

to depend less upon one particular company. At the same time it must be remembered that the more populous and wealthy the country, so much the larger the business of a trunk line, and the number of its branches and its employés; while the consolidation of small lines, or their absorption by large ones, is a process evidently destined to continue. It may therefore be conjectured that the railroad will long stand forth as a great and perplexing force in the economico-political life of the United States. It cannot be left to itself — the most extreme advocate of *laissez faire* would not contend for that, for to leave it to itself would be to make it a tyrant. It cannot be absorbed and worked by the National government; — only the most sanguine state socialist would propose to impose so terrible a strain on the virtue of American politicians, and so seriously to disturb the constitutional balance between the States and the Federal authority. Many experiments may be needed before the true mean course between these extremes is discovered. Meanwhile, the railroads illustrate two tendencies specially conspicuous in America, — the power of the principle of association, which makes commercial corporations, skilfully handled, formidable to individual men; and the way in which the principle of monarchy, banished from the field of government, creeps back again and asserts its strength in the scarcely less momentous contests of industry and finance.

CHAPTER CIV

WALL STREET

No invention of modern times, not even that of negotiable paper, has so changed the face of commerce and delighted lawyers with a variety of new and intricate problems as the creation of incorporated joint-stock companies. America, though she came latest into the field, has developed these on a grander scale and with a more refined skill than the countries of the Old World. Nowhere do trading corporations play so great a part in trade and industry; nowhere are so many huge undertakings in their hands; nowhere else has the method of controlling them become a political problem of the first magnitude. So vigorous, indeed, is the inventive genius of American commerce that, not satisfied with the new applications it has found for the principles of the joint-stock corporation, it has lately attempted a further development of the arts of combination by creating those anomalous giants called Trusts, groups of individuals and corporations concerned in one branch of trade or manufacture, which are placed under the irresponsible management of a small knot of persons, who, through their command of all the main producing or distributing agencies, intend and expect to dominate the market, force manufacturers or dealers to submit, and hold the consumer at their mercy.¹

Here, however, I am concerned with the amazing expansion of joint-stock companies in America, only as the cause of the not less amazing activity in buying and selling shares which the people display. This is almost the first thing that strikes a European visitor, and the longer he remains the more deeply

¹ The question what is the legal status (if any) of these Trusts, the first of which was created in 1869, has been much discussed by American jurists. When Congress legislated against them in 1890 there existed at least thirty.

is he impressed by it as something to which his own country, be it England, France, or Germany, furnishes no parallel. In Europe, speculation in bonds, shares, and stocks is confined to a section of the commercial world, with a few stragglers from other walks of business, or from the professions, who flutter near the flame and burn their wings. Ordinary steady-going people, even people in business, know little or nothing about the matter, and seldom think of reading the share lists. When they have savings to invest they do as they are bidden by their banker or stockbroker, if indeed they have a stockbroker, and do not get their banker to engage one.¹ In the United States a much larger part of the population, including professional men as well as business men, seem conversant with the subject, and there are times when the whole community, not merely city people but also storekeepers in country towns, even farmers, even domestic servants, interest themselves actively in share speculations. At such times they watch the fluctuations of price in the stocks of the great railroads, telegraph companies (or rather the Telegraph Company, since one overshadows all others), and other leading undertakings; they discuss the prospects of a rise or fall, and the probable policy of the great operators; they buy and sell bonds or stocks on a scale not always commensurate with their own means.² In the great cities the number of persons exclusively devoted to this occupation is very large, and naturally so, because, while the undertakings lie all over a vast extent of country, the capital which owns them is mostly situate in the cities, and, indeed, six-sevenths of it (so far as it is held in America) in four or five of the greatest Eastern cities. It is chiefly in railroads that these Easterns speculate. But in the Far West mines are an even more exciting and pervasive interest. In San Francisco every one gambles in mining stocks, even the nursemaids and the Chinese. The share lists showing the oscilla-

¹ There are, of course, simple folk in England who take shares on the faith of prospectuses of new companies sent to them; but the fact that it pays to send such prospectuses is the best proof of the general ignorance, in such matters, of laymen (including the clergy) and women in that country.

