WALL STREET: SYMBOL OF AMERICAN CULTURE

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ABSTRACT

This work explores an uncharted area of American life, namely, Wall Street as a cultural symbol. It seeks to understand in an interdisciplinary way the historical process by which Wall Street has become increasingly influential in people's lives by representing culturally powerful and appealing ideas and concepts. It explores the action potential of Wall Street language, images, and symbols and the ideological units of meaning within them.

The thesis argued is that Wall Street has become an increasingly powerful and pervasive symbol of American culture that represents a broadly accepted capitalist theology of ambiguous values, ritualistic practices, unique language and the growing commodification and insulation of people's lives. While the Street is real enough, principally it exists in people's minds and the ways they lead their lives. Its professional activity is immersed in numbers, mechanization, and technology, but it lends itself not so much to quantification as to the embodiment of certain American beliefs, values, and experiences.

Wall Street is persuasive in representing a set of deeply held American values and beliefs that have overpowered other American symbols that historically represented the interests of the greater commonweal. The preponderance of evidence suggests that it exists in American society as a moral "middle ground," one where

fear, narcissism, and greed are as viable as hope, community and charity. It is a counter-weight to idealism and a monument to a shifting sense of what is right and wrong. As America moves into the 21st century, Wall Street's influence is examined in light of the nation's future prospects.

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CHAPTER 1

THE OPENING BELL

> "Money, and not morality, is the principle of commercial nations."
>
> -- Thomas Jefferson[1]

When Thomas Jefferson wrote these words to John Langdon in 1810, Wall Street was already a prominent place on the American landscape. George Washington was inaugurated there as the first President of the United States. Alexander Hamilton lived and worked on the Street, and while there greatly influenced the future development of America's business, banking, and trading communities. At the very birth of our nation, Wall Street was already a locus of power and influence in the United States of America, and that was just the beginning.

Today, Wall Street transcends the limits of mere "place" and "commercial center." It is much more than the world's trading and financial centerpiece, as if that were not enough. It is more than the center of finance capitalism and the seat of the New York Stock Exchange. Arguably, it is at the heart of the American economic system and at the core of the international free-market system. For purely economic and financial reasons, Wall Street has been critically acclaimed as "The Greatest Square Mile on Earth".[2] And still, it is even more to the American people and to their culture.

To begin with, Wall Street exists most importantly not as a "place" but a cultural symbol. The Concise Oxford Dictionary defines "symbol" as "...a thing regarded by general consent as naturally typifying or representing or recalling something by possession of analogous qualities or by association in fact or thought."[3] Wall Street is an abstraction, a symbol that has become increasingly powerful and persuasive in representing both a set of deeply held values and the increasing commodification of our own culture to include the arts, entertainment, language, sports, and much more. It is a symbol whose very foundation is laid in our cultural heritage. So, while the Street is real enough, principally it exists in people's minds and in the tangible expression of their lives.

One process by which symbols like Wall Street acquire meaning is through the accumulation of sensory impressions. This important process is briefly described by Suzanne K. Langer in "Signs and Symbols":

> All our sense impressions leave their traces in our memory as symbols, images representing our ideas of things; and the tendency to manipulate ideas, to combine and abstract, mix and extend them by playing with symbols, is man's outstanding characteristic. It seems to be what his brain most naturally, and spontaneously does. Therefore his primitive mental function is not judging reality, but dreaming his desires.[4]

Wall Street increasingly floods our senses with stimuli that give rise to our dreams and desires--early retirement,

college expenses paid for the children, security from want or denial of "self" and escape.

Wall Street is quite unlike other prominent American symbols like the Statue of Liberty or the Lincoln Memorial. In the American pantheon of symbols, it is unique in that it is not invested with any particular dignity, with character and purpose beyond reproach, with lofty idealism, or with virtue that places the United States on some higher moral ground. Wall Street makes no such pretense. The preponderance of evidence suggests that it exists in our culture as a moral "middle ground," one where fear, narcissism and greed are as viable as hope, community and charity. It is a counter-weight to our idealism and a monument to our shifting sense of what is right and wrong.

