Carnegie's steel works. Carnegie himself was in the Scottish Highlands, casting for salmon in a river older than memory. The telegraph existed. He had arranged to be unreachable.

He would spend the remaining twenty-seven years of his life trying to purchase absolution. He gave away $350 million, the equivalent of roughly $12 billion in 2025 dollars. He built 2,509 libraries across the English-speaking world. He funded concert halls, universities, peace foundations, and a pension system for college professors. He wrote essays arguing that the wealthy were merely trustees for the poor, obligated to redistribute their fortunes before death.

None of it worked. "No pangs remain of any wound received in my business career save that of Homestead," he wrote in his autobiography, decades later.[1] The wound stayed open. This is the fact that explains everything that follows.

> **KEY THEME**
>
> **The Central Wound**
>
> Twelve men died at Homestead. Carnegie spent twenty-seven years and $350 million trying to purchase absolution. None of it worked. The wound explains everything that follows.

The conventional story of Andrew Carnegie is a story of immigrant success: the poor Scottish boy who arrived in America at thirteen, worked as a bobbin boy for $1.20 per week, and died owning more steel capacity than any individual in history. That story is true but insufficient. It explains what Carnegie accomplished without explaining how.

This is not a story about the virtues of hard work. Carnegie worked hard, but so did millions of others who died poor. Cornelius Vanderbilt worked harder and slept less and died with $100 million.[8] John D. Rockefeller *(Parallel)* worked methodically and died with $1.4 billion.[4] Work is necessary but not sufficient. What matters is the specific work, done at the specific time, in the specific way.

MECHANISM

The Immigrant's Arithmetic

Carnegie understood the arithmetic before he understood business. Work is necessary but not sufficient. What matters is the specific work, done at the specific time, in the specific way.

Carnegie understood this arithmetic before he understood anything else about business. He spent his nights walking the streets of Pittsburgh, memorizing the location and principals of every firm, building a mental map of commercial geography that no native-born competitor possessed. Hannibal did the same thing before crossing the Alps, six months of scouts mapping every pass, every water source, every settlement that might resist or supply. Wellington spent days sketching Portuguese terrain before fighting across it. The boy who knew Pittsburgh better than anyone became the man who owned more of it than anyone, though between the knowing and the owning lay decades of luck, timing, and ruthlessness that Carnegie's autobiography rather conveniently omits.

II

The Weaver’s Son

> *“*”A sunny disposition is worth more than fortune. I learned this in a home with no fortune and considerable sunshine.”*”*
>
> Andrew Carnegie, *Autobiography*

In 1835, in the attic of a small stone cottage at the corner of Moodie Street and Priory Lane in Dunfermline, Scotland, a boy was born who would become the richest man in America. His father, William Carnegie, was a master weaver who owned four damask looms and employed journeymen.[1] His mother, Margaret Morrison Carnegie — was the daughter of Thomas Morrison, a shoemaker who published a radical newspaper called The Precursor and corresponded with William Cobbett, the English pamphleteer who championed working-class causes.[1]

The family was comfortable but not wealthy. More significantly, they were political. The Carnegie household operated as a kind of revolutionary cell. Uncle George Lauder — who ran a shop in the High Street, spent his evenings training young Andrew’s memory through recitation. The drills were deliberate: Wallace, Bruce, Burns, the poetry of Scottish resistance and the prose of radical reform.[1]

> HISTORICAL
>
> **The Power Loom's Lesson**
>
> The power loom did not care about artistry. Price matters more than quality when customers are poor. William Carnegie's looms fell silent one by one. The Lindy Effect suggests old technologies persist longer than disruption enthusiasts expect.

Uncle Lauder understood something that modern educational theory would take another century to articulate: that memory is not passive storage but active installation. You become what you memorize. The stories you can recall under pressure are the stories that shape your decisions.

The world William Carnegie understood, the world of skilled weavers commanding good wages for intricate work, was ending. The power loom did not care about artistry. It produced cloth faster and cheaper than any human hand, and the market did not care that the cloth was inferior. Price matters more than quality when customers are poor.

