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by Frank B. Anderson**

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**Title:** Morals in Trade and Commerce

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**Release Date:** June 30, 2009 [EBook #29276]

**Language:** English

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\*\*\* START OF THE PROJECT GUTENBERG EBOOK MORALS IN TRADE AND  
COMMERCE \*\*\*

**MORALS IN TRADE AND  
COMMERCE**

A LECTURE BY  
**FRANK B. ANDERSON**  
President of  
The Bank of California  
National Association

DELIVERED BEFORE THE STUDENTS OF  
**THE UNIVERSITY OF CALIFORNIA**  
BERKELEY  
February 15th, 1911

Under the "Barbara Weinstock" Foundation

**MORALS IN TRADE AND  
COMMERCE**

The most beautiful thing about youth is its power and eagerness to make ideals, and he is unfortunate who goes out into the world without some picture of services to be rendered, or of a goal to be attained. There are very few of us who, at some time or another, have not cherished these ideals, perhaps secretly and half ashamed as though to us alone had come an

inspiration of a career that should touch the pulses of the world and leave it better than we found it. And in the making of youthful ideals we have changed very little with the passage of the centuries. The character of the ideals has changed with changing needs, but not we ourselves. Our young men still see visions; they still fill the future with conflict and with struggle and prospectively live out their lives with the crown of achievement in the distance. It is well that it should be so. The ideals of our youth are the motive-power of our lives, and even those of us who have lived far into the eras of disappointment would not willingly wipe from our memories even the most extravagant day dreams from which we drew energy and hope and fortitude and self-reliance.

If ideals have such a power over our lives, if they energize and direct our first entry into the world of affairs—as unquestionably they do—they must be counted among the real forces of the day and as such they are as much a matter for our scrutiny and control as educational development or physical perfection. Not, perhaps, in the same way, for our ideals belong to that private domain wherein we rightly resent either dictation or authority from the outside. But we can apply both dictation and authority for ourselves. With a firm determination to be upon the right side of the great issues of the day, to uphold honor and justice in public affairs, to uproot the tares and to sow the wheat in the domain of national business, we can apply our whole mental strength to a proper determination of those issues, to a correct distribution of praise and blame, to a careful adjustment of the means to the end and to a precise appreciation of the facts. We can satisfy ourselves that we have heard both sides and that enthusiasm has not deadened our ears to all appeals but the most noisy. We can see to it that our attitude is the judicial one and that our minds are so fixed upon the truth and upon the whole truth that there is no room for prejudice or for passion. All these things can be reared as a superstructure upon the groundwork of lofty ideals, for just as there can be no progress without ideals so there can come nothing but calamity from ideals that are not guided by reflection and by knowledge.

Never before has it been so hard to know the facts as it is to-day. If we must give credit to the press for the diffusion of knowledge so also must we recognize its equal power to diffuse prejudice and bias. The newspaper and the magazine of to-day are vast and intricate machines that supply the great majority of us with practically all the data upon which we base our judgments. The public mind and the popular press act and react upon one another, the press setting its sails to catch every wind of public interest and the public upon its part demanding to be supplied with all those departments of news to which at the moment it is specially attracted. Commercialism and competition have barred a large part of the press from its rightful office as leader and molder of opinion and have reduced it to the position of a clamorous applicant for public favor. The press, like everything else, is ruled by majorities, and in order to live it must cater to the weaknesses of popular majorities, it must reflect their prejudices, it must sustain their ill-formed judgments, and it must so sift and winnow the news of the day that the whims and the passions of the day shall be sustained. There are some newspapers and magazines that are honorably willing to represent only ripe thought and unbiased judgments, but they are not in the majority.