Wall Street has also become the institution of choice for millions of Americans and the daily barometer of our national well being. It casts a very large shadow over our daily experience by successfully accessing and saturating media and other conduits of power and influence. Wall Street offers insulation against many of the harsh realities which surround us like homelessness and street-crime and provides the means of individual escape. As we approach the turn of the century, there is one super-highway to achieving material success and personal freedom from fear and want and that is Wall Street. The toll to be

paid is assent, directly or indirectly, to its agenda and incursion into our daily lives.

If, as anthropologist Ruth Benedict has argued, culture actuates the behavior of individuals,[5] then there is indeed an intimate and complex relationship between the culture symbolized by Wall Street and the behavior of the American people. There are necessarily many themes to explore in this intricate web. Americans are moved economically, socially, and psychologically by what takes place on Wall Street and by what it represents. The Street tightens its grasp on America by issuing a daily torrent of cultural stimuli to include a unique language, rituals of winning and losing, larger-than-life characters in both fiction and non-fiction, film portrayals, news bytes, television and radio programs, satellite telecommunication links, electronic data, newsletters, portfolios, prospecti and advertisements. It promotes a religion of wealth, greed, winning and success, and for millions of people serves as <u>the</u> measure of hope and despair in the American prospect. Increasingly Wall Street directly influences alternative cultures from which emerges a common culture inextricably tied to its agenda and influence.

Wall Street is obviously framed by America's cultural and social heritage. It evokes the image of a "wall" spanning the breadth of America's social, economic, political, and historical experience--one that separates

haves and have-nots, winners and losers, blessed and cursed, real and ideal, virtuous and pragmatic. It is a wall which beckons us to cross over to its treasure, to invest ourselves with its culture and thus be rewarded and transformed ultimately into the new exalted class of those able to gain wealth without work.

There is a symbiotic relationship between this symbol and the daily aspirations and tribulations of millions of American people and their families, employers, cities, and institutions. For its part, Wall Street caters to America's frantic and often chaotic search for meaning, satisfaction, and personal fulfillment. It fuels our acquisitiveness that goes well beyond mere sustenance, security, and even contentment. It provides us with larger-than-life heroes and villains that exude power, privilege, and moral decay in roles consistent with their images as "Masters of the Universe."

In return, Wall Street is permitted to endure and prosper as a symbol in a culture that increasingly welcomes and promotes a gospel of freedom and salvation through wealth rather than hard work. It is a symbol clothed in endless opportunity and just enough predictable uncertainty to fuel a socioeconomic system that quite literally would crumble if ever, We, the People, truly became satisfied.

A number of authors have chronicled the busy history of Wall Street transactions in attempts to construct eco-

nomic profiles of American business activity. Others have focused on the world of investment and banking. Still others have focused on Wall Street characters. Many of these have been larger-than-life portrayals, and some individuals such as Big Jim Fisk and Commodore Vanderbilt have gained mythological standing. Numerous researchers have exhaustively tilled the historical soil beneath landmark events such as "The Great Crash of 1929" and "The Gilded Age". And yet, throughout, no one has previously examined and assessed the complex relationship of Wall Street to the American people, their culture, and their future. That is the original contribution this work seeks to make. It is concerned, then, with Wall Street's influence on our ideas, values, language, beliefs, our social, economic, political, and intellectual life--particularly in the last quarter century and what this portends for America's future. It focuses on the power of Wall Street's image as concepts, its myths as ideology. This is not a comprehensive social or economic history of Wall Street *per se*. It is an interdisciplinary attempt to examine a complex symbol juxtaposed against realities and representations of modern American experience that both defy its mythology and contribute to its allure.

Wall Street is an increasingly powerful and pervasive symbol of American culture that represents a broadly accepted capitalist theology of ambiguous values, ritualis-

tic practices, unique language and the growing commodification of our lives. It not only influences our daily experience and frames our international image, but it also encourages us to legitimize inequality and escape from any commitment to the commonweal. Wall Street increasingly represents America itself. It includes the emergence of a new Manifest Destiny--a national imperative to bring the language, rituals, technology, values, and the success of "free and open markets" and "unfettered enterprise", in essence Wall Street culture, to every corner of our world.

Wall Street has seemingly overpowered other American symbols that historically represented the interests of the greater commonwealth--respect for success gained from hard work, sharing, social justice, morality and virtue. Today there is no broad-based resistance by populists or working class members to the ascendance and influence of Wall Street. There is little challenge to its value system from institutions that are themselves under attack: public education, government, law and the courts, the arts, media. In the confusion, Wall Street stands ready to represent what is "best" about America to the new world order.