MECHANISM

Memory as Installation

Uncle Lauder understood that memory is not passive storage but active installation. You become what you memorize. The stories you can recall under pressure are the stories that shape your decisions.

William Carnegie's looms fell silent one by one. The family sold them. The last loom went for almost nothing. The Lindy Effect, articulated by Nassim Taleb a century and a half later, suggests that the future life expectancy of a technology is proportional to its current age.[7] Old technologies persist longer than disruption enthusiasts expect. Global coal consumption in 2024 reached 8.79 billion tonnes, an all-time record.

III

The Twenty-Pound Wager

> *“*”The Carnegie family was free from debt. No amount of money since has given me equal happiness.”*”*
>
> Andrew Carnegie, on repaying Mrs. Henderson’s loan

The decision was taken to sell the looms and furniture by auction. William Carnegie’s sweet voice sang often to mother, brother, and young Andrew: “To the West, to the West, to the land of the free.”[1] The proceeds of the sale were disappointing. The looms brought hardly anything. The family needed twenty pounds to emigrate, roughly six months of William Carnegie’s peak earnings, assuming he could get work, which he could not.

Margaret Carnegie found the money. Carnegie would later write: “Here let me record an act of friendship performed by a lifelong companion of my mother, Mrs. Henderson, by birth Ella Ferguson. She boldly ventured to advance the needful twenty pounds.”[1]

No collateral. No legal recourse if they never repaid. Just the promise of an impoverished weaver’s family that they would send the money back from the other side of the Atlantic. Twenty pounds in 1848 was substantial money, roughly equivalent to $3,800 in 2025 purchasing power. Mrs. Henderson was not wealthy. She was betting on character, not credit.

QUANTITATIVE

The Emigration Bet

Twenty pounds in 1848 was roughly $3,800 in 2025 purchasing power. Mrs. Henderson bet on character, not credit. No collateral, no legal recourse. Early poverty creates risk aversion about personal finances paired with risk tolerance about business opportunity.

The Carnegies spent years scrimping to repay this debt. Carnegie remembered hoarding half-dollars as a young worker, terrified of returning to dependence.[1] When they finally repaid Mrs. Henderson, the family celebrated as if they had won a fortune.

Carnegie would become famous for his willingness to borrow enormous sums for business expansion, but only after establishing absolute personal security. Early poverty creates a specific pattern: risk aversion about personal finances paired with risk tolerance about business opportunity. The man who knows he can survive on nothing is free to bet everything on a venture. The man who needs comfort is hostage to that need.

IV

The Night Walker

> *“*”I knew every firm in Pittsburgh, their partners, and their general business. The other boys did not.”*”*
>
> Andrew Carnegie, *Autobiography*

At thirteen, Andrew Carnegie worked as a bobbin boy in a cotton factory for one dollar and twenty cents per week.[1] He would later write: “I have made millions since, but none of those millions gave me such happiness as my first week’s earnings. I was now a helper of the family, a bread-winner, and no longer a total charge upon my parents.”[1]

His second job was worse. He tended a steam engine in a bobbin factory, firing the boiler in a dark cellar for two dollars per week. The work terrified him. Carnegie wrote: “It was too much for me. I found myself night after night, sitting up in bed trying the steam gauges, fearing at one time that the steam was too low and that the workers above would complain that they had not power enough, and at another time that the steam was too high and that the boiler might burst.”[1]

He told no one. His parents had their own troubles. He would play the man and bear his. He kept going, asking himself what Wallace would have done, certain that a Scotsman ought never to give up.[1]

MECHANISM

Systematic Reconnaissance

Within a year, Carnegie had assembled a commercial order of battle: every significant firm, its principals, credit relationships, suppliers and customers. His competitors possessed nothing comparable. The asymmetry resembled an evolved specialist displacing a generalist.

At fourteen, Andrew Carnegie earned $2.50 per week as a telegraph messenger. He had one fear: “that I could not learn quickly enough the addresses of the various business houses to which messages had to be delivered.”[1] So he eliminated it. He began walking Pittsburgh’s streets after dark, memorizing.

