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THE BUSINESSMAN'S CONCEPT OF HIS SOCIAL RESPONSIBILITY: A STUDY IN BUSINESS ETHICS, 1890-1914

by

David G. McComb

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To my wife, Mary Alice, for her patience, and to Dr. Louis P. Galambos whose perceptive guidance and encouragement made this thesis a reality.
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Business ethics can be defined simply as the system of moral principles used by businessmen to judge the correctness of their conduct. A part of this system concerns itself with social responsibility which in this thesis refers to the businessman's concept of his obligations to his competitor, customer, and employee. It further includes the business attitudes toward duties owed to the public, such as the obligation to use raw materials efficiently and to prevent injury to private parties, as well as those ideas regarding the relationship of business to government.

The main contention of this thesis is that the attitudes of businessmen concerning social responsibility changed during the period 1800-1914, rather than remaining static as some authors assume; and that businessmen became increasingly conscious of moral obligations. It is further argued in the thesis, that the businessman operated as a member of society, and therefore was a participant, not just an opponent of the social movements of the period. Thus, the alteration that occurred in business ethics was influenced by political and social as well as economic factors.

In the books and articles about business, two assumptions are frequently made which tend to distort the picture
of the businessman in American history. One of these is that people involved in business constitute a special class or group with a clear ethical standard. The other assumption is that businessmen, in contrast to most people, are stimulated mainly by greed for material wealth. If these presuppositions are accepted, any change in business attitudes toward social responsibility may be viewed merely as a shift by businessmen to promote their self-interest more effectively. Thus, an ethical code is only a facade for an unchanging acquisitive instinct.

To treat persons involved in business as a special group with similar characteristics and ideology appears to be misleading, for it offers no explanation of the great diversity of opinion and action found in the business world. Nevertheless, among some American historians this attitude prevails. Charles and Mary Beard in *The Rise of American Civilization* speak of the growing prominence of businessmen in the latter half of the nineteenth century as the ascension of a special group. Miriam Beard in her study, *A History of the Business Man*, utilizes the group concept to an even greater degree. Her portrayal of the businessman in history stresses the reaction of the business people as a single body to external conditions. Little attention is paid to internal diversity and conflict within the world of commerce.

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Even such an eminent scholar as Vernon L. Parrington has a tendency to place all businessmen into one category. Parrington, however, refers to businessmen only in a broad class context. He speaks, for example, of "capitalists" versus "agrarians."³ In this broad classification of capitalists belongs not only bankers, promoters and businessmen, but also a large number of the rising middle class in the United States. Nonetheless, the capitalist class, of which businessmen are a part, is treated by Parrington as a special and unique group.

In writing a great synthesis such as Parrington's *Main Currents in American Thought*, the delimitation of businessmen into a single category for the purposes of analysis and generalization is understandable and, perhaps, necessary. Otherwise it would be impossible to reveal the place of the businessman in the panorama of history. Too often, however, the generalizations of these authors are based on isolated circumstances or concentrate too narrowly on a small number of businessmen.

The danger in this type of analysis is clearly evident in Matthew Josephson's entertaining study, *The Robber Barons*. Although Josephson discusses the activities


⁴For a clear example of this see Parrington's short section entitled, "The Great Barbeque," in which he describes the exploitation of the public domain by the "capitalists." *Ibid.*, pp. 23-26.
of only a small group of business leaders, he condemns all businessmen in his concluding generalizations when he speaks of the "sabotage practiced by capital upon the energy and intelligence of human society."  

This tendency to place all businessmen in a single group and to judge them by the activities of a handful of "robber barons," perverts the picture of the businessman's role in history. Certainly, many examples of unethical business practice may be cited, but counterbalancing instances of exemplary behavior should not be ignored. Like persons of other vocations, businessmen are influenced by their individual motivation and ethical standards which may or may not always conform exactly to the codes of their associates. For this reason, it is extremely difficult to formulate a specific business creed. The use of a concept that places all businessmen into one category without allowance for the differences between business people is, therefore, too simple and cannot be used in a detailed analysis of social responsibility.

For my purposes, the only category businessmen can fit into is one based upon economic function. That is, upon their interest in the manufacture and sale of goods and

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6 Hal Bridges maintains that the "robber baron concept" denied the business leaders the capacity to do good as well as evil, and that, fortunately, the current trend in American historiography is away from this view. "The Robber Baron Concept In American History," The Business History Review, XXXII No. 1 (Spring, 1958), 1-13.
services for a profit. Within this general classification, however, exist a variety of sub-groups determined by the social, political, and economic ideas of various bodies of businessmen. It is the change in the ideas of these sub-groups in which I am primarily interested, for it is these smaller bodies which seem to react first to the need for an alteration in business ideology.

In the businessman's reaction to the progressive movement, for example, there was no unity of opinion and thought. It would seem that such a threat to traditional business prerogatives would have brought forth a vigorous and concerted response. But this did not happen. Some protest articles and books came out, and scattered trade associations maintained lobbying groups at legislative centers, but there occurred no consistent and comprehensive program adhered to by all businessmen. Certain small groups energetically opposed progressive legislation. The National Association of Manufacturers, for instance, fought the enactment of eight-hour labor laws. Other groups,

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however, such as those served by the magazine *Electrical World*, revealed no interest at all in the proposed labor legislation. Thus, a study of business ethics must concern itself with the attitudes of the various sub-groups within the commercial world. It is here that changes first occurred which later affected the entire body of businessmen in the United States.

Parrington and Josephson, as well as Charles and Mary Beard, may be criticized also for their insistence on greed for material possessions as the motive behind all commercial life. To be sure, this position finds some adherence today. Robert H. Wiebe, faced with the dilemma of a diversified response, explained that each businessman acted solely in his own interest to insure his personal profit. Since every businessman had to contend with different circumstances, the response varied. Thomas C. Cochran, one of the most active scholars in the field of business history, explains that the modern business manager, although not as interested in profits as his nineteenth-century counterpart, may be equally ruthless in seeking to build up his own prestige and personal fame.

The approach of these authors, however, seems again to be too simple; it does not account for the complex

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motivational patterns found in every human being, whether he is a businessman or not. Allen Nevins, who takes a broader view of business motives, stresses competitive achievement, self-expression, and the imposition of the will upon a given environment. According to Nevins, "Greed usually stops with the few hundred-thousand dollars that purchase satiety." He goes on to state that, "The men who built the really towering economic structures were not thinking primarily of dollars, or they would have halted at the first story."

In an analysis of contemporary businessmen, Arthur H. Cole finds that the traditional assumptions of automatic adjustments to profit advantages are questionable. Cole is supported by Howard R. Bowen (Social Responsibility of the Businessman), who contends that "personal financial remuneration is not necessarily a dominating motive of

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12 Allen Nevins, John D. Rockefeller (New York: Charles Scribner's Sons, 1940), II, 711-712. Although there is always room for hypocrisy, John D. Rockefeller did state to a newspaperman in 1906 concerning the early years of Standard Oil, "All the fortune I have made has not served to compensate me for the anxiety of that period. Work by day, worry by night, week in and week out, month after month. If I had foreseen the future I doubt whether I would have had the courage to go on . . . . I had no ambition to make a fortune. More money-taking has never been my goal. I had an ambition to build." A. Nevins, John D. Rockefeller, I, 627.

managers and . . . it is surely not their sole motive."

It would seem, therefore, that present-day businessmen are motivated only in part by the prospects of personal profit. If a person considers the motivational patterns of contemporary businessmen comparable to those of businessmen at the turn of the century, then it might be reasoned that the ethical standards of the late nineteenth century were not merely reflections of self-interest, but included other elements such as altruism. In this event, the "greed concept" of Parrington, Josephson, and the Beards is invalid.

There immediately arises, however, the question of whether or not the characteristics of current businessmen are the same as those sixty years ago. George Katona, in his Psychological Analysis of Economic Behavior, states on this issue:

The prevailing structure of the motivational patterns in the American economy has been changing in the past and will no doubt change in the future. Capitalism as we know it now differs from nineteenth-century capitalism and probably from future capitalism . . . . The frame of reference of a business community may vary greatly from time to time and from country to country. There are some indications, but hardly any reliable data, that in the nineteenth century in the United States the appreciation of, and the striving toward, higher profits was more pronounced than now, and certain motivational forces played a role at that time which we have omitted from consideration.

Korn's statement implies that not only were profit motives stronger, but that the motivational patterns of businessmen in the nineteenth century were different than they are today. This means that possibly Parrington, Josephson, and the Beards were partially correct in stressing greed as the motive of commercial life in the late nineteenth century. Their view, however, does not make room for a change occurring in business motives and ethics which would account for the complex motivational patterns and ideology of present-day businessmen. This is apparently what has happened; and the change appears to have started in the period 1890-1914.

It is indeed a misfortune that the ghosts of past businessmen cannot be called forth for psychoanalytic study. This would possibly reveal with accuracy the true motives behind their ideology. Some indication of motivation and ethical standards can be found, however, in the public and private statements of businessmen, as well as in the business periodicals of the period.

For the purpose of this thesis, several trade journals were selected for analysis. Each magazine served a different industry. Needless to say, other periodicals exist which are worthy of study and which might yield additional information on the subject. Ideally, perhaps, private documents would be used in preference to journals. Trade publications, however, if used carefully, offer a worthy substitute.

The efficacy of business periodicals as a mirror of business opinion might be questioned. Each of these magazines, of course, exhibits a certain bias: The Commercial and Financial
Chronicle is plainly pro-railroad and anti-labor; American Machinist defends labor, but is not particularly antagonistic to the employer; Electrical World is unconcerned with labor problems and worried about product development and distribution; Engineering Magazine maintains a balanced viewpoint between labor and the employers, and reveals a concern for public welfare; while Iron Age is definitely on the side of the employer, but occasionally critical of business activities.