A few slogans tenuously connect us to the past. Some politicians, for example, still speak of instilling the "work ethic" in welfare recipients but no one else. There remains the perennial refuge of hope, the powerful symbol of "family" as the quintessential social balm for America's

ills. These are merely distractions from the real business of America which today is the export of its market culture to the world packaged as opportunities for everyone to share in global wealth, not global freedom. The measure of our friends is no longer political orientation but market orientation. And the convergence of political, religious, economic, military, social, and institutional support for free-markets has conferred upon Wall Street a degree of legitimacy, standing, and influence unparalled in its history. These developments are not coincidental.

Near the onset of the 21st century, Wall Street is heir apparent to the tradition and myth of the American frontier. As Henry Nash Smith has revealed in Virgin Land: The American West as Symbol and Myth,[6] a century ago the West was perceived and promoted as the region of adventure in America; it represented freedom and independence for the taking. Smith identifies in American attitudes toward the West an ambivalence shared by many about "wilderness" and "civilization." With the West now occupied with approximately ninety million people, today Wall Street is the real frontier of adventure, with freedom and independence promised to every investing pioneer willing to make the trek. At times it is a frontier pushing the debate of what is "legal" and "illegal;" about what is "right" and "wrong", "good" and "bad." It is also the frontier symbol of endless opportunity and a better life for everyone in

exchange for a small financial investment and loyalty to its values, language and rituals. Tens of millions of Americans have responded enthusiastically with their dollars, and more newcomers are welcomed every day.

The methodology used to develop this argument and explore this dynamic is eclectic and necessarily interpretive. It cuts across and includes several disciplines and media. These disciplines reveal a knowledge of culture and are thus excellent tools for an investigator of culture. The media are the variety of ways in which we reveal our culture and are thus central to understanding our ideas, values, and symbols. Throughout this work there has been a conscious effort to limit consideration to core issues and evidence that informs rather than burdens the reader. In exploring these issues, the narrative proceeds thematically in each chapter rather than following any strict chronology. Many themes recur as interwoven threads of evidence illustrating what this symbol represents for America.

This study has similarities to Alan Trachtenberg's Brooklyn Bridge.[7] Just as he outlines in his "Preface" to that work, there is a need here as well "to separate two modes of existence: one has a specific location in time and space; the other, its place in the mind, or in the collective imagination of Americans." This work will also draw upon aspects of Trachtenberg's methodology in his later work, The Incorporation of America. Specifically, it

will also be concerned with the effects of Wall Street on culture, on values and outlooks, on the 'way of life.'"[8] Instead of a cross-disciplinary consideration of the past, however, such as Trachtenberg's focus on the Gilded Age in Incorporation, this work attempts to satisfy the additional demand of an interdisciplinary examination of Wall Street as a symbol linking past, present, and future. This broader view has required significant field observation, and many "presentist" conclusions are reached through inductive analysis and interpretation of current information whose reliability and accuracy might well change with time. Like Incorporation, this work will examine the intricate relationship of culture to our economic system--in this case, to one powerful and symbolic representation of that system.

According to British anthropologist Victor Turner, author of The Forest of Symbols, the meaning of symbols is "entirely understood through observation and questioning. This approach combines observations of overt behavior with statements pertaining to inner states and meanings."[9] Turner's brand of symbolic anthropology is grounded in empiricism and it emphasizes context:

> I found that I could not analyze symbols without studying them in relation to other events, for symbols are essentially involved in social process. The symbol becomes associated with human interests, purposes, ends, and means, whether these are explicitly formulated or have to be inferred from observed behavior. The structure and properties of a symbol become those

> of a dynamic entity at least within its appropriate context of action.[10]

Wall Street suits this description because although its professional activity is immersed in numbers, mechanization, and technology, the Street lends itself not so much to quantification as to the observation of American beliefs, values, and experience. Wall Street is often touted, for example, as a symbol of pure democracy in America defined in terms of consumer and investor choices and in the participation of Everyman. At the same time, the Street has little interest in improving the condition of all men and women. The impact upon the culture is unmistakable. We now rarely speak of citizens. Rather, we talk about "consumers" and "investors." Hospitals no longer deal with "patients." They have worked hard to satisfy "customers" ever since the larger health care chains went "public" on Wall Street and became concerned with "profit margins" and "dividends." In many dramatic ways, the deluge of information shaped by Wall Street represents, among other things, the plight of knowledge and wisdom in America set against incoming tides of "data" and "information"--hallmarks of our increasingly commodified culture.