Pittsburgh in 1850 was smoke and shadow. The iron furnaces ran through the night, painting the Monongahela orange; the coal barges moved in darkness; the streets offered violence to anyone who walked them alone.[3] Carnegie walked them anyway.

The method predates Carnegie by millennia. Sun Tzu was blunt: “Know the ground, know the weather, know yourself.” Hannibal sent scouts over the Alps for six months before moving an army. Wellington spent days sketching Portuguese terrain before fighting across it. Carnegie had never read Sun Tzu. He was reinventing the principle from first causes, the way a sufficiently determined boy will rediscover geometry if you give him sticks and sand.

> PATTERN
>
> **The Method Remains Available**
>
> Barry Diller spent three years in the William Morris mailroom reading every contract. Michael Ovitz maintained exactly 210 magazine subscriptions. Sam Walton visited competitor stores obsessively. The reconnaissance method transfers across centuries and industries.

Within a year, he had assembled what intelligence professionals would recognize as a commercial order of battle: the location of every significant firm, its principals, its credit relationships, its suppliers and customers. His competitors, native-born boys who had lived in Pittsburgh their entire lives, possessed nothing comparable. The asymmetry resembled the gap between an organism that has evolved to a niche and one that has wandered into it, given enough time, the specialist displaces the generalist, not through superior strength but through superior fit.

> **Through-Line: The Method Remains Available** > > A century later, Barry Diller used the same approach. In 1961, Diller took a job in the mailroom of the William Morris Agency. He was offered a promotion after one year. He refused. The mailroom gave him access to the agency’s files: every contract, every memo, every piece of correspondence between agents and clients. He spent three years reading them. When Diller finally left the mailroom, he understood the agency better than men who had been there for decades. > > Michael Ovitz — who built Creative Artists Agency into the most powerful force in Hollywood, maintained 210 magazine subscriptions. Not hundreds. Exactly 210. When Ovitz met Paul Newman for the first time, he already knew Newman’s consuming interest was racing cars. They talked for three hours about racing. Ovitz signed Newman. The conversation appeared spontaneous. The preparation was not. > > Sam Walton practiced the method in retail. He visited competitor stores obsessively, not to shop but to study pricing, layout, inventory turns. He carried a tape recorder to capture observations. Walmart became the world’s largest retailer. The reconnaissance was one reason.

V

The Mentor’s Gift

> *“*”Do that again! Make yourself a railroad man!”*”*
>
> Thomas A. Scott, to Andrew Carnegie after the train crisis

Thomas Scott *(Mentor)* taught Carnegie how to make decisions under uncertainty. The lesson came through demonstration rather than instruction.[1]

Scott ran the Western Division of the Pennsylvania Railroad during the 1850s, when railroads were the most complex organizations in America and the most prone to catastrophic failure. A single mistake in scheduling could produce collisions, delays, lost cargo, and death. The telegraph made coordination possible but did not make it easy. Someone had to read the signals, interpret the situation, and issue orders that thousands of employees would follow.

Carnegie watched Scott do this daily. He observed how Scott gathered information before deciding, how he weighed competing considerations, how he communicated decisions clearly enough that subordinates could execute without further clarification. He saw Scott make mistakes and recover from them, change course when circumstances changed, maintain confidence without becoming rigid.[1]

The observation was valuable, but the transformation came through action. One morning Scott was away when an accident blocked the main line. Trains backed up in both directions. Minutes mattered, every hour of delay cost money, risked further accidents, damaged the railroad’s reputation. Carnegie had watched Scott handle such situations dozens of times. He knew what Scott would do. He did it.

ANECDOTE

The Forged Signature

Carnegie sent orders in Scott's name during a crisis, signing 'T.A. Scott.' This was technically fraud. Scott's response shaped Carnegie's career: 'Do that again! Make yourself a railroad man!'

He sent orders in Scott’s name, moving trains onto sidings, rerouting traffic, clearing the line. He signed the orders “T.A. Scott.” This was fraud, technically, Carnegie had no authority to issue orders and certainly no authority to forge his superior’s signature. He had bet his career on his judgment of what Scott would want done.