What verdict would the historian of the future pass upon the civilization of to-day if he were restricted to the files of our newspapers for his material. It must be confessed that we of to-day, in the hurry and tension of modern life, are hardly in a better position. Whatever we may suppose to be our attitude toward the press, with whatever scorn we may regard its baser features, it has an effect upon our minds far greater than we suppose. It is the steady drip of the water upon the stone that wears it away. It is the steady presentation of one aspect of human life, and that the lowest, that slowly jaundices our view and that produces either a rank pessimism or else an indignation against evil so strong as to efface judgment and to paralyze reason. Day after day we see human nature presented in its worst aspects and only in its worst aspects. We see fraud, cupidity, tyranny, and violence paraded before us as being almost the only activities worth reporting. Dishonesty is offered to us as the prevailing rule of life, and we are asked to believe that the spirit of commercial oppression has allied itself with the machinery of government for the oppression of a nation. It is a dreary picture, a picture that, if faithfully drawn, would justify almost any remedial measures within human power, a picture that by the skill of its presentation arrests attention and almost compels belief.

That we so seldom compare the picture with the original is one of the

anomalies of modern life. And yet the original is before us and around us all the time, inviting us to notice that it is only the exceptional that is reproduced with attractive skill and that it is only the abnormal that is emphasized with adroit arrangements of line and color. Day after day we read of the sensational divorce cases, but there is not one line of the tens of thousands of happy marriages upon which no cloud of discord ever falls. Day after day we read of the scandals of municipal government, but how often do we remember the great army of municipal officials who do their whole duty devotedly, courageously, unselfishly? Day after day we hear of corporation tyranny, corporation lawlessness, or corporation greed, but what recognition do we give to corporations that obey the laws, whose operations are above censure and who add immeasurably to the wealth of the country and to the prosperity of every citizen in it? With this constant presentation of depravity, this incessant harping upon the one string of human dishonesty, what wonder that our visions should be distorted or that we should exclude from our horizon almost everything but the sinister features of modern life. What wonder that the young men and women should look at the career before them through an all-pervading fog of suspicion or that the days ahead of them should seem to be filled with the struggle against a universal dishonesty.

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It is from such illusions as this that we must free our ideals if we would do effective work for the world and for ourselves. There are real enemies enough without erecting imaginary windmills to tilt against. Frauds, depravities, tragedies surely await us, now as ever, but we shall be doubly armed against them if we look upon them as the exceptions and not the rule and if we draw strength from the great background of human virtue and honesty. And there is such a background, unchanging, resistent, resolute, even though the limelight of publicity be persistently directed upon the few sinister figures on the front of the stage. We cannot afford to lose our faith in human nature, we cannot afford to shut out the greater and the best part of life or to gaze so persistently upon the abnormal that we can no longer see the normal and the ordinary. Let us cultivate our sense of ethical values and of ethical perspective rather than to crouch behind a shrub until it looks like a forest.

We are indebted to our commercialized newspapers and magazines for our distorted views of human life and for the cynicism that it is the momentary fashion to affect, but that is always disfiguring to the mind that harbors it. Certainly we can get no such views and no such cynicism from our own experience or from personal knowledge of the men and women who surround us. Honesty is a more familiar sight than dishonesty. All the common and familiar processes of our daily life are based upon an expectation of honesty, and if you will stop to consider for a moment you will see that those processes could not go on without that expectation. And how seldom is it falsified. Sometimes of course there comes the jar of disappointment, but the fact that there is a jar shows that it is the exception and not the rule. However much we may talk of guarantees and safeguards and securities, however much we may talk of a business method or instinct that takes nothing for granted, it remains a self-evident fact that we must take human honesty for granted, that we must assume that the man with whom we do business intends to do it rightly and honorably, that he is actuated by a settled principle of fair conduct that will work automatically, and that without this automatically working standard of behavior all our guarantees and safeguards and securities would really have very little value. It is the universal expectation of fair dealing that makes business possible and, in fact, it is this universal expectation of good behavior that makes its breach sufficiently novel to be reported in the newspapers. If fraud and chicanery and violence were the order of the day, they would have no value as news. After twenty-nine years of dealing with human nature in a business where it is seen at its extremes—at its best and at its worst—I believe that the great majority of men and women in business are honest and I am certain that if this were not so, it would be impossible to carry on business. Take the statistics of the credit insurance business, a business that may be said to be based upon an assumption of human honesty; examine the statistics of the losses made in business and you will find that these are but a small fraction of the total amount involved and even this small proportion is chiefly due to errors of judgment or to causes in which dishonesty plays no part. Ask any banker how much he relies upon human honesty as an indispensable background to the ordinary precautions and safeguards of his business. Ask him what is his attitude toward a client whom he detects in a lie or in sharp practice, and he will tell you that he has no use for such a man. He would rather be without his business and free from all contact with those whose natural and innate sense of honesty is lacking. Go wherever you like, and you will find the same expectation, the same