² In many country towns there are small offices, commonly called "bucket shops," to which farmers and tradesmen resort to effect their purchases and sales in the great stock markets of New York. Not a few ruin themselves. Some States have endeavoured to extinguish them by penal legislation.

tions of prices are hung up outside the newspaper offices, and fixed on posts in the streets, and are changed every hour or two during the day. In the silver districts of Colorado and New Mexico, the same kind of thing goes on.¹ It is naturally in such spots that the fire burns hottest. But go where you will in the Union, except, to be sure, in the more stagnant and impecunious parts of the South, you feel bonds, stocks, and shares in the atmosphere all round you. *Te veniente die*—they begin the day with the newspaper at breakfast: they end it with the chat over the nocturnal cigar.²

This eager interest centres itself in New York, for finance, more perhaps than any other kind of business, draws to few points, and New York, which has as little claim to be the social or intellectual as to be the political capital of the country, is emphatically its financial capital. And as the centre of America is New York, so the centre of New York is Wall Street. This famous thoroughfare is hardly a quarter of a mile long, a little longer than Lombard Street in London. It contains the Sub-Treasury of the United States and the Stock Exchange. In it and the three or four streets that open into it are situated the Produce Exchange, the offices of the great railways, and the places of business of the financiers and stockbrokers, together representing an accumulation of capital and intellect comparable to the capital and intellect of London, and destined before many years to surpass every similar spot in either hemisphere.³ Wall Street is the great nerve centre of all American business; for finance and transportation, the two determining powers in business, have here their headquarters. It is also the financial barometer of the country, which every man engaged in large affairs must constantly consult, and

¹ In a mining town in Colorado the landlady of an inn in which I stayed for a night pressed me to bring out in London a company to work a mining claim which she had acquired, offering me what is called an option. I inquired how much money it would take to begin to work the claim and get out the ore. "Less than thirty thousand dollars" (£3000). (The carbonates are in that part of Colorado very near the surface.) "And what is to be the capital of your company?" "Five millions of dollars" (£1,000,000)!

² Of course I am speaking of the man you meet in travelling, who is a sample of the ordinary citizen. In polite society one's entertainer would no more bring up such a subject, unless you drew him on to do so, than he would think of talking politics.

³ The balances settled in the New York Clearing House each day are two-thirds of all the clearings in the United States.

whose only fault is that it is too sensitive to slight and transient variations of pressure.

The share market of New York, or rather of the whole Union, in "the Street," as it is fondly named, is the most remarkable sight in the country after Niagara and the Yellowstone Geysers. It is not unlike those geysers in the violence of its explosions, and in the rapid rise and equally rapid subsidence of its active paroxysms. And as the sparkling column of the geyser is girt about and often half concealed by volumes of steam, so are the rise and fall of stocks mostly surrounded by mists and clouds of rumour, some purposely created, some self-generated in the atmosphere of excitement, curiosity, credulity, and suspicion which the denizens of Wall Street breathe. Opinions change from moment to moment; hope and fear are equally vehement and equally irrational; men are constant only in inconstancy, superstitious because they are sceptical, distrustful of patent probabilities, and therefore ready to trust their own fancies or some unfathered tale. As the eagerness and passion of New York leave European stock markets far behind, for what the Paris and London exchanges are at rare moments Wall Street is for weeks, or perhaps, with a few intermissions, for months together, so the operations of Wall Street are vaster, more boldly conceived, executed with a steadier precision, than those of European speculators. It is not only their bearing on the prosperity of railroads or other great undertakings that is eagerly watched all over the country, but also their personal and dramatic aspects. The various careers and characters of the leading operators are familiar to every one who reads a newspaper; his schemes and exploits are followed as Europe followed the fortunes of Prince Alexander of Battenberg or General Boulanger. A great "corner," for instance, is one of the exciting events of the year, not merely to those concerned with the stock or species of produce in which it is attempted, but to the public at large.