Scott returned that evening. Carnegie confessed. Scott listened to the full account and then delivered the judgment that would shape Carnegie’s career: “Do that again! Make yourself a railroad man!”[1]

VI

What Wallace Would Have Done

> *“*”It is a tower of strength for a boy to have a hero.”*”*
>
> Andrew Carnegie, *Autobiography*

William Wallace was captured in 1305, tried for treason against a king he had never acknowledged, hanged, drawn, and quartered at Smithfield. His bowels were burned while he watched. His head was displayed on London Bridge. By any reasonable measure, his rebellion had failed, Scotland remained under English control for another twenty-three years, but failure of a certain spectacular kind can outperform success.

Five hundred and forty-three years after Wallace’s execution, he was still making decisions for Andrew Carnegie.

Uncle George Lauder had trained young Andrew to recite Wallace’s story from memory. The training was deliberate. Lauder believed that a boy who could summon Wallace in his mind would behave differently from one who could not. He was right, though he could not have predicted the full consequences.

MECHANISM

Implementation Intentions

Psychologists call this mechanism implementation intentions: pre-specified responses to anticipated situations. 'When I feel fear, I will ask what Wallace would do.' The decision is made in advance. The moment of fear does not require deliberation.

“Wallace, of course, was our hero,” Carnegie wrote. “Everything heroic centered in him.”[1] Carnegie did not mean this as nostalgic sentiment. He meant it as operational description.

Walking home through the dark churchyard, terrified, he asked himself what Wallace would do. Carnegie wrote: “There were two roads by which to return from my uncle’s house… one along the eerie churchyard of the Abbey among the dead, where there was no light; and the other along the lighted streets by way of the May Gate. Thinking what Wallace would do, I always replied I was going by the Abbey.”[1]

Psychologists call this mechanism “implementation intentions”: pre-specified responses to anticipated situations. “When I feel fear, I will ask what Wallace would do, and I will do that.” The decision is made in advance. The moment of fear does not require deliberation.

CONTRARIAN

The Hero's Limitation

Wallace was a guerrilla fighter who never surrendered, never negotiated, never compromised. When workers went on strike at Homestead, the Wallace response was defiance. Choose your heroes with care, because you are installing their decision-making patterns.

Wallace's decisions served Carnegie well when young. They may have served him catastrophically at Homestead. Wallace was a guerrilla fighter who never surrendered, never negotiated, never compromised. When workers at Carnegie's Homestead mill went on strike in 1892, the Wallace response would have been defiance. And defiance was what Carnegie's partner Henry Clay Frick *(Partner)* delivered: Pinkerton guards, armed confrontation, twelve dead.[2]

Choose your heroes with care, because you are installing their decision-making patterns into your own operating system. Heroes who embody defiance produce defiant behavior. Heroes who embody patience produce patient behavior. The selection is not neutral. You are choosing who you will become by choosing whose responses you will simulate.

VII

The Cost Obsession

> *“*”Cut the prices, scoop the market, run the mills full.”*”*
>
> Andrew Carnegie’s formula for dominance

Carnegie ran his steel business with a single-minded focus on cost reduction that his competitors considered obsessive, then ruinous, then vindicated. He measured everything. He knew the cost per ton of every input at every plant. He benchmarked his operations against industry averages and demanded explanations for any variance. He scrapped equipment that still worked when newer equipment worked cheaper.[3]

“Cut the prices, scoop the market, run the mills full” was his formula. Lower prices would increase volume. Increased volume would reduce unit costs. Reduced unit costs would permit lower prices still. The cycle would continue until competitors could not match his costs at any price, at which point they would sell to him or fail.

STRATEGIC

The Carnegie Formula

Cut the prices, scoop the market, run the mills full. Lower prices increase volume. Increased volume reduces unit costs. The cycle continues until competitors cannot match costs at any price.