As British anthropologist, Mary Douglas, has written, the challenge of a symbol "is to examine the social and cultural relations it masks."[11] This then, is the task at

hand. Accordingly, Chapter Two reveals how this symbol was formed in the womb of our Western heritage.

Chapter Three examines specific assumptions regarding the nature and character of America's self-made man as the logical antecedent to today's "market" man.

Chapter Four explores how the Wall Street "symbol" emerged. It also explores how that symbol has come to find growing acceptability and prominence through its unabashed promotion of a modified American Dream that now promises greater success and happiness with less work.

Chapter Five unveils the unique language Wall Street uses successfully to penetrate and influence our culture while creating a common ground for assimilation into its widening community. Attention also is given to the role of obfuscation in achieving profitable discordance and enough uncertainty to draw our attention and maintain our interest.

Chapter Six examines the foundation of Wall Street's popular influence in America, namely, "faith;" faith that it indeed represents the best opportunity in the modern chaotic world for individual freedom and salvation. These ends are achieved by playing Wall Street's "game." Values promoted in the game include "greed is good" and being "bullish on America." These expressions have become axiomatic in our culture and part of our "legitimate" value system.

Chapter Seven reveals the extent to which Wall Street influence has been successful in commodifying our culture, and the nature of our assent to that transformation.

Chapter Eight takes an informed look at the "Masters of the Universe" who guide the rest of us to the New American Frontier. Popular culture characterizes their "New Frontier" as a place to achieve freedom, independence, and security. Attention is also given to the conduits through which the "Masters" access national influence and power in order successfully to promote and sell the "New Frontiers" of opportunity which this week might include a new arbitrage opportunity, or, a greater leverage mechanism in buying precious metals.

Finally, Chapter Nine examines how the relationship between this symbol and American culture has evolved over the course of our national experience. Applying patterns found throughout this inquiry, I examine the symbol as America approaches the close of this millennium. Cumulatively, the evidence will show that Wall Street indeed now serves as a powerful symbol of American culture.

This work seeks to meet the requirements of a doctoral dissertation as defined by the Council on Graduate Schools in that:

> 1) it is an intensive, highly professional training experience, the successful completion of which demonstrates the candidate's ability to address a major intellectual problem and arrive at a successful conclusion independently at a high level of professional competence, and 2) its

> results constitute an original contribution to knowledge in the field.[12]

It further aims to make a significant original contribution to knowledge by exploring, largely through synthesis and cultural analysis, an uncharted area of America, namely, Wall Street as a cultural symbol. The evidence presented may disprove or support a particular concept, theory or hypothesis. But more importantly it adds to the understanding of a process by which Wall Street has become increasingly influential in our lives.

This work is also in keeping with the rather eclectic nature and breadth of inquiry characteristic of American Studies. In the 1994, "Presidential Address to the American Studies Association," Paul Lauter said:

> American studies, as it is now named, is an effort to understand and, of course, to shape the changing dimensions particularly of society, culture, and politics in a certain geographical space now generally called America. I think American studies can most usefully be understood not as a discipline that, from a remote and academic standpoint, surveys a particular historical and cultural territory but as a framework within which people engage in those most significant of intellectual ventures, changing or policing the society in which we live.[13]

Professor Lauter concluded his address by saying:

> In declaring ourselves students of America we undertook a certain responsibility: to contest the prevailing veneration of peddle, purchase, and profit with which America has become identified, to challenge the runaway individualism that has always threatened to bury the ideas of the community in this country and all of this requires that we explore and act in all of those worlds.[14]

In 1987, Giles Gunn argued that one way to gauge the health of any academic field is to determine the kind of questions it begs, and he went on to suggest that by such a standard American Studies "is in considerable trouble."[15] A more optimistic assessment was offered by Philip Fisher, who wrote in 1991 about a new generation of American Studies people who focus on "rhetorics."[16] By this term Fisher meant a new way to look at the action potential of language, images, and symbols, not just their power or contrivance to move an audience, but also the location of words, formulas, images, and ideological units of meaning within them. He concluded, "Where there is nothing openly contested, no cultural work can be done."[17] To seek to do this is a central aim of this dissertation.

