Bankers

Right & Wrong

~~Man - Courage~~

He is a believer in big business - a believer in what he tells us is the natural monopoly, ~~that he is no believer in excitation~~ , no believer in ~~depression of the individual~~, not afraid to assert the sins of big business. Probably he knows them very much better than the critics from the outside and steadily and quietly has everything that has come into the business world pointing out the destructiveness to business itself such methods as were employed in the early days of our big business development. He has not shied at an invitation to rise on a radical pulpit and tell what was the matter with business and point out that certain things of which the layman knows nothing, never conceives in relation to wrong may be much more disastrous to society in its needs than the obvious wrongs which they point out.

The moral question in the fixing of the bank rate and his reasons for pointing that out.

"I want you to get in mind," he once told a radical group, "that when you discuss what is right in business the difficulty lies not in determining what is right in principle but in the application of the principle to the vast complex problems of our modern business. For principles, the Golden Rule supplies all that a man of business needs but if you ask me to apply the Golden Rule to a bank rate I find it amazingly difficult to do. It is like telling me to apply the multiplication table to the design and manufacture of a steam turbine. If by any chance that turbine is not built in accordance with mathematics it will explode, lives will be lost, and ruin come to many innocent people. And so the design of a turbine requires conscience and care in the engineer and the highest regard for moral values at every step in order that the machine intended for service and value to man may not turn out an instrument of menace and destruction.

"To return, however, to the point. What is right in business requires, in highly complicated situations, that the golden rule be applied by men of great understanding and knowledge, as well as conscience. They must be technicians in the sense of making the connecting link between the golden rule on the one side and the most complicated business transaction on the other. They must be as highly skilled as the turbine engineer who makes the connection between the multiplication table and the modern high pressure turbine with the high heat temperature, wheels revolving at great speed, and an electrical output which if let loose is as destructive as the lightning of the gods."

P. 9

"It is not the crook in modern business whom we fear, but the honest man who does not know, I wish to review briefly some of the advances which we have made during the last thirty years, in which I have been fairly intimate with the activities of business. I may say that during that time the moral standards of business have been advanced. A certain amount of astuteness and cleverness and sharpness of the earlier day has disappeared. They would not work very well in large business. A storekeeper may short-measure or short-weigh his customer and make a little by that method. He may even induce his clerk to short-weigh or short-measure, but he can not organize a vast department store on that basis. Either his employees are honest people who would refuse to do it, or he would soon have as employees a vast organization of crooks who would beat each other and soon ruin the proprietor himself."

In this address there were many points which Mr. Young elaborated.

There was the difficulty of being dishonest in big business. Great organizations of human beings can not be built on that theory," he said. "You can not teach an organization to steal from your customer and object very much if your cashier takes money out of the till. Honesty and unrightness must exist in great business organizations on the simple grounds of expediency."

He emphasizes here the point that the person who manages the business managerial set-up in business are responsible for the right or wrong for the conduct of the business, the owners, for the stockholders do not know how what goes on. There has been a great separation between ownership and management in the last thirty years. The men consider them now as a paid attorney of the stockholders. These managers have become increasingly responsible for the new idea of management responsibility.

Here is where the lawyer comes in in Mr. Young's judgment.

"I must say that I think the new idea sprang largely from the fact that lawyers were advanced to high management positions. This was initially done because our laws became so complex that for a time it was difficult for anyone except a lawyer to run a big business and keep within the law. While that was the reason for the lawyer coming into these positions, the result was quite different from that anticipated. If there is one thing that a lawyer is taught, it is knowledge of trusteeship and the sacredness of that position. Very soon we saw rising a notion that managers were no longer attorneys for stockholders; they were becoming trustees of an institution.

Now that is a great change. If you will pardon me for being personal, it makes a great difference in my attitude toward my job as an executive officer of the General Electric Company whether I am a trustee of an institution or an Attorney for the investor. If I am a trustee for the institution who are the beneficiaries of the trust?"

Then he goes on to analyize the beneficiaries of stockholders. labor, customers, that is, the General Public.

~~Labor--Customers, that is, the General Public~~

He believes that there is a great improvement in the sense of responsibility towards all of these and he reflects,

p.17

"It is no simple matter to determine right and wrong, even as between the groups which I have indicated. To protect capital one must build up reserves against bad years or unforseen contingencies. To grant fair wages or high wages and adequately pay employees means adjusting the price so as to provide income adequate to do it. To try to increase a pride for the sake of labor without regard to whether your labor is efficient, productive, and progressive, would be to take the road to ruin. It would be distinctly wrong. It would destroy continuity of employment, because one morning we would wake up and find our business gone; our price too high; a product not good enough; employees discharged. Just what is right in all cases we can not foresee even with the greatest effort. We make mistakes. We learn from our mistakes. We try to correct them in the future. Turbines will blow up notwithstanding the multiplication table occasionally when the engineers misapply the rules. Capital will get too much or labor too little, or the public not enough occasionally, when the management misjudges the application of the golden rule to the complicated problems which we have. But by and large, looking over the quarter of a century with which I have been familiar, I am pleased with the rapid progress which we are making toward the right in business. We are not perfect and never shall be, but we are now training young men with a senseof these great responsibilities and we are providing them experience from our own mistakes. It is our one consolation for making them. As time goes on, I feel that the right in business will more and more prevail. The larger business becomes, the more scrupulously careful the administrators of it will be. We have had much difficulty with questions of technical competence and moral responsibility in the offices of aldermen, but we have had practically none in the great office of President of the United States. Somehow, as responsibility increases, men are found big enough to meet adequately the great questions of right and wrong which come to them. So I welcome big business and big responsibility, not in the fear that it will make business wrong, but in the hope and relief that it will make business right.

"After I had written the foregoing statement out of my own experience, I happened to be examining last night a little manuscript of Emerson which I own, and there I found this statement written 100 years earlier, not out of his experiences but out of his head.

> 'The habit of directing large affairs generates a nobility of thought in every mind of average ability. For affairs themselves show the way in which they should be handled and a good head soon grows wise and does not govern too much.'"