Carnegie’s cost obsession had exactly one peer in American business: John D. Rockefeller, nine years his senior, building Standard Oil in Cleveland while Carnegie built steel in Pittsburgh.[4] The two men never competed directly, oil and steel occupied different supply chains, but they recognized each other’s methods. Rockefeller measured barrel-hoop costs to fractions of a cent and flew into rage when a factory wasted solder. Carnegie measured pig-iron costs to fractions of a dollar and fired superintendents who exceeded targets.

The formula worked spectacularly. Carnegie Steel earned $40 million in profit in 1900, a sum equivalent to roughly $1.5 billion today.[3] The company produced more steel than the entire United Kingdom. Carnegie himself became the richest man in America and arguably the richest man in the world.

QUANTITATIVE

What the Ledgers Missed

Carnegie Steel earned $40 million in profit in 1900. After Homestead, twelve-hour shifts became standard, seven days per week, one holiday on July 4th. Wages fell 20 percent while hours increased. The cost accounting tracked dollars per ton, not injuries sustained.

The formula also had human costs that Carnegie's measurements did not capture. His cost accounting tracked dollars per ton produced, not hours worked or injuries sustained. After Homestead, working conditions at Carnegie's plants deteriorated significantly. Twelve-hour shifts became standard, seven days per week, with a single holiday on July 4th.[6] Wages fell 20 percent while hours increased.

VIII

The Wound That Would Not Close

> *“*”No pangs remain of any wound received in my business career save that of Homestead.”*”*
>
> Andrew Carnegie, *Autobiography*

Carnegie lived for thirty years after selling his steel empire to J.P. Morgan *(Adversary)* for $480 million in 1901.[5] He gave away $350 million, built 2,509 libraries across the English-speaking world, endowed Carnegie Hall, created the Carnegie Endowment for International Peace, funded pensions for university professors, established the Hero Fund to reward civilian acts of bravery.

None of it healed the wound.

Homestead followed Carnegie through every philanthropic act, every public speech, every private reflection. He could not mention the events of 1892 without defending himself, explaining why he had been absent, insisting that he would have done things differently if only he had been there. The insistence was suspect. If Carnegie had wanted to be present, he could have been present. He chose Scotland over Pittsburgh because Scotland was pleasant and Pittsburgh was difficult, and because his absence gave him plausible deniability for whatever happened in his absence.

The irony is that Carnegie had written, six years earlier, an essay titled “An Employer’s View of the Labor Question” in which he argued that workers had a right to organize, that unions performed a valuable function, and that capital had no business interfering with labor’s right to bargain collectively. The essay made Carnegie famous as an enlightened capitalist. Homestead made him famous as a hypocrite.

CONTRARIAN

The Failed Ledger

Carnegie's rise required contributions that never appeared in his accounts: the father whose obsolescence funded the emigration, the workers whose twelve-hour shifts subsidized the libraries, the dead at Homestead whose blood purchased the salmon fishing in Scotland.

Was he a hypocrite? The question is too simple. Carnegie believed, sincerely, that his methods produced better outcomes for workers than the alternatives. The belief was not pretense. It was self-deception, which is harder to condemn and harder to correct, because the self-deceiver is the last to know, and has the strongest incentive not to find out.

> **Through-Line: What does it cost to become the richest man of your age?** > > Carnegie's rise required contributions that never appeared in his accounts: the father whose obsolescence funded the emigration, the mother who delayed a son's marriage until she died, the workers whose twelve-hour shifts subsidized the libraries, the dead at Homestead whose blood purchased the salmon fishing in Scotland. > > The question is not whether to accumulate power. Power accrues to those who build capacity, and capacity requires accumulation. The question is what you will do with what you accumulate, and whether you will see the costs you impose on others while you are imposing them, or only afterward, when repayment has become impossible.

IX

Portable Playbooks

The Night Walker's Method

How to build asymmetric knowledge through systematic reconnaissance

A1. ccept an unglamorous position that grants access to information flows: mailroom, messenger, assistant, analyst. The position should be beneath your capabilities but above your knowledge.