Notes

Chapter One

1 Gordon Carruth and Eugene Ehrlich, American Quotations (NY: Harper & Row, 1988) 386.

2 "The Greatest Square Mile on Earth," The Exchange XII, Sep. 1952: n. pag.

3 Concise Oxford Dictionary (Glencoe, NY: Free P, 1967) 460.

4 Suzanne Langer, "The Lord of Creation," Fortune Jan. 1944: 42.

5 Ruth Benedict, Patterns of Culture (NY: Mentor Books, 1934) 28.

6 Henry Nash Smith, Virgin Land: The American West as Symbol and Myth (NY: Cambridge, 1950).

7 Alan Trachtenberg, Brooklyn Bridge (Chicago: U of Chicago P, 1965) ix.

8 Trachtenberg, The Incorporation of America. Culture and Society in the Gilded Age (NY: Hill and Wang, 1982) 3.

9 Victor Turner, The Forest of Symbols (Ithaca, NY: Cornell UP, 1967) 42.

10 Ibid. 45.

11 Mary Douglas, How Institutions Think (Syracuse, NY: Syracuse UP, 1986) 55.

12 David Madsen, Successful Dissertation and Theses, 2d Edition (San Francisco: Jossey-Bass Pub, 1992).

13 Paul Lauter, "Versions of Nashville, Visions of American Studies": Presidential Address to the American Studies Association, October 27, 1994, American Quarterly, Vol. 47, No.2 (June 1995) 186.

14 Ibid. 188.

15 Paul Giles, "Reconstructing American Studies: Transnational Paradoxes, Comparative Perspectives", Journal of American Studies, 28, (1994) 337.

16 Philip Fisher, ed., The New American Studies (Los Angeles, CA: U of California P, 1991) vii.

17 Ibid.

CHAPTER 2

INVESTING IN OUR PAST

"The Past, at least, is secure."

-- Daniel Webster[1]

Our past patterns of thought are expressed in present symbols. Lodged in the Smithsonian Institution is a painting ignored by most visitors. In this painting are several thin-lipped, unsmiling men dressed in royal blues, reds, and purples, seated and standing at a table placed under a large buttonwood tree growing on Wall Street. It was on May 17, 1792, the story goes, that twenty-four brokers met under a buttonwood tree and signed an agreement to organize a central marketplace for securities trading in America.[2] The Street that became synonymous with their action is, in many ways, a powerful expression of our western heritage.

It is unlikely that the origin of exchanging goods and services will ever be established. Marcel Mauss has derived it from the psychology of gift-giving: a present, however freely given, entails an obligation of reciprocal return.[3] What follows quite logically, then, are rituals of exchange developed to both legitimize and support such beliefs and practices.

In the ancient western world, financial transactions in ritualized form were confined to the lending, changing, and safe-keeping of money. The temple best known as a reposi-

tory of treasure was the Parthenon in Greece, an ancient monument and the ultimate architectural symbol uniting classical forms with the implied power of religion as guardian of wealth and commonwealth. The temple also is the building form most universally and durably symbolic of trade activity, banking, investment and exchange.[4]

During the Roman Republic, members of the bourgeois merchant class purchased stock in private companies specializing in tax collection from the more wealthy senatorial class. In response, members of the Roman Senate enacted laws significantly reducing their own tax liabilities and shifted the burden to a much poorer segment of society resembling something of a "middle-class", the farmer. In addition, Senate members invested heavily in bourgeois enterprises aimed at providing food and war materials to the Roman armies, that then delivered the bulk of captured bounty back to the Senate members, who again invested more heavily. Business was brisk, and the investments of both bourgeoisie and Senate were typically well rewarded. Disputes related to stock ownership and other interests among senatorial and bourgeois classes erupted, however, most seriously in the historic battle between bourgeois leader Marius and senate political leader Sulla.[5] Interestingly, while Sulla ultimately proved victorious, the

bourgeoisie profited from the expansion of military adventures.

