
“We are going to have in this Republic a standard of financial and corporate morals that will square with the moral sense of the American people in their private conduct; and we are going to have it at any cost.”—The World’s Work.

HERE is food for serious thought in the statement quoted above from an able editorial on the present industrial and financial situation in this country; for it conveys so exactly the view of the honest citizen, the man who applauds and encourages every fresh move in the unremitting investigation and prosecution of those of our great monopolies whose methods of overpowering their competitors will certainly bear looking into. Yet is it a view that goes sufficiently beneath the surface to ask the question: is it true that the bulk of the people have a higher moral sense than is expressed in the state of affairs revealed in insurance and trust companies and politics under the search-light of investigation? Is it not rather true that the whole social structure is permeated by influences that have their rise at the very foundation of our national life? As the growth of a nation is always from the bottom, so the seeds of corruption and disintegration take root at the beginning in the great mass of the people, creating a national idea of which the big events are but the result.

Through the medium of the sensational journals—and also many that are by no means sensational—we hear all about the scandals that arise out of the reckless speculations of bank directors; the dishonest methods of insurance officials; the unlawful discrimination by railroads in favor of certain large shippers; the tyranny of the trusts, and the audacity of corrupt politicians in manipulating legislation to serve their own ends.

But do we ever take into consideration that all these obvious evils are merely like the spreading branches of a tree, which derive their life from hidden roots which we never stop to take into account? The average American citizen is usually a clean, honest man of business. He reads in his paper, for instance, an exposure of scandal
in connection with a big life insurance company, which has been speculating recklessly with the funds of policy holders and diverting a goodly portion of the same to the private advantage of the directors and other officials—and piously thanks God that he is not as other men are. Yet the chances are about even that this same respectable citizen holds a tontine policy, which is at the very foundation of all reckless speculation in life insurance. The same average citizen may join in the most fervid of the outcries against Wall Street, yet what is the percentage of chances that he would not himself “take a flyer” upon receipt of a sufficiently sure “tip”?

In fact, from the workman at his bench to the biggest trust magnate in the country, the spirit of speculation—of gambling on the chance of getting something for nothing—permeates our whole social structure from bottom to top.

PEOPLE talk much of the revolution in our whole industrial life that was caused by the introduction of machinery, and often deplore the consequent decay of handicrafts and of small individual industries. Yet the material change, great as it is, is not so significant or far-reaching as its moral effect upon the people. The point is that the general introduction of labor-saving machinery capable of turning out any good product in enormous quantities has brought with it possibilities that all tend toward exploitation as well as production. A generation ago men learned trades, and learned them thoroughly. Now every manufacturer realizes his inability to get trained mechanics at any price. The general belief is that they are no longer necessary, because all that seems to be required from the workman of today is just enough ability to run his machine. Fathers, who in their boyhood learned a trade thoroughly, and worked with interest and understanding at the forge or the bench, have no desire to see their sons learn the same or any other trade. It is too hard work and the gains are not immediate or big enough. They would rather see their boys “get a chance,” that is, see them launched in some business by which in time, if they are “smart” enough and the chance is good enough, they may become exploiters of the labor of other people—that is, that they may have the good luck to get rich by profiting from the value of some commodity which they have not themselves produced.

The small farmer, if he is ambitious to see his son succeed, does not encourage the boy to remain on the farm, nor does he often care to work it himself—that is, if he happens to be a man of energy and
ambition. Instead of working directly to get the best results out of the means at hand, and to put brain and energy into producing the utmost that can be gained from his farm, like the skilful farmers of some of the older countries, as a rule he either has his mind on the big profits to be gained from a bonanza farm out West, or else his dream is to go to the city, or to send his boy there, and take chances on being able to "make a fortune."