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assumption of honesty. You will find that no business can be carried on without it. Whatever high and honorable ideals you may have formed you need have no apprehension that they will be scorned in the business world or that you will have to put them away to win success. It is in the business world that they will be valued, and even the mental equipment that you are now seeking will be less important to you, a lesser guarantee of success than your sense of honor and truth and probity. When you reach the business world—and many of you perhaps will go into the great corporations that are now ceaselessly paraded before you as wolves and as public enemies—you will find there the same kind of human nature that you find here in college, the same estimation of probity and of fair dealing. If you do mean or underhand things, you will find that they are branded in the same way there as here. You will find that manliness and integrity are the rule and not the exception, and I will venture upon the prediction that when the time comes for you to look back upon your career you will see that there has been a steady improvement all along the line, just as those who are already able to look backward find that there has been an improvement since their own college days. But that will rest with yourselves, for the future is in your own hands. It is for you, gentlemen, to see that moral and ethical progress is unbroken.

Now let me say a word about the corporations of which we hear so much in the newspapers and magazines and that are so persistently represented as enemies of the community and as vampires that are sucking the life-blood of the nation. I think there may be plenty of room here for clarification of our views, and, indeed, we should all be better for it if we could give more precision to our thinking and free ourselves from the imputations that have been allowed to cluster around certain terms. You may be sure that I am under no inclination to defend criminality or wrong-doing or to deny their existence wherever they are actually to be found. There are criminal corporations just as there are criminal doctors, and lawyers, and clergymen. Wherever men are gathered together there you will find a certain number who are disposed to seek their personal advantage in reprehensible ways, but because some doctors and some lawyers and some clergymen are criminals we do not attach an imputation to their respective professions. We are content to say that there are black sheep in every flock and so pass on. But the newspapers and the magazines have seen fit to concentrate their attention upon the criminal or the illegal acts of certain individuals who belong to corporations and to explain those acts in a manner which often leads their readers to assume that the acts are an essential part of corporation business. As a result, the very word "corporation" has taken on a sinister meaning, and we are asked to look upon the corporations very much as the Rhine peasants used to look upon the robber barons who were accustomed to swoop down upon them and carry off their flocks. A corporation is absolutely nothing more than a partnership of individuals who prefer to do business under certain regulations imposed by the government. There is no difference between the corporate and the individual ways of doing business except a piece of stamped paper issued by the Secretary of State. The corporation is made up of individuals who have just the same ideas of honor as you have yourselves, who have just as much integrity, just as great a love of fair play. A man does not change his nature just because he turns his business into a corporation any more than he changes his nature because he moves from one street to another or from the first floor to the second. A corporation then is a combination of men that has been formed under the sanction of law to carry out certain projects that it would be difficult or even impossible to carry out in any other way. The men forming those corporations are just such men as we meet in daily life, no better and no worse, and therefore with all those normal inclinations toward honesty that we are conscious of possessing ourselves and that we are in the habit of finding in others. The fact that these men have formed themselves into a corporation is no more significant of evil than a combination or a partnership among doctors or laborers. It is a part of the spirit of the age, an age that is called upon to do great things, to develop vast natural resources, to feed and clothe great centers of population, and to undertake a hundred other enterprises too large for the strength of the individual. I should like you to think over the real meaning of this term "corporation" in order that you may understand that it has no sinister significance whatever, that it is nothing more than a partnership that has registered itself under certain legal conditions for purposes that are laudable and honest. If you will do this, you will understand at once how senseless is the outcry against corporations as such and how absurd it is that any stigma of dishonesty should be placed upon a particular form of doing business that is exactly like other forms of doing business, with