How far is this state of things transitory, due to temporary causes arising out of the swift material development of the United States? During the Civil War the creation of a paper currency, which rapidly depreciated, produced a wild speculation in gold, lasting for several years, whose slightest fluctua-

tions were followed with keen interest, because in indicating the value of the paper currency they indicated the credit of the nation, and the view taken by the financial community of the prospects of the war. The re-establishment of peace brought with it a burst of industrial activity, specially directed to the making of new railroads and general opening up of the West. Thus the eyes that had been accustomed to watch Wall Street did not cease to watch it, for these new enterprises involved many fortunes, had drawn much capital from small investors, and were really of great consequence—the transcontinental railways most of all—to the welfare of the country. It is some time since the work of railway construction began to slacken, as it slackened in England a generation ago, although from time to time there is a revival. Mines are less profitable since the great fall in silver; the price of United States bonds fluctuates hardly (if at all) more than consols do in England. Times of commercial depression are comparatively quiet, yet even when transactions are fewer, the interest of the public in the stock markets does not greatly diminish. Trade and manufactures cover the whole horizon of American life far more than they do anywhere in Europe. They—I include agriculture, because it has been, in America, commercialized, and become really a branch of trade—are the main concern of the country, to which all others are subordinate. So large a part of the whole capital employed is in the hands of joint-stock companies,¹ so easy a method do these companies furnish by which the smallest investor may take part in commercial ventures and increase his pile, so general is the diffusion of information (of course often incorrect) regarding their state and prospects, so vehement and pervading is the passion for wealth, so seductive are the examples of a few men who have realized stupendous fortunes by clever or merely lucky hits when there came a sharp rise or fall in the stock market, so vast, and therefore so impressive to the

¹ The wealth of corporations has been estimated by high authorities at one-fourth of the total value of all property in the United States. I find that in the State of Illinois alone (population in 1890, 3,818,000) there were formed during the year 1886, under the general law, 1714 incorporated companies, with an aggregate capital stock (authorized) of \$819,101,110. Of these, 632 were manufacturing companies, 104 mining companies, 41 railroad companies.

imagination, is the scale on which these oscillations take place,¹ that the universal attention given to stocks and shares, and the tendency to speculation among the non-financial classes which reveals itself from time to time, seem amply accounted for by permanent causes, and therefore likely to prove normal. Even admitting that neither such stimulations as were present during the war period nor those that belonged to the era of inflated prosperity which followed are likely to recur, it must be observed that habits formed under transitory conditions do not always pass away with those conditions, but may become a permanent and, so to speak, hereditary element in national life.

So far as politics are concerned, I do not know that Wall Street does any harm. There is hardly any speculation in foreign securities, because capital finds ample employment in domestic undertakings; and the United States are so little likely to be involved in foreign complications that neither the action of European powers nor that of the Federal government bears directly enough upon the stock markets to bring politics into stocks or stocks into politics.² Hence one source of evil which poisons public life in Europe, and is believed to have proved specially pernicious in France—the influence of financial speculators or holders of foreign bonds upon the foreign policy of a government—is wholly absent. An American Secretary of State, supposing him base enough to use his official knowledge for stock-jobbing operations, would have little advantage over the meanest broker in Wall Street.³ Even as regards domestic politics, the division of power between Congress and the State legislatures reduces the power of the former over industrial undertakings, and leaves comparatively few occasions on

¹ The great rebound of trade in 1879-83 trebled within those years the value of many railroad bonds and stocks, and raised at a still more rapid rate the value of lands in many parts of the West.

² Of course the prospects of war or peace in Europe do sensibly affect the American produce markets, and therefore the railroads, and indeed all great commercial undertakings. But these prospects are as much outside the province of the American statesman as the drought which affects the coming crop or the blizzard that stops the earnings of a railway.

³ The Secretary of the Treasury, by his control of the public debt, has no doubt means of affecting the markets; but I have never heard any charge of improper conduct in such matters on the part of any one connected with the Treasury Department.

which the action of the Federal government tends to affect the market for most kinds of stocks, though of course changes in the public debt and in the currency affect by sympathy every part of the machinery of commerce. The shares of railroad companies owning land grants were, and to some slight extent still are, depressed and raised by the greater or slighter prospects of legislative interference; but it may be expected that this point of contact between speculators and politicians, which, like the meeting-point of currents in the sea, is marked by a good deal of rough and turbid water, will soon cease to exist, as the remaining railroad lands get sold or are declared forfeited.