Regardless of their bias, I believe that these periodicals are still illustrative of business opinion primarily because they had to depend upon businessmen for their support. It seems unlikely that they would maintain for very long a position distinctly contrary to the feelings of a large number of their customers. The editors would probably modify their own position or completely avoid an unfavorable subject before antagonizing large segments of their circulation. There is little evidence, however, that the editors purposely evaded distasteful topics. In most cases where business attitudes or activities were questioned the editors proposed a defense. Absence of any reaction was due more to unconcern for an issue rather than studied avoidance. For this reason, a consistent editorial position can be

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E. A. Toppin found that, by and large, most editors supported their big-business clients. "Defense and Defenders of Big Business," p. 44. Since many of these journals catered to small business (see section 2 of Chapter I), however, it would seem that the smaller businessmen would likewise influence the editorial policies.
considered as evidence of an emerging business attitude, or a consensus of opinion, at least, for those business groups served by the publication.

These journals reveal a variety of views and often uphold different policies which gives support to our idea that businessmen lacked unity on many of the problems they faced. During the period under study, for example, a controversy arose over the question of workman's compensation for injuries suffered while at work and the employer's role in this situation. American Machinist favored state compensation acts whereby employers could purchase insurance to pay for all industrial accidents. To these editors an injury was an injury no matter how it was caused, or whose fault it was. Iron Age disagreed that there should be payment under all circumstances and suggested the handling of the problem by the federal government. The Commercial and Financial Chronicle and Engineering Magazine felt that compensation should be paid by the employer, but only where the employer was definitely at fault. Electrical World, in contrast to all the others, expressed no opinion on the subject. Its

17 American Machinist, XXXII (Dec. 16, 1890), 1058; XXXVII (Oct. 3, 1912), 580.
18 Iron Age, LI (Mar. 2, 1893), 504; LXXIV (Dec. 15, 1904), 32.
19 The Commercial and Financial Chronicle, LXXX (May 21, 1910), 1334; XCVII (Nov. 1, 1913), 1249. This judgement of the position of the editors is derived from their specific notation and endorsement of an article by William Mayo Venable on "Industrial Accidents and Employer Liability," Engineering Magazine, XLI (August, 1911), 721.
editors seemed to be indifferent to the controversy, probably because their customers were concerned with other matters. In spite of such diversity of opinion and concern over issues affecting the business world, certain broad trends, regarding social responsibility, can be discerned. In the above illustration an increasing interest in the worker's problems and a probing of business responsibility is clearly evident. It is the purpose of this thesis to explore, describe, and analyze such trends in regard to the businessman's concept of his social responsibility.

The lack of concern was probably due to the youth of the industry and the relatively small establishments of the industry. Therefore, labor problems were probably not as conspicuous or far-reaching.
1. The Business Mind in Reference to Ethics

For an examination of the framework of ideas pertaining to business ethics in 1890, three general categories may be used: (1) the thoughts of businessmen concerning economic theory; (2) the influence of religion; and (3) the traditions of capitalism necessary for the operation of private enterprise, such as the inviolability of legal contracts. The dividing line separating these categories is, of course, indistinct, and as might be expected, there exists a great deal of interaction and overlapping between divisions. Nevertheless, an analysis of these three elements is necessary for an understanding of the businessman's attitudes toward social responsibility.

In the early 1890's the economic doctrine most widely supported by business publications was that of Adam Smith, who had looked to the market place for an understanding of the economic system. His concepts concerning the automatic adjustment of supply and demand appealed to many businessmen, especially when they needed an argument against government regulation of commercial affairs. The Engineering Magazine, for example, contended that it was useless to erect artificial laws which were contrary to the natural law of
1 supply and demand.

Tightly combined with the "classic" economics of Adam Smith were the evolutionary concepts of Herbert Spencer. Drawing analogies from Darwin's biological treatises, Spencer had constructed a "philosophy" that fitted perfectly the business needs of the moment. His conception of an organic state in which the superior person had no obligation to help the inferior one was utilized in America to justify wealth and poverty as well as a policy of non-interference by government in business affairs. The phrase "survival of the fittest" appears frequently in the literature of the period and seems to be used by those who were most satisfied with their position. Thus, in this sense it was a conservative doctrine which made the highly competitive industrial system of that day, sanctioned by the laws of nature and Herbert Spencer, the best of all possible worlds.

This combination of the ideas of Spencer and Smith permitted the reconciliation of some rather contradictory elements in business thought at this time. The editors of The Commercial and Financial Chronicle, for example, approved

1 Engineering Magazine, IV (March, 1893), 926.

2 Alfred L. Thimm states that Spencer confirmed the image that businessmen had already erected for themselves. "The Role and Opinion of the Businessman During the Reform-Progressive Era, 1880-1914" (Ph.D. dissertation; New York University, 1959), p. 16.

of trusts as manifestations of natural law, while they opposed any government control over railroad rates, or for that matter, any other government interference in business affairs. If competition and free entry of new business firms into a particular industry were necessary for the proper functioning of supply and demand, a trust which discouraged competition and artificially set prices, of course, could not be tolerated. On the other hand, according to Spencerian doctrine, the trust, because of its efficiency and productive strength might well be viewed as the logical result of competition in which the most able survived. Thus a trust, or large corporation, could be justified if one were only selective enough to chose the right doctrine. At the same time, by relying on Adam Smith, government regulation in business could be resisted as dangerous tampering with the natural laws of economics and a clear violation of laissez-faire.

This carefully selected body of ideas fitted the needs of the business journals to defend or justify business activity. There was apparently no concern over a perfect unification of ideas or consistency in their use. They seemed to be used mainly to provide explanation for the existing economic conditions.

Although many comments can be found referring to "natural law," passages in the business journals relating

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The Commercial and Financial Chronicle, L (Jan. 11, 1890), 49; L (Nov. 15, 1890), 657-658; L (Dec. 27, 1890), 890-891.
to religion as such, are rare, even where moral judgments are passed. At first it would appear that there existed little room for religious beliefs in the commercial world, yet the interest of some of the business leaders in religion is well known. Andrew Carnegie's article, "Gospel of Wealth," is not without religious overtones; John D. Rockefeller and Jay Cooke were apparently champions of the church; and even Daniel Drew endowed a school for religious study. Perhaps the teachings of various religious bodies reinforced honesty and fair dealing in business transactions as well as supporting some feelings of altruism. Yet as an active factor in social control, religion seemed to have had little force. At least, there is no evidence of it in the business publications of the period.

In America the Calvinistic emphasis on worldly endeavor for the glorification of God no doubt formed a part of the capitalistic spirit. No formal evidence to confirm this hypothesis is present in the journals, but it may be said that religion, at least, offered no positive check to the burgeoning enterprises of the period. When businessmen complained, it was not about the inconvenience of religious

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7 Reverend Russell Conwell (1843-1925), in fact, supported monetary accumulation as a duty of Christian men in his "Acres of Diamonds" lecture which was given over 6000 times. Calvinistic overtones were clearly present here.
doctrines. Religion, thus, seems to have played a tacit role and certainly did not prevent unscrupulous activities by businessmen who often professed to be religious.

A vague and disjointed body of ideas also formed a part of the business "mind." These "rules" of conduct, or customs, although frequently disregarded and modified, were necessary for the proper functioning of the capitalistic system. Exhortations about honesty appeared many times, as well as editorials on the inviolability of contract. Henrietta M. Larson and Kenneth W. Porter report in their *History of Humble Oil and Refining Company* that honesty and decency proved of distinct value even in oil boom towns, where the reputation of a man frequently proved to be a useful letter of credit.

It was the sanctity of private property, however, that was most rigidly supported, since it was the cornerstone of capitalism. The threat to this doctrine underlies the fear that businessmen felt about government intervention and the encroachments of labor unions. "World-wide experience, as well as the teachings of Natural Law, proves the truth of the proposition: That the condition of civilization or barbarism among nations is in proportion to the security and

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10 See *The Commercial and Financial Chronicle*, LI (Dec. 27, 1890), 890-891. *Iron Age*, I (July 14, 1892), 86.
Inviolability of individual property rights." On this point it is interesting that the main objection The Commercial and Financial Chronicle expressed against Coxey's Army was that a Northern Pacific train had been commandeered.

The editors seemed unconcerned over the social unrest which Coxey represented, at least they did not express it. Their complaint against the Army was in terms of a violation of the rights of property. Perhaps, this was the only way the editors could voice their objection to Coxey without questioning the position of business as a contributor to the social dissatisfaction. In any event, the importance of property rights in the minds of the editors is clearly evident.

Summary

In reference to business ethics, certain facets of the business "mind" are important. Although most of the economic thought was grounded in the teachings of Adam Smith, the evolutionary concepts of Herbert Spencer made a far-reaching impression. By combining the ideas of these two men, business people were able to produce a powerful argument for the defense of trusts and the condemnation of government regulation.

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12 The Commercial and Financial Chronicle, LVIII (May 5, 1894), 750.
There exists little evidence that religion played more than a tacit role as a means of social control, although religious teachings may have supported certain business rules of conduct, such as honesty in commercial dealings. More important, it seems, were the various customs necessary for the smooth operation of the free enterprise system. These included the sanctity of private property and the inviolability of contract.

2. Social Responsibility — 1890

In addition to the beliefs outlined above, the businessman of 1890 expressed certain views regarding his social responsibility. These attitudes may be split into four general categories: (1) the views of the businessman concerning the competitive system and his competitor; (2) the attitudes toward his own customer; (3) the businessman's feelings in relation to labor, especially his own employees; and (4) the businessman's concept of his role in the national economy. This fourth section is concerned primarily with what they felt their duty was to the public in such things as preservation of national resources, pollution problems, and safety of the product or services placed on the market. It also includes the ideas businessmen had concerning their relationship to governmental agencies and their attitudes toward governmental regulation of business activities. The feelings of businessmen about such concepts as national income, gross
national product, and expenditures for new plant and equipment -- ideas which came later -- could hardly be a factor at this time.