the addition of a legal registration. As I have already said, there are some corporations that break laws, or rather certain individuals who are parts of corporations and who break laws, just as there is a certain small proportion of law-breakers in every section of every community. But that fact carries with it no reflection upon corporations as such, and when our sensational publications and politicians use the word "corporation" as though it were an alternative term for brigand or pirate they are simply assuming a public ignorance that may exist outside, but that certainly ought not to be found within a university. They are taking advantage of a nearly universal disposition to believe one's self injured and are appealing not only to ignorance, but to a low form of cupidity and of mob greed. They would have no success in their crusade against corporations as such if there were any general understanding of the meaning of terms or if it were generally recognized that there are thousands of corporations in this State, and thousands in every State against whom no whisper of wrong-doing has ever been raised and who are doing a useful work, of which every individual among us is a beneficiary, directly or indirectly. Now it is not only in our definitions that we need to be precise and to think clearly. We have already seen the need of a better discrimination between the very few corporations that are accused of breaking the laws and the vastly greater number that we never hear of at all and that do their business as quietly and honestly as the baker or the butcher. If lawbreaking is to be found in the business of some corporations, it is incumbent upon us to determine just in what way the law is being broken, why it is being broken, what sort of law it is that is being broken, and how much moral turpitude or public wrong is involved. All these factors would be determined by a judge upon the bench before passing sentence upon the meanest malefactor, and yet we find that the public is constantly urged by the newspapers to pass sentences of ruin and confiscation upon corporations as a whole, with their tens of thousands of innocent stockholders, without any kind of inquiry and under the influence of uninformed passion.

There is no department of ethics more disputed than the meaning of abstract right and wrong, and as I am not talking either on philosophy or ethics I will ask you to accept just such commonsense definitions as can be applied to the business world and that may be usefully employed as a working basis. Commercial morality and honesty are determined by each community for itself in the light of its own special needs and point of evolution. To-day we hold many things to be wrong that were done by our forefathers with clear consciences, and on the other hand we now believe that many things are right that were held by our forefathers to be wrong. There was a time when slavery did not offend the most delicate conscience, and if we go still further back, we shall reach a time when theft was almost the only crime recognized and when wholesale murder was a virtue. Every age had its own standards, and it would be absurd to argue that an act was wrong if it received the sanction of the whole community. It was the communal conscience that determined all problems of right or wrong, and it is still the communal conscience that gives us our definitions of morality and honesty. Here, in my opinion, is where a great part of our trouble arises. The communal conscience has changed, and some things regarded right and proper twenty years ago are frowned upon to-day. But business methods tend to become rigid and inelastic, and a sudden evolution of the public conscience leaves them in the rear. Then comes a sudden recognition of the disparity, and laws are passed to prevent the practices that formerly went unchallenged. Usually these laws are passed in a hurry and by politicians who have no clear grasp of the problem. As a result the laws are ineffective. That is to say, business, clinging conservatively to its familiar ways, finds a plan to continue those ways in spite of the laws passed to prevent them and then public opinion, finding no relief, is angered,—not at the breaking of a law, but because the law itself was ill-designed and ineffective. In other words, public opinion has failed in its effort to force the individual to set aside his own interests for what public opinion considers to be the interests of the community. Public opinion in this country is not a steady and persisting force, as it is in some older communities. It moves spasmodically and after long periods of quiescence and usually under some stress of excitement, which prevents deliberation and therefore effectiveness. Law being more unwieldy than conditions, naturally lags behind them, and what we have to recognize is a change in conditions and in laws and not an outbreak of lawlessness. Another evil result from the impetuous way in which we make laws is that they are not enforced because they are not in harmony with the views of the community. The statute books of every State are encumbered with laws passed in moments of hysteria and never put into

operation, or else allowed to lapse after a few months of confusion. Every newspaper in California, for example, breaks the law every day when it prints a news item without appending the name of the writer, and probably we are all of us breaking laws of which we never heard. This sort of thing brings a law into contempt and robs it of the sacredness that should attach to it. The Sherman anti-trust law, for example, would bring the whole business of the country to a standstill if it were strictly enforced, and I believe it is not good to bring large and innocent sections of the community within the scope of a criminal law simply for the purpose of reaching a minute proportion whose methods are flagrantly bad. If the Sherman anti-trust law were enforced, it would have to be repealed at once, and I think honest traders have a right to complain of a law that makes them technical criminals and is enforced only against notorious wrongdoers. The law should be so framed as to reach only wrongdoers and to leave honest traders outside of even its technical scope.