The more serious question remains: How does Wall Street tell on the character of the people? They are naturally inclined to be speculative. The pursuit of wealth is nowhere so eager as in America, the opportunities for acquiring it are nowhere so numerous. Nowhere is one equally impressed by the progress which the science and arts of gain—I do not mean the arts that add to the world's wealth, but those by which individuals appropriate an exceptionally large share of it—make from year to year. The materials with which the investor or the speculator has to work may receive no sensible addition; but the constant application of thousands of keen intellects, spurred by sharp desire, evolves new combinations out of these old materials, devises new methods and contrivances apt for a bold and skilful hand, just as electricians go on perfecting the machinery of the telegraph, just as the accumulated labours of scholars present us with always more trustworthy texts of the classical writers and more precise rules of Greek and Latin syntax. Under these new methods of business, speculation, though it seems to become more of a science, does not become less speculative. People seem to buy and sell on even slighter indications than in Paris or London. The processes of "bulling" and "bearing" are more constant and more skilfully applied. The whole theory and practice of "margins" has been more completely worked out. However, it is of less consequence for our present purpose to dwell on the proficiency of the professional operator than to note the prevalence of the habit of speculation: it is not intensity so much as extension that affects an estimate of the people at large.

Except in New York, and perhaps in Chicago, which is more and more coming to reproduce and surpass the characteristics of New York, Americans bet less upon horse-races than the English do. Horse-races are, indeed, far less common, though there is a good deal of fuss made about trotting-matches. However, much money changes hands, especially in Eastern cities, over yacht-races, and plenty everywhere over elections.¹ The purchase and sale of "produce futures," *i.e.* of cotton, wheat, maize, bacon, lard, and other staples not yet in existence but to be delivered at some distant day, has reached an enormous development.² There is, even in the Eastern cities, where the value of land might be thought to have become stable, a real estate market in which land and houses are dealt in as matter for pure speculation, with no intention of holding except for a rise within the next few hours or days; while in the new West the price of lands, especially near cities, undergoes fluctuations greater than those of the most unstable stocks in the London market. It can hardly be doubted that the pre-existing tendency to encounter risks and "back one's opinion," inborn in the Americans, and fostered by the circumstances of their country, is further stimulated by the existence of so vast a number of joint-stock enterprises, and by the facilities they offer to the smallest capitalists. Similar facilities exist in the Old World; but few of the inhabitants of the Old World have yet learned how to use and abuse them. The Americans, quick at everything, have learned long ago. The habit of speculation is now a part of their character, and it increases that constitutional excitability and high nervous tension of which they are proud.

Some may think that when the country fills up and settles down, and finds itself altogether under conditions more nearly resembling those of the Old World, these peculiarities will fade away. I doubt it. They seem to have already passed into the national fibre.

¹The mischief has been thought sufficient to be specially checked by the constitutions or statutes of some States.

²It is stated that the Cotton Exchange sells in each year five times the value of the cotton crop, and that in 1887 the Petroleum Exchange sold fifty times the amount of that year's yield.

I have referred in a note to a preceding chapter to some recent attempts to check by legislation this form of speculation (p. 542, *ante*).

CHAPTER CV

THE UNIVERSITIES

AMONG the universities of America there is none which has sprung up of itself like Bologna or Paris or El Azhar or Oxford, none founded by an Emperor like Prague, or by a Pope like Glasgow. All have been the creatures of private munificence or denominational zeal or State action. Their history is short indeed compared with that of the universities of Europe. Yet it is full of interest, for it shows a steady growth, it records many experiments, it gives valuable data for comparing the educational results of diverse systems.

When the first English colonists went to America, the large and liberal mediæval conception of a university, as a place where graduates might teach freely and students live freely, was waxing feeble in Oxford and Cambridge. The instruction was given chiefly by the colleges, which had already become, what they long continued, organisms so strong as collectively to eclipse the university they had been meant to aid. Accordingly when places of superior instruction began to grow up in the colonies, it was on the model not of an English university but of an English college that they were created. The glory of founding the first place of learning in the English parts of America belongs to a Puritan minister and graduate of Cambridge, John Harvard of Emmanuel College,¹ who, dying in 1638, eighteen years after the landing of the Pilgrim Fathers, gave half his property for the establishment of a college in the town of Cambridge, three miles from Boston, which, originally organized on the plan of Emmanuel College, and at once

¹Emmanuel was a college then much frequented by the Puritans. Of the English graduates who emigrated to New England between 1620 and 1647, nearly one hundred in number, three-fourths came from the University of Cambridge.