The same thing is true of the young wage-earners, especially girls, who fill our factories, department stores, and offices. Cases where their wages are required to meet a direct need at home are by no means the rule. Instead, it is usually a desire for more freedom, and for money of their own to spend, that leads them away from home and home work. The work that under more normal conditions was done at home as a matter of course, to meet directly the need that existed there, is now given over to be exploited by factories and department stores. It is a truth, now so universally recognized as hardly to need repeating here, that the most solid mental and moral development results from learning to use the hands dexterously and well in some useful productive employment. In earlier and simpler days our grandmothers spun and wove the cloth for the garments of the family, which were fashioned by their own hands with all the interest, taste and skill of which they were capable. Even our mothers made and mended their own garments, and the garments of the family. Now girls who go away from home and work in the factory, do for a corporation, under infinitely harder and more cramping conditions, the same work that their mothers used to do at home for themselves, only there is more of it and it is not so good. Instead of using brains and fingers to satisfy a direct need, they sell both to be slaves of a system in order that their labor may be exploited, first by the manufacturer and then by the department stores, that a cheap and inferior product may in time be sold back to them and to their people. And at the root of the whole thing is extravagance; the desire to have money to spend; the prospect of being able in time, if they are "lucky", to "get a raise" and so have more money to spend. It is urged by the women and girls who do this, that it is not worth while to mend clothes or darn stockings, because it is so much cheaper to buy new ones. This may be the literal fact, so far as the cheap stockings and garments are concerned, yet—what does it do to the moral fiber of the woman who, responsible for the use and control of much of her husband’s income, thus learns extravagance and utter carelessness in little things?
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MUCH has been said about the danger of the big department stores pushing out of existence the smaller dealers. This is not the case to the extent that is generally believed, but that it is the case in some instances, and under certain conditions, is not due to any oppression or unfair methods on the part of the owner of the department store, nearly so much as it is due to the thoughtless extravagance of the great mass of people, who allow themselves to be allured by the inviting bargains and tempting advertisements which are so large a part of the stock in trade of department stores. They are clever advertisers, and understand exactly how to appeal to the tendency of human nature to take a chance on getting something for less than its actual value, or something that gives immediate and big results for an apparently trifling outlay. Where there is ready money to pay for any desired luxury, it is not so bad, even if the purchaser may not at the time be able really to afford the luxury, but where there is a deliberate invitation to people to run into debt, the appeal to the speculative instinct is directly dangerous.

For example, one of the big New York department stores advertised a sale of pianos for brides, upon terms which apparently placed this luxury within the reach of every young, newly-married woman, who had either been used to a piano in her father's home, or who felt that it would add greatly to the furnishings of her own new home if she could have one. To pay five dollars down, and two dollars a week, seems a small matter, but the moral effect of it cannot be estimated. If a piano on the installment plan, why not other luxuries on the same easy terms?—until the time comes when the household is struggling under a burden of perpetual debt, and too often the husband is driven to questionable ways of pulling himself out of what seems a bottomless slough. With increasing debt staring him in the face, he can hardly be blamed if he falls an easy prey to the politician, to the gambler in stocks, or to any other of the numerous avenues by which something may be had for nothing more than a little latitude with regard to strict honesty.

So it is with the effect of factory methods upon the ordinary workman. A carpenter working at his bench is told by the foreman not to stop to pick up the nails that have slipped through his fingers, as his time is worth more than the nails. In other words, he is taught a slipshod carelessness toward the property of his employer, that finally extends to everything. If he were a good, conscientious, thoroughly-trained workman of the old school, he would be as careful of small things as of great, and would no more waste the property
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and the time that belong to his employer, than he would steal from him. It is the machine-made method of doing things hurriedly and carelessly that takes away from a workman his sense of care for things. When the business is his own, and any loss through wastefulness will fall upon him, he always feels the little prick of necessity that teaches him to economize and to make everything give an account of itself, knowing that success or failure may depend upon the stoppage of small leaks. It is only when his work is exploited by others, and when he feels also that his union is back of him and will hold his job for him, no matter how careless or incompetent he may be, that the urge of necessity and consequently the need for care and economy of time and material slackens, and in its place comes a tendency to give just as little as possible in return for the most he can get. When people worked for each other in the intimate way that prevailed in a simpler and saner state of society, there was no element of exploitation, consequently the work was honest and pains-taking, made to satisfy a real need and to last as long as possible, instead of being a makeshift to tempt extravagance by its “novelty,” and so to stimulate the market for the advantage of the exploiter or the speculator.