**Competition**

In 1890 there existed two general views toward competition. The older and stronger of these found support in the economics of Adam Smith and in the traditions of American business. Competition was the regulator of the economic system and the stimulus for progress. After linking natural law to the "grand unity of truth," Henry Wood stated that natural law meant supply and demand balanced by price and competition. Any interference with this mechanism, of course, invited trouble. Each businessman was expected to maximize his profits and, if possible, to drive his competitor into bankruptcy. The business unit was envisioned as being small, regulated primarily by the market, and run by the owner for his personal benefit. Competition, according to the teachings of Adam Smith, was supposed to commute this self-interest into maximum social good.

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Iron Age, Electrical World, and American Machinist, at this period, obviously catered to small business. The editors of Iron Age, in 1890, stressed the importance of the retail hardware trade, although fifteen years later they were dedicated to big business. Electrical World served the growing number of small electrical contractors, while American Machinist published articles mainly for the benefit of the small machine shop. Big business existed in 1890, but these magazines slanted their material so as to appeal to the persons operating small enterprises.

The business journals advised businessmen to remain aloof and not try to injure competitors by unfair or clandestine methods. Iron Age, for example, states that it was a bad policy to criticize the competition in the presence of a customer. The activities of the "robber barons," although amusing to a detached spectator, did not receive praise in

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16 In 1909 Iron Age formally recognized their change in audience and split the magazine into separate units — one for the hardware trade and the other for the iron and steel industry. Iron Age, LXXXIV (Nov. 25, 1909), 1644.
17 Most business units at this time were small. The great amount of publicity given to the formation of large companies in this era tends to obscure this fact. The existence of these small enterprises in great numbers may explain the bias of the business periodicals.
18 Iron Age, XLVII (June 11, 1891), 1141.
Nevertheless, businessmen were still expected to drive their competition "to the wall" since, as Henry Wood explained, charity did not belong in the marketplace.

In contrast to the older Spencerian view of competition, however, some businessmen had already begun to accept the idea that, in certain cases, competition could be harmful rather than beneficial. The railroads of the United States at this time, unlike many other industries, were overexpanded and burdened with large long-term debts. The railroad executives felt that rate-cutting wars between competing lines threatened to be destructive to the combatants and ultimately harmful to the public they were supposed to serve.

The problem of destructive competition, of course, was not new. As early as 1851, the Cincinnati Gazette had reported an effort to form an association of salt processors for the purpose of controlling the production and marketing.

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19 The Commercial and Financial Chronicle advised against the payment of unearned dividends, a favorite trick of the "robber barons," and advocated complete and periodic publication of financial statements for the protection of investors. See Vol. L (Jan. 11, 1890), 47. Stock dilution, another practice of the "robber barons," was disapproved of by the editors of Iron Age. See Vol. XLV (Ap. 3, 1890), 555.

20 H. Wood, Natural Law in Business, p. 60. Also footnote 13 in Chapter I.

21 Numerous letters and articles appear in The Commercial and Financial Chronicle at this time from various railroad leaders complaining about the harmful aspects of too much competition. See L (Mr. 1, 1890), 315-320; LI (Sept. 20, 1890), 559; LIV (Mr. 26, 1892), 509-510.
of salt. The oil refineries had run into the problem around 1870 and the result was the South Improvement Company which was set up to control oil production in the areas around Pittsburgh, Cleveland, and New York City. Before the Civil War the railroads had encountered the problem, but it was still unsolved in 1890. Since *The Commercial and Financial Chronicle* sympathized with railroad management, they urged voluntary agreements to stabilize rates. This was, of course, contrary to the doctrines of Adam Smith and Herbert Spencer which the editors otherwise supported. Instead of offering a product at the lowest market price, a prearranged price structure was advocated—a structure which would insure all competitors a profit. The emphasis was on co-operation rather than competition, and the goal was mutual benefit, not destruction of competitors.

None of the other journals studied for this thesis showed any concern over destructive competition in 1890. The older view was still dominant. It was the responsibility

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24 *The Commercial and Financial Chronicle*, LII (Jan. 10, 1891), 57; LV (Dec. 17, 1892), 1011.

25 See footnote 13 in Chapter I. Competition, to them, was necessary for the correct functioning of the economy.
of businessmen to compete. They were not supposed to negotiate with their fellow businessmen for the control of prices and production.

Customer

To most of the 1890 businessmen, the customer was a necessary, but not too important, factor in commercial life. It appeared as if the only mode of expression for the consumer was through the market. Henry Wood, for example, justified the corporate form of business operation by stating that if the corporation was disliked, it would fail because it could not sell goods to an unwilling customer.

Some evidence of interest in the consumer is present, however, particularly in the younger industries and in the retail trades. *Electrical World* expressed a desire for uniform wiring codes and urged improved service for consumers. For new electrical firms, they advised among other things that honesty was the best policy. The *Engineering Magazine* also revealed some concern when they expressed an interest in exposing fraudulent workmanship.

Although there is no evidence in the periodicals of any formal attempt to explore the desires and opinions of consumers on the products offered to them, there may well

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have been some flow of information through informal channels. Since many companies were small there was bound to have been a great deal of contact between owners and customers. George Marston Whitin, the head of Whitin Machine Works, for example, performed all the duties of a general sales manager in spite of his other responsibilities. He often contacted customers personally, and the firm was known to run experiments on new textile machines for the benefit of particular buyers. In such a situation, there was bound to have been an exchange of opinion so that the manufacturer knew what the customer wanted.

In contrast, some companies, especially the larger ones, seemed to have lost all regard for their customers. The Commercial and Financial Chronicle, in defending railroad activities revealed little concern for the passengers. In an almost cynical fashion they utilized an appeal to the public to justify railroad policies. On August 18, 1890, the editors blamed labor for a railroad tie-up and added that railway officials were only trying to "serve the public." In December of the same year the editors upheld the railroad's right to manage their affairs without interference from the outside, and to set their own rates as long as it could be done without harm to the public. There was no

mention that the officers should manage for the benefit of
the public.

In the younger industries, such as electric power sup-
ply for private use, more attention was paid to the customer
than in the older, established lines of business. In the
case of electricity this was probably caused by the need to
gain acceptance for the new service and to overcome the en-
trenched position of natural gas companies. This, however,
was not typical. By and large, consumers seem to have had
little to say about the goods offered for their purchase and
approval, except through the market place and incidental con-
tacts with representatives of the manufacturer. The busi-
nessman of 1890, thus, felt little social responsibility to
the consumer.

Labor

At this time, most employers thought that their ob-
ligations to labor stopped with the payment of wages. This
treatment of labor as a purchased commodity, however, was
beginning to be questioned. Henry Wood stated that the re-
sponsibility to the worker ended with the payment of wages,
but that natural law required, in addition, that some heed

32 Electrical World was extremely conscious of public
relations. It proposed wiring codes, attacked incompetent
electrical contractors who might give the industry a bad
reputation, and opposed electricitions of criminals as detri-
mental to the acceptance of electrical service. See XV (Jan.
11, 1890), 19; (Mar. 29, 1890), 219; XX (July 23, 1892), 51.

33 Iron Age, LI (Feb. 2, 1893), 251.
be taken of temperance, hygiene, and morals of the workers. Welfare programs were, of course known — no well-informed businessman ever quite forgot the lesson taught by Robert Owen at New Lanark. Nevertheless, in accordance with Spencierian doctrine, the worker was supposed to be self-reliant.

In many industries there seems to have been little awareness of the existence of a problem with labor in the early 1890's. References to labor policies in *Electrical World* are extremely rare before 1900. Harold F. Williamson and Kenneth H. Myers in discussing the history of Bucyrus-Erie state that little attention was paid to labor relations before the turn of the century and add that this was not particularly unusual for the time.

Probably the main reason for this seeming lack of interest in labor was that problems with workers were settled more or less on a personal basis and there was no need for formal labor policies. Both employer and employee seemed to have treated each other as friends in some cases; the line between management and labor was becoming more distinct, but was still not clearly drawn. Consider, for example, the handling of the only serious labor dispute in the entire

34 *H. Wood, Natural Law in Business*, p. 104.

history of Reed and Barton, a leading manufacturer of silver¬
ware in the United States at this time. In June, 1895, an
argument arose over the dictatorial attitude of one of the
foremen. When fourteen workers marched to the front office
to complain of ill usage and low pay, Henry Reed asked them
if they were on strike. Upon receiving a negative answer
and hearing their complaint, Reed replied, "Then go back to
work and we'll see about it." Two days later the foreman
was sadder and wiser while the men were materially richer.

Not all labor difficulties, of course, were handled
with such calmness and good sense. The labor history of the
1880's and 1890's is studded with the outbreaks of bloody and
emotional conflicts between capital and labor, particularly
in the coal, railroad, and steel industries. The violence
of these conflicts seem to have brought about an increased
awareness of the importance of unions and labor relations.
This difference is reflected in the journals which served
these industries.

The Commercial and Financial Chronicle, which com¬
plained frequently about union obstruction of railroad ef¬
iciency, nevertheless recognized the right of workers to
organize and strike. The American Machineist which was

36 George Sweet Gibb, The Whitesmiths of Taunton: A
History of Reed and Barton 1824-1943 (Cambridge: Harvard
37 The Commercial and Financial Chronicle, LI (Aug. 16,
1890), 185.
sympathetic to labor, agitated, at this time, for safety programs and shorter working hours. The editors felt that since unions were an established fact, both labor and capital should acknowledge the strength and rights of the other.

In certain industries, then, the workingman was beginning to secure some recognition other than as a factor of production. It was still generally felt, however, that his wages depended on the market price of labor, and that there existed little need to improve the working environment.