President Roosevelt was emphatic in his declaration that he intended to enforce the Sherman anti-trust act, and during the four years beginning with 1902 his administration was active in that direction.

In 1906 he stated: "Combinations of capital, like combinations of labor, are a necessary element in our present industrial system. It is not possible completely to prevent them; and, if it were possible, such complete prevention would do damage to the body politic. It is unfortunate that our present laws should forbid all combinations, instead of sharply discriminating between those combinations which do good and those combinations which do evil.

It is a public evil to have on the statute-books a law incapable of full enforcement, because both judges and juries realize that its full enforcement would destroy the business of the country; for the result is to make decent men violators of the law against their will and to put a premium on the behavior of the willful wrongdoers. Such a result, in turn, tends to throw the decent man and willful wrongdoer into close association, and in the end to drag down the former to the latter's level; for the man who becomes a law-breaker in one way unhappily tends to lose all respect for law and to be willing to break it in many ways. The law as construed by the Supreme Court is such that the business of the country cannot be conducted without breaking it."

But let it be admitted that there are cases where abuses exist and where methods of doing business that were harmless enough and even necessary enough a few years ago are now working hardship upon the public as a result of changed conditions. These abuses should be corrected; there is no question about that, and they will be corrected either by violent methods that will leave behind them a heritage of bitter resentments and wrongs or by the way of a real statesmanship that will recognize only facts and that will do justice by methods that are themselves just. For a long time to come it must be the greatest of all problems confronting the statesmanship of our day, a problem that must try our patience and our capacity for self-government. Do not imagine that America stands alone on this perilous path of reform. All the countries of civilization stand in the same place. All are confronted with the same conflict between new ideals and old methods, between the spirit of today and the mechanism of yesterday. The problems of other countries arise from their own peculiar conditions just as our problems arise from our conditions, but their essence, their purport, is the same. And do not imagine that there is any one solution that can be applied or that there is any virtue in the sovereign cure-alls that are clamorously urged upon us by demagogues and by reformers who are eager to reform everything and everybody but themselves. There is no such panacea. It is to be found neither in municipalization, nor nationalization, nor confiscation, nor any of the nostrums advocated so wearisomely by sensation mongers. There is indeed no hope for us except by laborious study of conditions and by an infinitely cautious advance from point to point, so that there may be no injustice, no concessions to prejudice, no incitements of class feeling, no embittering of relations that should be cordial as between citizens of the same republic, whose differences are infinitely small as compared with the well-being of a great nation. Of all the dangers that threaten the path of the reformer that of injustice is the greatest. It is better even that abuses should continue for a time longer than that they should be corrected by injustice and by the infliction of hardships upon those who are wholly innocent. Two wrongs can never make a right, and wherever we find a so-called reform that is based upon injustice be assured that we are only substituting one evil for another and that our latter end shall be worse than the first. It would be impossible for one now to indicate the direction in which reforms should lie, and there is of

course nothing human to which reform is impossible. But it is perhaps suitable that I should indicate some of the ways that can end in nothing but calamity, however alluringly and speciously they may be advocated. For example, there is neither good sense nor honesty in penalizing a corporation because some of its officials have done wrong. Wherever wrong has been done, the guilt is with some individual and not with the corporation as a whole. Find out who that individual is and let him answer to the law, but do not visit his misdeeds upon innocent stockholders who have had nothing whatever to do with the offense, who knew nothing of its commission and could have done nothing to prevent it if they had known. Remember, that a penalty inflicted upon a corporation is actually inflicted not upon guilty persons but upon innocent investors.