IT SEEMS a far cry from workmen and factory girls to bank directors and trust magnates, yet the response of the first to what has become a national ideal is the root from which the spreading tree of speculation and exploitation has grown. This is the underlying reason for all the industrial and financial evils against which there has been such an outcry. The desire to speculate—to do big and daring things—to beat the other fellow and get something for nothing, permeates the whole American nation—yet the people who stand appalled when they read of the culmination of it all have never once realized the cumulative effect of their own little speculations in helping to influence all the concerns of our national life, or regarded as otherwise than justifiable their own leniency, or at best indifference, toward petty political jobbery by which there was a chance of obtaining some coveted place or privilege, or a chance to develop some profitable scheme.

For example, how do railroad companies and other great corporations get valuable franchises without paying for them? Is it not due to corrupt political methods for which the people themselves are directly responsible, and which they could stop if they chose?

Much public horror and condemnation has been expressed about
the reckless speculations in over-capitalized industries that have been carried on in Wall Street. Would these speculations have been possible if the people had stayed out of the bucket-shops? When there are no lambs for the shearing, the bulls and bears have little to do.

How does it come about that the directors of our large life insurance companies are not content with their own more than ample salaries, but find it necessary to speculate with the premiums paid into the company, mostly from hard-earned salaries or savings of those who are trying to make an honest living and to provide for their families? Has it not all arisen since the speculative element came into the life insurance business with the tontine or deferred dividend policy?

Why have trust companies become less stable than national or savings banks? Is it not because they have exceeded their original functions of administering estates, certifying mortgages, making investments for people, and doing a general trustee business, and have now widened their field so far that they not only discount notes, administer estates, deal in foreign exchange, handle margin accounts for customers—in this way acting as a money-broker—and also conduct a sort of nursery where trusts are tenderly cared for during infancy? By far the greater part of their business thus becomes speculative, and any sudden call upon them, such as a run like those we have lately seen, finds them in a position where it is impossible for them to call in the funds with which they have been speculating, and, unless other banks come to their aid, there is nothing for it but to close their doors. The latitude of the trust companies is so wide that, when the directors in a national or savings bank desire to speculate, they do so by the simple means of becoming a director in a trust company. So the question naturally arises when a man is made a director in a number of trust companies: Is it because of his great ability as a banker, or because he wishes to use the funds of the so-called banks, to control the watered stocks of his steamboat companies? Under such conditions is it not astonishing that something very like a panic among investors follows any revelation of the doings of certain high financiers, and also it is not surprising that the late flurry, for instance, was confined chiefly to the trust companies, as there is absolutely no occasion for a run on a national bank, which under the law is not permitted to speculate in any way.

Which is the greater factor in the formation of a trust, economy or speculation? Much is said of the economy with which the business of gigantic corporations is carried on, but it is seldom said—or
realized—that the trust itself is founded on extravagance for the reason that it manipulates rather than produces, and so is speculative in its nature from the beginning. The man who promotes or gets together a trust is the most daring and reckless of speculators. He is never a producer, but merely a promoter, manipulating something of value that some one else has worked for, in such a way that its value is inflated many times in the issuance of the stock. The very thought connected with the birth of a trust is speculation, not economy, and the manufacturer who has produced something upon which he made a fair profit, and who allows his plant to become one of many that are included under the management of a trust, ceases from that moment to be solely a producer, and becomes largely a speculator. Watered stock and the new financial plan of capitalizing upon the basis of the earning power instead of the assets of the concern help to create a speculative instead of an actual value, and opens the door for every form of extravagance, because the returns from the sales of stock mean "easy money," and so take away the urge of immediate necessity to produce. Yet without the possibilities of gain from speculation that tempt the manufacturer, the promoter would be out of a job; the trust companies would not have the opportunity of taking big chances in sometimes risky underwriting, and very few trusts would come into being.

After they have come into being, what is it that absorbs the greater part of the time of directors of big corporations? Is it the economical administration of the business with the view of getting the best products to offer to the people at the lowest price consistent with a reasonable profit, or is it the speculative manipulation of the shares of that combination?

What is it that attracts the most earnest efforts of our railway magnates? Is it the best possible handling of the traffic, with a view to the safety and comfort of passengers, or is it the stock ticker? In taking into account this whole situation, is it not more reasonable for us as a people to look straight at our own share in all the abuses that rouse us to wrath, and to find out whether or not it is true that we have at present in this Republic a standard of financial and corporate morals that square exactly with the moral sense of the American people in their private conduct, and that the events of the last year show that we have had it at a tolerably stiff cost to ourselves.