National Economy

The economic ideas of Adam Smith provided a basic supposition that what was good for business was thereby beneficial for the economy and for the nation. The workings of the "invisible hand" provided the correct amount of goods, at the lowest price, at the right time. As the editors of The Chronicle contended, "The laws of trade and currency are as rigid and inexorable as the physical laws . . . ." Interaction with this, of course, would lead to trouble. The

39 American Machinist, XIII (Dec. 25, 1890), 8.
40 Andrew Carnegie tried to show in Triumphant Democracy, 1885, how America's industrial accomplishment and democratic form of government helped and promoted one another. The book apparently sold well, especially in England, but there is no evidence, in the journals studied, that Carnegie's analysis made a lasting impression on American businessmen. For a discussion of this book see Burton J. Hendrick, The Life of Andrew Carnegie (Garden City, New York: Doubleday Doren and Company, 1932), I, 273-277.
41 The Commercial and Financial Chronicle, L (May 31, 1890), 757. Also, Engineering Magazine, IV (Mr., 1893), 926.
state and federal governments were, thus, berated for intervention in business affairs, and no suggestion was made that businessmen co-operate with government officials for the solution of economic problems. Edward Atkinson voiced the sentiment of the time while speaking before the Annual Convention of American Bankers when he said, "Men serve each other as well as they can in spite of the obstructions to commerce which are set by legislation through the ignorance or incapacity of legislators."

On the subject of the conservation of natural resources the Engineering Magazine expressed some concern over the supply of natural gas, and Iron Age supported forest conservation. No mention of other resources occurred, however, and no positive programs were put forth. Also, no concern was expressed over water or air pollution at this time. By and large, businessmen showed little comprehension of social responsibility to the national economy in the terms in which we have defined it.

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43 Edward Atkinson (1827-1903) was a prominent industrialist and economist.

Summary

The businessman of 1890 still retained and used the ideas of Herbert Spencer and Adam Smith, but these concepts were mainly arguments to justify a position that was, in some cases, being transformed by changes in the structure of industry and the economy. The businessmen generally upheld honesty, the inviolability of contract, and the sanctity of private property as necessary foundations for the capitalist system. Little responsibility was felt for the nation or for their competitors. In certain industries, however, such as oil and railroads, there was approval of co-operation and an interest in efforts to merge with competitors rather than to annihilate them.

The organization of labor unions and the dissatisfaction of the workingman had become a serious problem for some businessmen, especially those who had been involved in strikes. Regardless of this, the majority of business people felt little

Howard R. Bowen in The Social Responsibilities of the Businessman, page 19, lists eight moral obligations that businessmen felt at this time: (1) observe the rules of property, (2) honor contracts, (3) refrain from deception and fraud, (4) compete vigorously, (5) be efficient and promote economic progress, (6) protect the health of the workers and the public, (7) respect the economic freedoms of consumers, workers, and owners, and (8) have regard for the human rights of workers.

From the periodicals studied, support can be found for the first four obligations and for a part of the fifth (that businessmen felt that they should be efficient). There seems to be scant evidence for the remainder. If businessmen were concerned about the welfare of labor, and consumers, and the public they did not talk about it much. At least, their thoughts were not reflected in the journals studied for this thesis.
concern for the conditions of the workers. Violent strikes had occurred and discontent was evident. The business world had received warning of the coming storm, and yet it was to be some years before businessmen were to react, in part, by creating a new "philosophy."
CHAPTER II

THE ATTACK ON THE BUSINESS SYSTEM, 1890-1914

The quarter-century preceding the outbreak of World War I was a period of phenomenal industrial growth, disturbing political movements, and social readjustment in the United States. It was a time when America changed from a predominantly agricultural country concerned with domestic problems to a predominantly urban, industrial nation preoccupied with the problems of world economy and politics. During this period of adjustment, the habits and practices of businessmen came under severe attack. Although the assault was aimed primarily at large-scale enterprise, it implicated all businessman. Moreover, the onslaught brought about an examination of business ethics by persons inside as well as outside the business world, and provided what appears to have been one of the chief causes of the change in the businessman's concept of his social responsibility.

1. Social and Economic Background

Probably the most important economic factor in this period was the tremendous growth in population. Between 1890 and 1914, the total number of people in the United States

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increased by thirty-six million. The economic ramifications of this increase are immediately apparent — these people had to be fed, housed, employed, entertained, clothed, and given medical attention. This provided a great opportunity for American businessmen.

The new population, of course, was not totally native born. Many were immigrants seeking a better life in more favorable surroundings. Not all of these, however, were forced out of their homelands by bad conditions. They were lured by the demand for cheap labor in the United States, persuaded to become steerage passengers by the shipping lines, and sought by the western railroads as settlers.

In contrast to earlier waves of immigration, the newcomers of 1890 to 1914 came primarily from southern and eastern Europe, and like the Irish before them, revealed a distinct preference for an urban environment. Attracted by higher wages, increased opportunity for social life, and a greater chance of finding people of like heritage (as well as being discouraged by the increasing difficulty in obtaining good western lands) both native Americans and immigrants sought the cities. The perennial urban problems of housing, sanitation, health, police protection, and education became proportionately more complex.


Business enterprises of all kinds grew and flourished in these population centers and, in turn, attracted more people. Such masses of laborers having common problems and complaints provided an ideal spawning ground for trade unions. Skilled labor was rapidly being displaced by machinery and cheap foreign workmen. Furthermore, laborers often were treated merely as a purchased commodity and expected to keep up the pace set by an untiring mechanical device. It became more and more obvious to most skilled laborers that they needed protection and a means for expressing their discontent. Thus, under the leadership of capable men such as Samuel Gompers, the union movement became during these years a permanent and effective force in the American economy.

In the business world, the most basic change was the increase in the number of large firms as a result of an unprecedented wave of consolidations. To be sure, the merger movement started several decades earlier, but it reached its peak between 1898 and 1902. In this four year span, United States Steel, American Tobacco, International Harvester, and Anaconda Copper, to name but a few of the new industrial giants, came into being.

The causes of this movement are complex. Certainly, the presence of a mass market which provided the opportunity for large-scale manufacture, as well as the availability of

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transportation facilities, was important. Also the desires of certain business leaders to control the market for their product should be considered. Further, Cochran and Miller, while describing the bankers who directed the merger movement, state that gradually "they came to make a veritable fetish of monopoly, sincerely believing in the end that it represented the only source of order in mature capitalist society." The immediate cause of the merger movement, especially between 1893 and 1902, however, appears to have been the existence of a strong capital market and the institutions necessary to maintain it. This condition had not been present in earlier decades.

One of the significant consequences of the movement in regard to business ethics lies in the reaction of the American people to these new corporate giants. The sheer size of the corporations, the wealth they controlled, and the great number of their employees automatically entangled them in the public interest. Obviously, if disaster should strike even a few of these large economic units, the repercussions would touch vast segments of the population. This, alone, would have justified concern over the operation and policies of the giant firms.

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5 T. C. Cochran and W. Miller, *The Age of Enterprise*, p. 192. The lucrative fees and commissions received by these bankers for their services in helping to finance mergers probably did much to influence their feelings about this matter.

The apprehension of the public, however, seemed to have originated more from the threat posed by large-scale enterprise to the traditional ideals of society, rather than from the size of the organizations. In earlier times, supposedly, anyone with enough ambition and perseverance could establish a business and become prosperous. Material acquisition was only a means whereby a person could attain comfort, education, and security. The new economic conditions of the late nineteenth century, however, threatened this "American dream" by providing a better opportunity for the growth of giant business organizations than for the growth of the traditionally small business establishments. The presence of such large firms with the financial strength to undertake extensive price wars against competitors, tended to discourage the establishment of new companies. Furthermore, these large organizations seemed to reduce the individual to a mere number on the payroll accounts and to make material acquisition a goal in itself.

Moreover, the merger movement signified an end to "classical" competition. As illustrated by Judge Gary at his famous dinner parties, co-operating was much more profitable and much easier than competing. The practice of

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Merle Curti, The Growth of American Thought (second edition; New York: Harper and Brothers, 1951), p. 508. American Machinist stated that the purpose of all industrial and social development was to increase the power of man to get those things that satisfy his desires. Trusts, they felt, stifled this development. XVI (Nov. 24, 1893), 11.
co-operating, as mentioned before, was not particularly new to the business world. The increasing size of the business unit, however, did change the fundamental nature of competition by facilitating co-operation between businessmen. This "co-operative" philosophy, nonetheless, contrasted sharply with the competitive ideals still revered by most of the people of the United States, including many businessmen. It is, therefore, no mystery why so many people were concerned and anxious about the new industrial order of America.

Large business units became the logical target for those who feared any of the several changes in our economic life. One could hardly expect to reduce the population, destroy the mass markets, and reverse industrial technology. Big business which came to represent all of this, however,

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8 See section on competition, Chapter I, part 2.
9 Arthur R. Burns, The Decline of Competition (New York: McGraw-Hill Book Company, 1938), pp. 5-6. Burns explains this by saying that the decreasing number of competitors, which resulted, in part, from new manufacturing techniques requiring great amounts of capital, made the remaining sellers in the field ever more conscious of the ramifications of price-making decisions of their competition.
10 The idea of co-operative business was embodied in Arthur J. Eddy's The New Competition (second edition; Chicago: A. C. McClurg and Company, 1913). Eddy held competition responsible for economic abuses and advised open co-operation whereby everyone would prosper. Most of the magazines and journals which reviewed the book did not agree with him, but, since five editions came out in three years, more interest may have been present than was indicated by the periodicals. For comments and reviews see: Iron Age, LXXIX (June 6, 1912), 1416-1417; Journal of Political Economy, Vol. 21 (Apr., 1913), 375; Political Science Quarterly, Vol. 28 (Nov., 1913), 142.
was vulnerable and readily identified by the people. The cheap and popular press which arose at this time provided widespread publicity on business activities and exposed monopolies, financial scandals, and the exploitation of labor. The large corporations, thus, became the target for persons dissatisfied with industrial capitalism.

The concentration of wealth and industry not only affected American society, but also forced a radical change in business organization and management. To handle the increasingly complex functions of the large-scale corporation, a managerial hierarchy became necessary. Andrew Carnegie's dependency upon his managers and his affection for them is well known. "Take from me all the ore mines, railroads, manufacturing plants," he said, "and leave me my organization and in a few years I promise to duplicate the Carnegie Company." When the great captains of industry, like Carnegie, left the scene of business action, it was the managers that they left behind who carried on their work and perpetuated the companies which had been founded.