One of Max Weber's early writings focuses on the nature of Roman agrarian exchange in an attempt to understand the social and economic structure of the ancient world.[6] Weber concludes that "Ancient civilization is distinct from medieval in certain specifiable ways", but in its driving expansionism, in the formation of large-scale commercial and trading interests, and in the development of a money economy, Rome reached a level of economic development comparable to that of early post-medieval Europe. More importantly, perhaps, Weber's work on Roman history shows an early awareness of the complicated nature of the relationship between economic structures and other aspects of social organization and a conviction that all forms of crude economic determinism must be rejected in favor of varying degrees of risk in outcomes.[7]

Through medieval times, the most striking and characteristic European economic institution was the great estate. It was a producer of foodstuffs and a consumer of manufactured articles. It sometimes carried on a lively reciprocal exchange with the outside world. Exchange, however, was frequently dampened by the lack of surplus. Thus sales and purchases were not the normal occupation of anyone; they were expedients to which people had recourse when obliged by necessity. Exchange was limited since the estate generally

attempted to supply all its own needs. At the same time there were a great many markets. Small weekly markets where the peasants of the district offered for sale a few eggs, chickens, pounds of wool, or ells of coarse cloth woven at home. Even these early markets offered an interesting alternative to work on the land. Charlemagne's order to the serfs on his estates not to "run about to markets"[8] indicates some early apprehension regarding the exchange trade. From the beginning of the ninth century the number of these markets increased rapidly, but simply demonstrated their insignificance. Only the fair of St. Denys, near Paris, attracted once a year, among its pilgrims, occasional sellers and buyers from a distance.

From the ninth to the eleventh century Church estates were a model which the estates of the nobility sought in vain to emulate. Only in the Church were there men capable of producing registers and listing accounts, calculating receipts and expenditures, and then balancing them. Thus, the Church was not only the great moral authority of the age, but also the great financial power in exercising control over assets. Moreover, its Church's conception of the world was admirably adapted to the economic conditions of the times during which land was the sole foundation of the social order. Land had been given by God to men in order to enable them to live here below with a view to their eternal salvation. The object of labor was not to grow

wealthy but to maintain oneself in the position in which one was born, until mortal life should pass into life eternal. The monk's renunciation of wealth was the ideal on which the whole of society should fix its gaze. To seek riches through exchange was to fall into the sin of avarice. Poverty was of divine origin and ordained by Providence, but it behoved the rich to relieve it by charity. The monasteries served as examples of worthy beneficence. Benedict, for example, admonished successful farmers: "Let the surplus of their harvests, then, be garnered and distributed freely, not by sale or exchange."[9]

Scant as they appear, medieval sources reveal the existence of market capitalism in the twelfth century.[10] Long distance trading of various sorts was already creating fortunes. Early capitalists, for the most part, sprang from the dregs of society. As soon as trading opportunities arose, these men took to them with no material assets, but with energy and intelligence, an entrepreneurial love of adventure and, no doubt, a lack of scruples.

Early European traders drew upon the labor and products of the guilds and traded available surpluses for greater wealth. Demand was usually greater than supply, but not always. The terrible famine that laid waste the whole of Europe from 1315 to 1317 seems to have caused greater ravages than any which had preceded it. Thirty years later, the Black Death burst upon a western world which had barely

recovered from the earlier shock. From 1347 to 1350 it probably carried off a third of the population of Europe. The number of consumers decreased and consequently the further development of trade and markets moved at glacial speed.

Max Weber was also interested in this period. His doctoral dissertation (1889) deals with the legal provisions governing medieval trading enterprises.[11] He gives particular attention to such Italian mercantile cities as Genoa and Pisa and shows that the commercial capitalism which developed there entailed the formulation of principles of law regulating the mode in which the distribution of risk and profit should be apportioned among the collaborators in a trading enterprise. In great detail, Weber links the evolution of Roman commercial law to the legitimization of the medieval trading enterprise.[12] What he does not choose to examine, however, is the relationship of this connection to European society.

During this time the merchant class was at a low point. A man's condition was generally determined by his relation to the land, which was owned by a minority of lay and ecclesiastical proprietors. To possess land was to possess freedom and power. To pursue trade was still the lot of scoundrels and charlatans; it was frowned upon and the money lender was despised. In this matter, church and society generally agreed. The Church routinely spoke against the

sin of avarice. The making of money was denounced by Thomas Aquinas as "*turpitudo*," even though he admitted its necessity. Usury, which meant not just extortionate interest but interest of any kind, was prohibited by several councils of the Church, and to a usurer the privileges of the sacraments were often denied.[13] Money making was regarded as socially degrading and morally and religiously dangerous.