2. Identify the information that matters to decision-makers: names, relationships, prices, schedules, patterns. Map the terrain before trying to navigate it.

3. Commit to nocturnal discipline. Use hours others spend on entertainment for systematic study. The night walking is literal or metaphorical, what matters is the compounding hours.

4. Build memory through active recall, not passive review. Test yourself. Carnegie rehearsed streets in order, naming firms from memory. Spaced repetition is ancient; the science merely confirms the practice.

5. Maintain the practice for years, not months. Carnegie walked for years. Diller read for three years. The asymmetry only emerges at scale.

When It Works: Industries with high relationship density where knowing who knows whom creates advantage: finance, entertainment, politics, professional services, sales.

The Hero Installation Protocol

How installed decision patterns shape outcomes you cannot predict

1. Select a hero whose qualities match the traits you want to develop. Carnegie did not stumble onto Wallace. Uncle Lauder installed Wallace through years of training.

2. Learn the hero's story in detail. Carnegie could recite Wallace's history from memory. Vague admiration produces vague guidance. Specific knowledge produces usable decision rules.

3. When facing decisions, ask what the hero would do. "What would Wallace do?" is an implementation intention. It pre-commits you to a course of action before the moment of decision arrives.

4. Use the hero's imagined response as a default, overriding your own impulses. When fear says retreat, Wallace says advance.

5. Accept the hero's limitations, before they cost you everything. Wallace was a guerrilla fighter. His pattern produces defiance. Carnegie applied this pattern in contexts where defiance was inappropriate.

When It Works: Building habits that require overriding natural impulses: courage when fear suggests retreat, persistence when frustration suggests abandonment.

Warning: Choose your heroes with care, because you are choosing who you will become. Wallace served Carnegie well for sixty years, and then the pattern Carnegie had installed as a frightened boy became the pattern that put twelve men in the ground at Homestead.

Appendix A: People

John D. Rockefeller PARALLEL

Fellow cost obsessive who built Standard Oil using eerily similar methods in a different industry

Henry Ford SUCCESSOR

Applied Carnegie's vertical integration and cost focus to automobiles a generation later

Henry Clay Frick PARTNER

The operational executor whose ruthlessness at Homestead and later rebellion exposed Carnegie's contradictions

Thomas Scott MENTOR

Pennsylvania Railroad superintendent who taught Carnegie decision-making under uncertainty

J.P. Morgan ADVERSARY

Purchased Carnegie Steel for $480 million, creating the first billion-dollar corporation

Captain William Jones PARTNER

The master steelmaker who proved eight-hour shifts outperformed twelve — then died in an explosion at Edgar Thomson

Appendix B: Connective Tissue

Cost Obsession MOTIF

Measure everything, benchmark relentlessly, and drive costs below what competitors believe is possible. The formula that built Carnegie Steel and destroyed its workforce.

The Immigrant Edge PATTERN

Immigrant hunger produces a specific cognitive advantage: the willingness to do unglamorous reconnaissance work that native-born competitors consider beneath them.

The Night Walker's Method PLAYBOOK

Build asymmetric knowledge through systematic reconnaissance. Carnegie memorized Pittsburgh; Diller read every contract; Ovitz maintained 210 subscriptions.

The Hero Installation Protocol PLAYBOOK

Pre-installed decision patterns shape outcomes you cannot predict. Wallace served Carnegie for sixty years — and then put twelve men in the ground at Homestead.

The Concentration Doctrine KEY THEME

Put all your eggs in one basket and watch that basket. The doctrine that built Carnegie's fortune during the Panic of 1873 — and that he himself identified as compulsion.

The Iron-Clad Agreement KEY THEME

A partnership contract that attracted talent by offering equity, then ensured that equity could never be redeemed at market value.

The Benefactor's Decay PATTERN

Philanthropy intended to offset extraction follows a predictable decay curve. Initial reputation benefits erode as the extraction becomes visible.

The Disposable Soma PATTERN

Every system that optimizes for one metric degrades every metric it does not measure. Carnegie's cost accounting tracked dollars per ton, not human cost.

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