Furthermore, since stock ownership became more diversified, it was increasingly necessary to leave the day-to-day operation of the firm to a managerial team. Thus, the professional manager came to occupy a pivotal position in corporate organization. His main job was to produce regular

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dividends for the stockholders, but in order to accomplish this, he had to run the company with a minimum of trouble from the public and the employees.

The professional manager, then, constituted a new kind of businessman -- a person possessing vast powers of control and little ownership interest in the company he directed. From present-day studies of such managers, motivation seems to stem not only from monetary desires, but also from the urge to create, to possess power and prestige, and to serve others. Since they handle other people's money, their decisions are probably more cautious and conservative than the business owner who directs the use of his money.

Katona suggests in his *Psychological Analysis of Economic Behavior*, page 197, that the executive, even though his salary is not directly dependent on profits, tends to identify his own success with that of his firm and, therefore, seeks to enlarge the company's earnings. Francis X. Sutton, in contrast, states in *The American Business Creed*, pages 57 to 58, that these managers usually see private office as a public trust and that profit seeking takes a minor role. This apparent difference of opinion cannot be completely settled in favor of one or the other. It would seem that Katona may be right for the attitudes of top executives, but perhaps not as correct for those in middle management who can affect total profits in only a small way. On the other hand, Sutton appears to go too far in saying profit seeking takes a minor role. It takes, perhaps, a less prominent role than in the nineteenth century (see discussion on motivation in the Introduction), but at the present time profit margins still seem to be a major consideration in business enterprise.
own capital, and the business organization in which the managers operate tends to become formalized.

A by-product of the emergence of the professional manager, was the study of the art of management. Between 1900 and 1910 alone, two-hundred and forty volumes on business management were published, and an increasing emphasis was placed on business education. In 1901 The Commercial and Financial Chronicle stated that only experience gave a person the essential, practical knowledge of business life, but by 1912 they were arguing that experience was too slow and that business knowledge could be acquired faster through formal education.

Perhaps the greatest contribution to the study of management at this time was Frederick W. Taylor's The Principles of Scientific Management, published in 1911. The author, essentially, called for a rationalization of work habits. It was the manager's job, he said, to evaluate and to plan each step in the production process. Further, the


15 The plans for the Harvard Business School were announced in 1907. Iron Age, LXXII (June 15, 1907), 1810.

16 The Commercial and Financial Chronicle, LXXII (Mr. 9, 1901), 457; LXXXIV (Mr. 2, 1912), 592.
manager became responsible for the training and supervision of each worker, and for seeing that every task progressed according to plan. At first it might seem that Taylor reduced the worker to a mere automaton, but in reality he tried to solve a basic labor-management problem. Since the worker wanted more pay for less work and the employer desired more work for less pay, Taylor stressed planning the work "scientifically" so that the laborer worked less strenuously, but more productively. Thereby, he hoped, both parties would gain by helping the other.

Taylor's use of co-operation for mutual benefit was, of course, not unique; he merely applied it in a practical manner to a business situation. A new emphasis on co-operation was present at this time in all phases of economic life -- unions, cartels, trusts, co-operative stores, and manufacturing ventures. Americans were beginning to realize that only through combination and teamwork could some problems be solved and certain goals be attained.

In the nineteenth century most of the problems could be solved through individual effort. Thus, a philosophy, such as the one constructed from the ideas of Spencer and Smith, which emphasized the ability and character of the individual, found widespread acceptance. In the early

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twentieth century, however, new problems arose which demanded co-operation for the proper solution. The production of cheap steel, for example, which was essential for the industrial development of the United States, could only be accomplished through the efforts of thousands of men working together toward a common goal. Thus, the idea of co-operation was increasingly accepted in business undertakings, and seemed to have become a part of an emerging social philosophy.

From 1900 to 1914, furthermore, a growing reconciliation between big business and the public took place. Typical of this rapprochement was Theodore Roosevelt's distinction between good and bad trusts. Monopoly power in itself was not bad, he said, only monopolies maintained by unfair methods. Another example of the new attitude can be seen in the injection of a "rule of reason" by the Supreme Court into the Standard Oil Company case in 1911. This "rule" signified a less severe attitude toward the large combinations. American society needed the advantages offered by big business and, thus, in effect, a compromise took place between the older traditions of competition and individualism, and the newer ideas of co-operation and teamwork. Large-scale enterprise was to remain the basic producing unit of the American economy, but its excesses were to be curbed, and it

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became clear that the public as well as the workingman were to share in the benefits in a new way.

This compromise, which involved not only a change in the public attitude, but also an alteration of the business viewpoint, was precipitated, however, by an attack on the commercial structure. The case against business was not without foundation and its repercussions were certainly far-reaching.

2. The Complaint Against Business

The social and political unrest of this period provided the basis for what most historians call the "progressive movement." It was not only a protest against big business, but also a reexamination of American society, its values, its destiny, and its purpose. Working conditions, child labor, exploitation of female workers, slums, food adulteration, corrupt politics -- all were questioned and attacked. Woodrow Wilson in his first inaugural address, March, 1913, summed it up:

But the evil has come with the good and much fine gold has been corroded. With riches has come incurable waste. We have squandered a great part of what we might have used . . . . We have been proud of our industrial achievements, but we have not hitherto stopped thoughtfully enough to count the human cost, the cost of lives snuffed out, of energies overtaxed and broken, the fearful physical and spiritual cost to the men and women and children upon whom the dead weight and burden of it all has fallen pitilessly the years through . . . . The great Government we loved has too often been made use of for private and selfish purposes, and those who used it had forgotten the people.
Our duty is to cleanse, to reconsider, to restore, and to correct the evil without impairing the good, to purify and humanize every process of our common life without weakening or sentimentalizing it.

The progressive attack on the economic order in the United States struck primarily at the abuses of big business. To most of the muckrakers, who were the leaders of the progressive agitation in the field of literature, large-scale enterprise was the symbol and cause of economic injustice. Protest against the unfair acts of businessmen, however, was not new. Elements of dissatisfaction can be traced to the agrarian revolts of the 1870's and 1880's with their stress on cheap money, railway regulations, co-operative manufacturing, and antitrust laws. As early as 1869, Charles Francis Adams exposed the corruption of legislatures and exploitation of the public by big businessmen in his article, "A Chapter of Erie." Yet it was not until the late 1890's that the adverse publicity on commercial practices compelled permanent reform. Toppin estimates that between 1890 and 1896 about eight books or reports and twelve articles attacking business appeared. In 1897 and 1898 about six books and thirty articles were published, while between 1899 and 1900 twenty-eight books or reports and one-hundred and fifty


articles can be found. It was this torrent of accusation, encouraged by the newly arisen "yellow" press, that inspired the reform measures of the 1900's.

The discontent of the 1890's and the 1900's expressed itself not only through books and articles, but also in strikes, investigations, political movements, and ultimately new laws. The Homestead strike, the anthracite coal strike, the populist support of Bryan, the progressive doctrines of Roosevelt and Wilson, the Sherman Antitrust Act, Elkins Act, Hepburn Act, Food and Drug Act, the industrial commission investigation of 1901, the Pujo committee -- all of these expressed America's dissatisfaction with the business system and all represented attempts to correct the evils of an industrial society.

The chief complaint against business centered around the inhumanity of the system and the poor working conditions fostered by businessmen. The long hours, low wages, high accident rates, use of child labor, lack of sanitation in shops, degradation of female labor, and loss of opportunity for the workingman were all a part of the American factory environment. The existence of these conditions was exploited

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23 McClure's Magazine was especially active. Ibid., p. 23.
and exposed in such works as Upton Sinclair's, *The Jungle*, and Jacob Riis', *How the Other Half Lives*.

Corporate corruption and conspiracy to rob the public also received a great amount of publicity. Ida Tarbell's prejudiced *History of Standard Oil* and Henry Demarest Lloyd's *Wealth Against Commonwealth*, exposed the dangerous nature of monopoly control. Thorstein Veblen went further in his *Theory of the Leisure Class*, and questioned the ethics of capitalistic society, while he ridiculed the predatory instincts of businessmen.

Specifically, the complaint against business involved:
1. long hours and low wages,
2. high accident rates,
3. misuse of women and children,
4. exorbitant prices promoted by monopolies,
5. loss of opportunity caused by big business,
6. contribution of industry to problems of slums and vice,
7. corruption of government officials by businessmen,
8. the destruction of small business,
9. waste of material resources, and
10. the unequal distribution of wealth. In general, it was a protest against the inhumane by-products of large-scale enterprise.

3. The Business Response

The commercial world reacted to the progressive attack in a variety of ways. There were, of course, denials of the

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24 Sinclair's novel which had been serialized in the socialist weekly, *Appeal to Reason*, was so popular that 12,000 copies were ordered before the book was in print.
accusations as well as attempts to justify business actions. The consolidation of wealth and industry was held to be inevitable, in accordance with evolutionary principles, and advantageous to the public. For example, The Commercial and Financial Chronicle stated, "In several cases where attempts have been made to establish monopolies the effort has proved a flat failure. Nor have the combinations in trade up to the present time proved detrimental to the public welfare. They are the outgrowth of the conditions prevailing and they have generally been beneficial and benevolent in their operations." The editors of Iron Age reasoned that since mergers had lasted regardless of antitrust laws, they must be in accordance with "fixed lines of evolution." The Electrical World, reflecting "classical" economics, argued that trusts could not survive if managed incorrectly, and that the combinations which best served the public would continue to operate while the others failed.

Furthermore, trusts were justified because of their efficient production and their success in lowering prices. The Commercial and Financial Chronicle commended Charles R. Flint's speech before the Union Club of Boston in 1899, because he praised the trust's ability to operate economically.