What seemed natural was the reprobation of usury, commerce, and profit for profit's sake in those centuries when each estate was self-supporting and normally constituted a little world of its own. However, famine compelled men to borrow from their neighbors and opened the door to every abuse of speculation and commerce. So powerfully did this reprobation impress itself upon the western world that it took centuries to grow accustomed to the new practices demanded by the economic revival of the fifteenth century and to learn to accept, as both legitimate and moral, profit from commerce and exchange.

The fourteenth century witnessed the rise of "factors." These were commercial agents for whom a slowly emerging surplus created opportunities in new careers in speculation, credit, and exchange.[14] This merging of surplus with speculation, emerging capitalism and a market economy is important. Speculation is the practice of buying or selling with the motive of then selling or buying and thus making a profit if prices have changed. It altered the assumptions

regarding the acquisition of wealth. To make a profit one no longer had to farm the land and sell produce at market, perform manual labor in local industry, go to war, or provide other people with services. This alternative road to wealth greatly enlarged the pool of investment capital available for enterprises in an emerging market. For the first time in western history, we find speculation as a livelihood, indeed as a career.

In the 15th century, few European countries had domestic mines producing gold and silver. The acquisition of colonies that possessed them was a major goal of exploration and colonization. The only way for France, England, Holland, Spain and Portugal to obtain supplies of the precious metals was through trade or conquest at great distances from the homeland. For the first time in hundreds of years, traders were again able to exercise a considerable influence upon kings, queens, and their councils of state. In addition, with state treasuries nearly empty from constant warfare, merchants formed joint ventures which provided the capital for further exploration, colonization, trade, and war. Thus, merchants and traders were able to exercise an influence comparable to that of a noble or bishop. It was also to their collective benefit to organize their activity as traders of joint venture stock, first in Holland, then in England and France, and in time, America.

National power required a unified coinage and monetary system, a national standard for weights and measures, elimination of internal tolls on roads and rivers, a national system of taxes and tariffs, and a formal means of exchange. These elements were slowly forged by national economic imperatives against the opposition of feudal lords, who tried to keep as much control as possible over the economies of their regions. In the struggle against feudal lords, monarchs found natural allies with traders and merchants. Traders benefitted from wider markets created by the unified economies in which local barriers to commerce were reduced. In turn, the traders and merchants augmented the monarchs' power by helping to finance the armies needed to subordinate their nobility.

To the extent that the traders of one country dominated trade with another area, profits would flow to the homeland and domestic manufacturers would be stimulated by the export market. The state gained from the tariff revenues derived from expanded trade, from the sale of trade monopolies, from the development of strategic military industries and personnel, and from the general economic growth that provided a solid financial base for national power. Two of the basic goals of national policy became the development of trade and its counterpart, the growth of power in national affairs. Two groups in particular emerged from the rising market economies and national states. One was the legal

profession, whose members were needed to interpret and define the vastly complicated economic relationships that developed from more open trade and private contract in the market environment. The second was comprised of public administrators who supported policies designed to strengthen unity and national power through dominant trade and exchange strategies.

Out of the political and economic alliances among crown, traders, merchants, rural gentry, and professional people emerged state policies designed to unify the nation under a strong ruler, develop its military and naval strength, and increase its wealth through trade and domestic production. This "mercantile" system relied upon a strong state and extensive regulation of economic activity. Because bullion or treasure was seen as the key to the wealth of the state foreign trade was regulated to obtain a surplus of exports over imports and a corresponding inflow of specie.