15 | Let me give an illustration of the so-called "reforms" that are recklessly urged upon us to-day and that are to be found in operation here and there throughout the country. I refer to the matter of street franchises. Now it may be true, it probably is true, that in many cases these franchises have become of great value and that they ought not to be granted without adequate return. But would it not be just to remember that when these franchises were originally granted they provided a service that was absolutely essential to the growth of the community and that those who obtained the franchises faced a serious risk to their capital and practically threw in their lot with the prospective welfare of the city? It is hard to realize how serious that risk sometimes was and how problematical were the returns. The shareholders in these street traction corporations are spread over the population and every class of the population is represented in them. They invested their money in good faith at a time when no question had ever been raised as to the propriety of these franchises and at a time when these franchises were considered to be for the public good and indubitably were for the public good. And I will ask you if it is honest to use all the machinery of the government, all the artifices of the politician to depreciate the value of those franchises, to threaten their holders with confiscation, to hamper and harass them by all the ways that are open to a democratically governed people? I say unhesitatingly that it is dishonest to do these things, and I will go so far as to say—believing as I do in the good faith of the great majority—that most of those who noisily advocate such measures would be ashamed to do so if they would but face the facts and understand what it is that they are actually doing and the wrong that they are inflicting upon innocent men and women. If mistakes have been made in granting franchises, then take care to avoid such mistakes in the future, but do not enter into a bargain that seemed advantageous to yourselves and then repudiate it when you find that it is not so advantageous as you thought. There is no way to reconcile such a thing with common honesty, and it is in no way mitigated by the fact that it is done by a community and by means of a vote rather than by an individual and in the ordinary small affairs of life. We all know what we should say of the man who acted in this way toward ourselves personally, but in advocating some of the schemes that are now recommended to us by sensational politicians, newspapers, and magazines we are making ourselves responsible for a dishonesty far greater than the evils that we are trying to remedy. Let us by all means reform whatever needs to be reformed, but let us do it with clean hands.

16 | Now, I think that I have said enough to justify my belief that these great problems of our social life are not of a kind to be settled off-hand by violent or radical legislation. They are not to be settled by any one scheme or by any one plan. The only way to approach them is by careful and conscientious thought, a minute examination of the facts at first hand and a rigid determination to act toward corporations and business interests in general in the same spirit of unswerving honesty that you would wish to display to a comrade or to a friend and that you would wish to be displayed toward yourselves. You will find that honesty is the royal road to success in commercial life, and it is also the royal road to all reform in our communal life. Do not go out into the world with any expectation that you will be required to surrender the ideals that you have formed in your youth, or that you will be asked to choose between honor and success. Those ideals will be the greatest capital with which you can be endowed. They will attract to you everything that makes life desirable and without them you can have neither self-respect nor the respect of others.

And as a last word let me recommend you not to be carried away by those gusts of prejudice and passion that sweep periodically through the community. There is a contagion in these things that it is hard to resist, and so much that to-day passes for thought is not thought at all, but merely the automatic, unreflecting acceptance of wild theories that are enunciated with so much force that they seem to be almost axioms. Your study of history will

show you that the world has always been subject to these waves of emotion, that are sometimes religious, sometimes political, and seem for the time to carry everything before them. We are passing through such a period now, a period of intense unrest, of revolt against conditions that we ourselves made, against methods that we ourselves created and sanctioned. I advise you to look askance upon every movement that in the language of the day is called popular. Do not accept a theory or a doctrine because it is popular, but on the other hand do not reject it for that reason. Do not permit yourselves to be carried off your intellectual feet by indignation or by protest. Demand of every political theory that it stand and deliver its credentials, and before you allow it to pass into the realm of your adoption, see to it that you understand it in all its bearings and that you have traced its results so far as is possible to your foresight; let the final test be one of human justice and of honesty, and then with courage use your power to aid in the formation of public opinion, remembering that public opinion is after all the great controlling force.

#### **Transcriber's Note.**

The typographical error "resistent" has been corrected. Variations of hyphenation from the original document have been retained.

\*\*\* END OF THE PROJECT GUTENBERG EBOOK MORALS IN TRADE AND  
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