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25 The Commercial and Financial Chronicle, IX (June 29, 1895), 1127.
26 Iron Age, IXII (Sept. 15, 1899), 16.
27 Electrical World, XLVI (Aug. 12, 1905), 258.
and to control overproduction. *Iron Age* in 1902 congratulated the newly formed United States Steel Corporation for successfully lowering manufacturing costs; and when pressed to explain rising railroad fares, the *Chronicle* stated that the increase was necessary to meet higher material and labor costs. Interestingly, the editors of the *Chronicle* held that uniform prices did not signify collusion, but rather, better market knowledge.

To answer the complaints concerning labor the *Chronicle* replied that the United States was far ahead of other nations in the fair treatment of employees and agreed, in 1900, with William H. Baldwin, Jr., president of the Long Island Railroad, that industrial combinations helped the worker by offering higher wages, steadier work, shorter hours, and better equipment. *Iron Age*, in 1893, and Albert Shaw in his book, *The Outlook for the Average Man* (1907), expressed, moreover, the

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28 The Commercial and Financial Chronicle, LXVIII (June 3, 1899), 1050-1051. Charles R. Flint was a New York banker involved in business consolidations.

29 *Iron Age*, LXIX (Feb. 15, 1902), 24.

30 The Commercial and Financial Chronicle, LXXVI (Jan. 3, 1903), 5.

31 Ibid., LXXIX (Aug. 6, 1904), 599.

32 Ibid., LIX (June 29, 1895), 1127; LXX (June 2, 1900), 1072.
opinion that there was still as much opportunity as ever for
the ambitious individual.

The complaint that money and property were unequally
distributed was countered in Andrew Carnegie's article,
"Gospel of Wealth," in which he charged the millionaire with
the obligation to distribute his fortune to the public be¬
fore death. The Scotch steelmaster suggested further that
the rich man was the best person to do this since he had
proved his ability to handle great sums of money. The
Chronicle also tried to justify the wealthy by arguing that
it was not sinful to be rich and that it was fortunate that
the wealthy man used his ability in business so that others
might benefit. The editors of Iron Age expressed a similar
idea when they declared that the person who gained his for¬
tune through ability provided more good to the community than
could possibly be measured.

The business response to the progressive onslaught,
however, included positive action as well as defensive

33 Iron Age, LXII (Nov. 10, 1893), 15. Albert Shaw,
The Outlook for the Average Man (New York: Macmillan and
34 A. Carnegie, "Wealth," p. 662. See footnote 5,
Chapter I.
35 The Commercial and Financial Chronicle, IXIV (Feb.
15, 1897), 304-305.
36 Iron Age, LI (June 8, 1893), 1299.
excuses and denials. Naturally, outright opposition arose to the incursions of labor in business affairs. The use of Pinkerton detectives to oppose the equally militant unions is well known. Starting in 1885, businessmen also began to form defensive organizations in order to fight unions and to influence politics. At first, the goal of these associations, which were organized in a variety of ways, was to crush completely the union movement, but around 1891 many began to negotiate with the unions for the sake of industrial peace. After 1901, however, due to the apparent failure of negotiation, the associations tended to assume a more belligerent attitude. This trend continued until 1917.

Perhaps the most famous of these organizations was the National Association of Manufacturers, founded in 1895. The N.A.M. developed anti-labor policies in combination with an active program for influencing state and national legislation. Fundamental in all the association's activities was the preservation of traditional property rights and the managerial prerogatives of manufacturers. Thus, the members fought against the union shop and the enactment of an eight-hour labor law. In spite of serious disagreement within their own ranks over the correct way to treat labor, the

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37 C. E. Bonnett, Employers' Associations in the United States, pp. 21-25.
38 Ibid., pp. 295-374.
N.A.M. was probably the business world's most united effort to combat the more radical legislation of the progressive movement.

Another important reaction of businessmen to the progressive assault was the attempt to soften the attack through philanthropy and paternalism. Although many of the new rich kept their wealth to themselves, some gave away great sums for the benefit of the public. The example provided by Carnegie and Rockefeller, in this respect, somewhat offset the idea that all rich men were greedy. Carnegie's theory of trusteeship -- that the rich should administer for the sake of the less fortunate -- contained, certainly, paternalistic overtones. Nevertheless, it revealed that, at least, some big businessmen had human instincts, and could use their wealth in a responsible manner.

Paternalistic programs administered by corporations at this time were designed primarily to improve relations with labor. Operating under the assumption that the way to win employee loyalty was to provide free recreational facilities and to better plant surroundings, manufacturers

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40 Both Carnegie and Rockefeller gave away huge amounts of money in the period 1890-1914. Rockefeller, for example, gave away over one million dollars in 1892. In 1913, he donated over thirty-four million dollars and in 1914 over sixty-five million to various philanthropies. A. Nevins, John D. Rockefeller, II, 648, 720.
instigated plans to improve factory grounds and to furnish such things as baths, swimming pools, evening classes, dining rooms, awards, vacations, libraries, and club houses. Since it was almost wholly promoted and directed by management, the movement signified a growing consciousness of the problems of workers, as well as a means of defense against the allegations of the progressives.

Thus, businessmen reacted to the progressive attack in a variety of ways. It is important to note, however, that the business people were by no means unified in their response. This lack of agreement was duly reflected in the journals serving the commercial world. The American Machinist, for example, in contrast to the Chronicle or Iron Age, opposed all business consolidations on the basis that they raised prices and limited opportunities for the worker. Regarding the activities and problems of the railroads, the Engineering Magazine took a view contrary to that of the Chronicle and argued, in 1894, that railroads needed to have more respect for the public. In 1908, the editors of Engineering Magazine suggested that public antagonism probably


42 The significance of this movement and its influence on businessmen is more thoroughly discussed in the next chapter.

43 American Machinist, XVI (Nov. 24, 1893), 11; XXII (Sept. 28, 1899), 918.
stemmed from the poor service and surly treatment received by passengers; and in 1914, the editors supported the activities of the Interstate Commerce Commission. The important point is, however, that in spite of disagreement, all business people responded to the progressive onslaught. Thus, the profound effect of this movement on business thought is clearly revealed.

The reaction of businessmen to the attack on their system, for all its diversity, appears, nevertheless, to have been partially successful. Large-scale enterprise was permitted to grow, radical legislation affecting the capitalist system was modified, and the sanctity of private property remained largely unviolated. On the other hand, labor unions had gained a certain amount of protection, and several large trusts were broken up. Above all, in their response to the progressive attack, businessmen were forced to consider the human element involved in business activity. No longer could the responsibilities of businessmen to the public and to their employees be ignored. Whether sincere or not, businessmen now had to pause in the study of account books in order to reexamine the effects of their decisions on society.

Summary

The economic and social structure of American society was in a state of flux in the period from 1890 to 1914. The

44 Engineering Magazine, VI (Oct., 1893), 103; XXXIV (Oct., 1907), 130; XLVIII (Dec., 1914), 412.
main cause for this change was the growth of the population interacting with phenomenal industrial expansion. Because of the predatory activities of certain big businessmen, in combination with widespread publicity given to their actions, the frustrations and fears of society focused on large-scale enterprises.

Businessmen reacted to the attack which followed in a variety of ways and without much unity. The response involved attempts to justify business activities, as well as positive programs designed to soften the assault against business. Although the business response attained partial success, many businessmen found they could no longer continue to operate without some regard for the well-being of their employees and the public. The progressive attack on business represents the main cause for the change which occurred in the businessman's concept of his social responsibility.
CHAPTER III

SOCIAL RESPONSIBILITY -- 1914

1. Attitudes of Businessmen

Competition

During the quarter-century after 1890 the most basic development in the businessman's concept of competition was the increasing acceptance of co-operation as a means of solving common business problems. Prior to 1890 the attitude of most businessmen seemed to have been either to ignore their opponents, or to try to drive them into bankruptcy. Typical of this was the apparent policy of the Whitin Machine Works. Thomas Navin, who wrote a history of the company, reported that Whitin executives before 1890 made few references to their competitors. Correspondence took place only for the purpose of ordering a machine that Whitin did not make or for a discussion of the current tariff situation.

After 1890, however, businessmen began to work together more frequently for the solution of their problems. One reason for this change was the depression of 1893 which reminded businessmen of the painful consequences of overproduction and declining price levels. Furthermore, within

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1 See Chapter I, part 2, the section on competition.
individual industries certain conditions developed which encouraged inter-company co-operation. In the case of the Whitin Machine Works, for example, it was not only the depression of 1893, but also the opening of a large market for textile machinery in the South, and the tariff reductions on British machinery imports which brought home the importance of closer contact with competitors.

A further cause for co-operation was the continued growth of labor unions. A national organization, such as the American Federation of Labor, was an obvious menace to both large and small manufacturers. By forming an association, however, employers could present a united front to the workers, and thereby, attain equal, if not greater bargaining strength. The growth of the labor unions and the threat they posed was, therefore, one of the main reasons for the increase in employers' associations around the turn of the century.

The associations formed by employers were also utilized to control production within an industry and for

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3 Ibid., pp. 236-240.
purposes of influencing legislation. Two of the main objectives of the organization formed by textile machinery producers were to reverse the duty reductions on British equipment enacted by the Wilson-Gorman Tariff, and to control market prices in the South. Victor S. Clark in, History of Manufactures in the United States 1860-1914, gave many examples of employers' organizations and noted among others an association of six cast-iron pipe makers which was formed in the late 1890's to control bids on contracts. It seemed that, at least in this respect, the trade association movement was akin to the merger movement of the same period. Both were attempts by businessmen to combat destructive competition.

Trade associations with their emphasis on co-operation offered an opportunity, like the trusts, to form collusive arrangements detrimental to the public. Although the existence of such organizations did not necessarily indicate illegal activity, the temptation to use these associations for the purpose of controlling prices was always present. Iron Age, for example, suggested that the minority should readily submit to the majority opinion at association meetings, for co-operation was preferable to competition which led to

7  A. R. Burns, The Decline of Competition, pp. 43-45.
"ridiculous sacrifices in attaining business." Such statements seemed to confirm the wisdom of Adam Smith's contention that, "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices."

The importance of this movement was twofold. It revealed on the one hand, a decline in the popularity of the ideas of individualism and laissez-faire in business, or at least, a modification of these ideas. The old ideals of competition still prevailed, but many businessmen were beginning to feel that beyond certain limits competition was no longer useful. On the other hand, the movement was significant in that it revealed a growth of cooperation between competitors and provided an institutional platform from which co-operation in business might be extended.

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8 Iron Age, LXVI (Nov. 30, 1905), 1461. The editors of Iron Age particularly supported the use of trade associations to fight labor and to combat destructive competition. See LXIV (Dec. 21, 1899), 19-20; LXIX (Ap. 17, 1902), 25; LXI (Ap. 9, 1903), 24; LXXI (Nr. 5, 1909), 765.


10 See footnote 4, Chapter III. Also, Iron Age, LXVI (Aug. 16, 1900), 19; and The Commercial and Financial Chronicle, LXIX (Dec. 2, 1899), 1127.

11 George Sweet Gibb suggests that in the textile machinery industry pricing agreements improved industrial relations and may have been the first step toward "business statesmanship and social responsibility." Gibb's statement
The tendency toward co-operation, which continues at the present time, promoted better relations between businessmen. Their interest in sharing information in order to help each other become more effective producers was commendable. On the other hand, the increased opportunity for collusion tended to nullify the advantages of better relations between companies. It seems impossible, however, that the increased cordiality among businessmen could have occurred without the danger of agreements contrary to the public welfare. Both came from the same sources — the desire to halt the incursions of labor unions, to combat the vacillations of the economy, and to eliminate the causes of overproduction and destructive competition.

Customer

The consumer of the early twentieth century benefited greatly from the development of what Fortune magazine calls the "gospel of production." This "philosophy" which was prevalent in the industries producing for public consumption, called for the manufacture of great quantities of uniform goods to be sold with a small profit margin. The

may be somewhat biased, however, since the Saco-Lowell Company financed his history, and because many of Gibb's ideas were checked and criticized by David F. Edwards, the president of the firm. The Saco-Lowell Shops (Cambridge: Harvard University Press, 1950), pp. 289-290.

foremost protagonist of this idea was, of course, Henry Ford. Stimulated by the thought of producing a low-priced automobile, Ford announced, in 1909, that thenceforth all chassis would be the same for every one of his cars. By such techniques he managed to cut his costs until he became the undisputed champion in the low-price market. His touring car, for example, which sold for $950 in the fall of 1909 cost $490 in July of 1914.

Yet even with the advent of mass production, few manufacturers bothered to consult the buyer on a formal basis about the goods offered for sale. In 1912, Ford commented, "Any customer can have his car painted any color he wants so long as it is black." This attitude — that the consumer could take it or leave it — predominated throughout the period. Charles B. Dudley in his presidential address of 1904 to the American Society for Testing Materials, pointed out that many quality products failed in the market because the manufacturer had considered neither consumer preferences nor competitive prices. Nevertheless, there is no evidence in the journals of any formal attempt to consult customer opinion. His preference was supposed to be revealed in the market place.

Allen Nevins, *Ford, the Times, the Man, the Company* (New York: Charles Scribner's Sons, 1954), pp. 491, 511.

Ibid., p. 452.


American Machinist, XXVII (July 21, 1904), 969.
There did exist, however, an awakening interest in better relations with the customer. *Iron Age* suggested the use of more tact and friendship in business letters. *Electrical World* recommended that electrical company personnel should try to put themselves in the consumer's place and thereby anticipate his needs. *American Machinist* advocated the manufacture of a high-quality product so that the customer would be satisfied and want to buy more, thus creating additional work. Although an increased emphasis on rationalizing business procedures seemed to have been occurring at this time, as illustrated by Frederick W. Taylor's ideas about "scientific management," the rationalization process appears to have been concentrated on production. The purchaser at this time benefitted only incidentally.

In 1914, therefore, some manufacturers felt the responsibility to produce a low-price product of reasonably high quality. A great number still considered, however, that

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16 *Iron Age*, LXXV (Mr. 25, 1905), 1009.
17 *Electrical World*, LXI (May 31, 1913), 1121.
18 *American Machinist*, XXXVI (Jan. 24, 1912), 156.
19 T. C. Cochran and W. Miller in the *Age of Enterprise*, page 229, report that after 1907 there occurred a noticeable slowing of the rate of economic expansion. This, they contend, brought about increasing emphasis on the extension of consumer goods industries with expenditures on advertising and sales organization. There exists very little evidence of this increased emphasis in the journals consulted for this paper.
they had little responsibility to the consumer since the purchaser had the power to reject the goods in the market.

**Labor**

The most significant change in the businessman's concept of social responsibility occurred in the realm of labor relations. In contrast to earlier periods, businessmen began to show concern over the well-being of their employees. This new interest which manifested itself in welfare programs and improved working conditions, resulted from a number of interrelated motives.

There was present, of course, a certain degree of humanitarian instinct among businessmen throughout the period under study. This was often inseparably mixed, however, with what N. S. B. Gras calls "enlightened selfishness." In many instances, business altruism could prove indirectly beneficial to a firm. *American Machinist* reported, for example, the apparently humanitarian act of C. P. Huntington, a Norfolk shipbuilder, who purposely bid $300,000 low on a contract so that his idle employees might be able to work. This action could be viewed as pure altruism, yet it is very possible that Huntington gained by retaining key personnel in a slack season. Thereby, when business revived, he did

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not suffer the expense of training new men. Moreover, the shipbuilder could obtain a reputation as a good employer and, therefore, attract better workmen. It is highly probable that without these "indirect benefits" many of the so-called humanitarian acts of businessmen would never have been performed.

Another reason for the businessman's concern for the worker was, certainly, the continued growth of the unions and the attack of the progressives. To forestall union formation and strikes, employers attempted to make the worker more content. Furthermore, the installation of bathrooms, improved lighting and air circulation systems, and safety devices removed some of the causes for the progressive attack on business.

There also exists some indication that businessmen became increasingly self-conscious and self-critical of their treatment of labor. Evidence of this can be found in the business journals. The editors of American Machinist praised Matthew Bordon, a Connecticut textile manufacturer, for refusing to participate in an industry-wide wage cut, while they condemned the action of the locomotive builder, Jacob S. Rogers, who had his plant permanently closed at his death. Two thousand men, supposedly, were left without jobs.

22 Harold F. Williamson reported that the Winchester Repeating Arms Company especially tried to keep work at a steady rate so that they would not lose their skilled workers. Winchester: The Gun That Won the West (New York: A. S. Barnes and Company, 1952), p. 155.
Roger's statement that, "I have paid them for their work and am under no obligation to them," was greeted by the editors as "cold-blooded brutality." Even The Commercial and Financial Chronicle boasted that many railways withheld dividends before reducing wages. In the case of the railroads there may well be undisclosed motives which, if revealed, would limit the altruistic appearance of the action. Nonetheless, the fact that the editors of business journals commented in such a manner, indicates, at least, a new awareness of the workman's problems.

The most dramatic expression of the new concern for the workers was industrial paternalism which in the period under study, came to a peak around 1900. The economic aspect of this movement is readily apparent. The Engineering Magazine contended that it paid to have well-fed, clean, and properly housed employees. Iron Age used the same argument when it appealed for better conditions not on the basis of charity, but because they would yield a profit. "There can be little doubt that a normal, healthy workman does better work and more of it ... because he is strong of body, clear of mind, and happy of spirit."

23 American Machinist, XXIV (July 11, 1901), 769; XXIV (Sept. 5, 1901), 981.
24 The Commercial and Financial Chronicle, XLVII (Dec. 24, 1898), 1285.
26 Iron Age, LXVI (Nov. 8, 1900), 25-26; LXXII (July 23, 1903), 27; LXXVII (May 7, 1908), 1461.
Paternalism, however, proved abortive in many cases. Workers resented the efforts made in their behalf. They suspected employers of using welfare programs as a means of avoiding wage increases, sugar-coating scientific management, and counteracting unionism. Furthermore, they disliked the complete domination of management. The movement, therefore, often received half-hearted support from the workers. More important, paternalism seemed to have had little effect on the dissatisfaction and unrest of labor. The workers of National Cash Register, for example, who enjoyed one of the most advanced welfare programs in the nation, nevertheless, struck in order to protest the discharge of some molders in 1901.

With the growth of unions, the increase in the resentment of workers, and the continuation of strikes many paternalistic programs were abandoned. As Iron Age commented:

"The number and importance of the labor troubles now in progress prove most impressively the futility of all efforts by

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29 This proved to be embarrassing to American Machinist because it had long supported the paternalism in the plant and had used National Cash Register as an example of the ideal place to work. XXII (May 9, 1901), 511.
economical organizations or philanthropic minds to bring about better relations between employers and workmen."

Coinciding with the discouragement over welfare programs for the worker was a change in the businessman's attitude toward organized labor. It is almost as if businessmen recognized for the first time the threat of the labor unions. Consider, for example, the metamorphosis in the editorial position of *The Commercial and Financial Chronicle*. In 1893 the editors stated that workers had the right to organize and strike; in 1899 they felt that strikes were permissible if the demands were reasonable and no violence was involved. By 1901, however, they said that meekly yielding to the demands of unions was a mistake; and in 1902, they declared that unions were becoming a public nuisance and trying to control all industry.

The same transformation, although with less clarity, can be seen in *Iron Age*. Before the turn of the century it seemed as if businessmen were confident that they could handle the labor problem and that, perhaps, with the aid of

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30 *Iron Age*, LXIX (June 12, 1902), 25.
32 *The Commercial and Financial Chronicle*, IX (Ap. 8, 1893), 561; LXIX (July 29, 1899), 205; LXXII (July 15, 1901), 50; LXX IV (May 21, 1902), 1062; LXXIV (June 7, 1902), 1160.
33 *Iron Age*, LXIX (Ap. 17, 1902), 25; (May 1, 1902), 24; (May 29, 1902), 22; (June 12, 1902, 23.
paternalism, the advantages offered to the worker by the unions would be negated. After the seeming failure of industrial paternalism to win employee loyalty, however, businessmen seemed to accept the fact that unions were a serious threat to industrial stability. This would account for the apparent bitterness of the *Chronicle* and *Iron Age* after 1902 and the growing belligerence of employers' associations after 1900.

Businessmen, of course, lacked unity in their stand against labor. Even the N.A.M. could not agree on the proper approach. Some members advocated radical measures while others wished to avoid any warfare between capital and labor. In contrast to *Iron Age*, which felt that, "the general attitude of organized labor constitutes a serious menace to the welfare of the country," the *Engineering Magazine* blandly suggested that labor unions were the inevitable outgrowth of modern conditions and the indifference of manufacturers. Their position was that labor problems were complicated and that all troubles should be worked out through conference.

Moreover, in spite of much bitterness, progressive employers did not forsake the attempt to achieve better

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36 Ibid., XXXI (Feb. 5, 1903), 25.
37 *Engineering Magazine*, XXV (Ap., 1903), 99-100; XXVII (Sept., 1904), 977; XXXVIII (Mr., 1910), 905.
relations with their workers. The foundations of modern personnel relations were laid at this time, although it was not until after World War I that personnel activities became formalized into a special division of business. In the decade before the War, these functions were carried out by "social secretaries" or "social engineers" whose main job was to promote, in any fashion, better understanding between capital and labor. In 1909 William H. Tolman, a pioneer in this field, wrote:

Employers are admitting that they ought to improve the condition of the employed, but they are fearful lest in so doing they may make a mistake, they may not do the right thing, their efforts will be looked on with suspicion, they will not be appreciated. This recognition on the part of the employer that he owes his staff something more than wages, has created a new professional calling, that of the social engineer, who can tell the employer how he may establish a desired point of contact between himself, his immediate staff, and the rank and file of his industrial army.

Thus, two apparently conflicting attitudes existed in the period from 1890 to 1914. A definite anti-union feeling was present, especially after 1902, and, at the same time, a growing responsibility was felt to improve the relations between the worker and his employer. Perhaps the latter was only an attempt to circumscribe the activities of the unions. Still, more and more employers felt the obligation to provide

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clean wash rooms, air circulation systems, heat, better light, and improved safety devices. In some instances these obligations seemed to have become accepted by businessmen as natural, even though no such obligations were felt in 1890. Iron Age, for example, stated in 1909 that many conditions which were once considered welfare, such as provisions for sanitation, adequate lighting, and air circulation, were now considered necessary for a good shop atmosphere.

Whether motivated by social pressure, union organization, or altruism, the businessman of 1914 was more aware than he was in 1890 that something was owed to labor beyond the mere payment of wages. This awareness of obligation in itself represents an advance in social responsibility.

National Economy

The period 1890-1914 was a time of increasing governmental interference in commercial affairs. Most businessmen resented this encroachment and felt that the main purpose of government was to prevent frauds and to protect the rights of creditors and debtors. The Commercial and Financial Chronicle went so far as to blame the federal government for precipitating the panic of 1907, and suggested, as a remedy,

40 Iron Age, LXXXIII (May 13, 1909), 1522.
that President Roosevelt, as well as Governor Hughes of New York, resign so that business might recover.

Regardless of their frequent denunciations of government interference, businessmen often co-operated with government agencies. The Chronicle agitated for railroad safety and in 1905 supported the I.C.C.'s contention that more air brakes per train were necessary. Iron Age urged business co-operation with local officials for the elimination of noxious fumes from smokestacks, while Electrical World and Engineering Magazine backed Roosevelt's conservation programs. The editors of Iron Age in 1903 stated, in discussing the wasteful exploitation of natural resources, that "The days of boundless generosity should be over, and measures should be taken protecting the welfare of the country at large and insuring to it a share in the fruits of the working of the nation's mineral wealth."

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43 Ibid., LXIX (Sept. 2, 1899), 470-471; LXXI (Aug. 19, 1905), 637.
44 Iron Age, LXIII (June 15, 1899), 18; LXXVI (Sept. 28, 1905), 803-809.
45 Electrical World, II (May 16, 1903), 248.
46 Engineering Magazine, XXXIII (July, 1907), 624; XXXVII (July, 1909), 660.
47 Iron Age, LXXI (Feb. 26, 1903), 21.
Also reflected in this statement is a concern for the national well-being which suggests that businessmen were beginning to form some concept of their obligations to the economy and to American society. Articles on booms, depressions, speculation, and inflation occur with increasing frequency after 1900, especially in *Iron Age* and the *Chronicle*. The *Iron Age* editors commented on the importance of railway expansion to the economy and the widespread influence of the automobile industry as a consumer of industrial goods.

Plant accidents were seen to affect the national economy and business failures were viewed as a loss to society.

A further manifestation of this changing view toward public responsibility was the attempt to form professional business organizations with articulated rules of conduct. *Electrical World* noted, for example, the attempt to transform engineers into professional men by the formulation of such laws. A code of ethics was composed by the National Contractors Association in 1914, and even the New York Telephone Company drew up a set of ethical rules in 1908.

There is no indication in the journals studied of what the effect of these codes was on the business people.

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48 *American Machinist*, XXXIII (Feb. 24, 1910), 371; (May 26, 1910), 981; (Aug. 11, 1910), 275.
49 *Electrical World*, XLVII (June 23, 1906), 1281.
concerned. It would probably be incorrect to say that business men became more honest or responsible because of an articulated standard of conduct. In fact, these codes might be considered merely another attempt to combat the progressive attack. Nevertheless, they do indicate an attempt to define and write down ethical rules of conduct. This, in itself, reveals an increasing interest in the role and responsibility of the businessman in society.

Thus, the businessman's concept of his relation to the community and to the nation in which he operated changed gradually in the decades prior to World War I. Some businessmen learned to co-operate with government agencies and there existed an expressed concern over the moral standards of business. Although much of this change undoubtedly was forced upon the businessmen, they, nonetheless, could hardly help but become more aware of the role they played in American society.

2. Conclusion — The Business "Mind" of 1914

It appears that the businessman's concept of his social responsibility began a slow adjustment in the twenty-four years after 1890. Certainly, the transformation included elements that were harmful, at least in terms of public welfare. The co-operation between competitors in trade associations provided an opportunity for collusion, while a growing anti-union movement in these organizations
sharpened the lines of difference between labor and management. The split between the workers and their employers created a problem that remains unsolved at the present time.

Nevertheless, the change in concepts as revealed by the business journals, by and large, signified an increased awareness by businessmen of their social obligations. In spite of resistance to labor organizations, employees enjoyed improved working conditions and more humane treatment. Problems of personnel relations began to draw attention and employers became interested in eliminating sources of friction within the business firm. In addition, businessmen began to see the interrelationship between the corporation, government, and the community. In some cases, the periodicals showed that businessmen actively promoted conservation projects, safety programs, and attempts to solve the problems of boom and depression.

Typical of the change in business attitude was the management policy of Standard Oil of New Jersey in the decade after the turn of the century:

They [general managers] endeavored to continue to conform to the letter of the laws in the United States and, in general, not to pursue policies abroad, which,

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51 Clarence E. Bonnett reported that some employers' organizations co-operated with the unions in attempts to control prices. Employers' Associations in the United States, p. 23.

52 Harold F. Williamson states in his Winchester: The Gun That Won The West, pages 135-156, that the managers of the firm began setting up personnel records and screening applicants for employment around 1903.
even though economically promising, would prejudice the public and judicial attitude at home. In fact, in considering their own general interest, the executives were forced to weigh the effects of their policies not only upon stockholders but also upon independent producers and competitors, railroads, consumers, newspapers and periodicals, legislators, and the courts.

Many of the traditional ideas concerning business operation likewise changed during the period. Concepts of regulation, co-operation, and trusteeship modified the ideas of laissez-faire, individualism, and economic self-interest. George W. Perkins, a Morgan partner and director of numerous large companies, stated in 1908, "The corporations of the future must be those that are semi-public servants, serving the public, with ownership widespread among the public, and with labor so fairly and equitably treated that it will look upon its corporation as a friend ... ."

The alteration in business ethics occurred for a variety of reasons. The response of businessmen, however, was not totally the reaction of a well-knit group or class to outside pressures. As members of society, they too had an interest in the destiny of the United States. The N.A.M., for example, supported the reforms in the food and drug laws

against the wishes of the member food processors. In these instances, businessmen reacted not as members of the world of commerce, but as members of society and, therefore, participated in the reforms of the progressive movement.

The immediate accomplishment of the change in concepts of social responsibility was that many of the abuses exploited by the muckrakers were corrected and that the progressives were somewhat pacified. In part, as a result of these changes, the attack on the business system subsided after 1914 and did not revive until 1930. One of the most interesting examples of this modification of attitude toward businessmen was the change that took place in Ida Tarbell.

The history she wrote of Standard Oil, which was first published in 1902, was a bitter portrayal of a predatory business firm and a general condemnation of all big business. Yet in 1916 she wrote New Ideals in Business, which was an account lauding the "new" type of employer who was concerned over the well-being of his workers.

The shift to an urban, industrial economy required an ideological adjustment by the American people. The change

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56 E. A. Toppin, "Defense and Defenders of Big Business," p. 3.
which occurred in the ethical standards of businessmen was a part of this adjustment. The alteration reveals that business ethics were sensitive to the social, political, and economic conditions of the period and that they were flexible and adaptable rather than rigid and static.

The change in business concepts of social responsibility at this time, moreover, was the beginning of a trend which has continued to the present. Ideas of trusteeship, concern for employees, feelings of obligation to the community and to the economy still predominate today in the thoughts of businessmen. The concepts of business ethics continue to change, but they have continued to be profoundly affected by the developments in the important years between 1890 and the First World War.

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