One of the clearest statements of mercantilist policy was made by Phillip von Hornick (1638-1712), an Austrian civil servant. He wrote, in 1684, a widely read tract entitled "Austria Over All, If She Only Will." A portion follows:

> ...all commodities found in a country, which cannot be used in their natural state, should be worked up within the country. Gold and silver once in the country are under no circumstances to be taken out for any purpose. The inhabitants should make every effort to get along with their

> domestic products. Foreign commodities should be obtained not for gold or silver, but in exchange for other wares...and should be imported in unfinished form, and worked up within the country. Opportunities should be sought night and day for selling the country's superfluous goods to these foreigners in any form. No importation should be allowed under any circumstances of which there is a sufficient supply of suitable quality at home.[15]

Opposition to this view was represented by several groups, most notably the "physiocrats." Associated principally with the names of F. Quesnay and Turgot, they criticized the mercantilist belief that wealth is created in exchange. They identified the surplus remaining over the cost of resources used in production as the source of wealth accumulation, and they argued essentially that wealth should come from the land since land alone can produce a surplus.[16] The land contains the life-giving forces of nature. Trade can only change the location and ownership of the fruits of nature. It can never create more wealth than nature's own wellspring. The physiocrats opposed all government intervention in industry, especially taxation which was seen as an indirect tax on land. The chief tenet of their system was a belief in "natural laws" embodying the right to enjoy the benefits of freedom to follow self-interest. Decades later these arguments, particularly the economic emphasis on land, would strongly influence Thomas Jefferson, and still later, Abraham Lincoln.

A fascinating, popular, and controversial work appeared in 1704, a doggerel poem entitled "The Fable of the Bees",[17]

written by Bernard de Mandeville (1670-1733), a Dutch doctor who had immigrated to England. The poem's basic premise was that advances in civilization are the result of vices, not virtues. Progress comes from the selfish interests of the individual--desire for ease and comfort, luxury and pleasure--not from any natural propensity to work hard and save or from benevolent concern for others. Prosperity and economic growth can be increased by giving free play to the selfish motives of the individual, limited only by the maintenance of justice. The vice of selfishness spurs people to maximize their gains and thereby adds to the wealth of the nation:

> Thus Vice nurs'd Ingenuity
> Which joined with Time and Industry,
> Had carry'd Life's Conveniences,
> Its real Pleasures, Comforts, Ease,
> To such a Height, the very Poor
> Liv'd better than the Rich before,
> And nothing could be added more.[18]

The book was suppressed by an embarrassed government, with the full support of the religious guardians of the moral code. Yet, the selfish motives lauded by Mandeville became the basis of economic liberalism. This was the idea that rational self-interest, together with powerful market forces, can lead to a regime of social order in a world where individual interests are paramount.

As international trade with China, the East Indies, and the New World expanded, traders in the coastal countries of Europe formed joint ventures to provide the capital to

support this trade. Transferring the ownership shares of those early ventures and later of the companies that pioneered in the development of the Industrial Revolution gave rise to the first stock exchanges in Europe. They spread from Holland to England and France, and then soon to other countries throughout the western world.

The first stock trading place is described in a book written by Joseph de la Vega in 1688. Translated into English, its title is appropriately Confusions of Confusions.[19] It describes the Amsterdam trading center in the mid-17th century. In his work, Vega conveys the unique character of that place:

> Thus, while one group of people may be pleased about the issue of the price of a stock, another group who earlier had sold out, or those waiting to buy at lower prices, are perturbed. Then, while those who purchase stocks at high prices are distressed by a drop in the price of a stock, those waiting to act stand to benefit from the decline. Although a manipulator might defraud and cause damage to a specific individual, his manipulative activities, if successful, might benefit numerous other shareholders.[20]

The author describes the activity at the Amsterdam Exchange as the greatest comedy in the magnificent theater of the world:

> In order to transact business it was first necessary to find a buyer or seller willing to trade. Then it was necessary to take his hand and shake it as a sign of your willingness to do business with him. The handshakes are followed by shouting, the shouting by insults, the insults by impudence and more insults, shouting, pushes, and handshakes until the business is finished.[21]

The early British exchange was conducted in narrow passageways forming what was called the Exchange or "Change", at the corner of Lombard Street and Cornhill in London. Traders met customers and totaled up their accounts at tables in coffee houses like Jonathan's or Garroway's. Daniel Defoe spoke of traders as people who "can wheedle men to ruin themselves and fiddle them out of their money, by the strange unheard-of Engines of Interest, Discounts, Transfers, Tallies, Debentures, Shares, Projects."[22]

In the earliest securities markets of England, government obligations were denominated "stocks" and company obligations were denominated "shares."[23] The old aristocracy, the landed nobility, looked down at this new activity, but wealth and strength were quickly passing into the hands of new men. A share or bond, they realized, could prove as profitable as holdings in land -- and far less cumbersome to administer.[24] For example, English outlaw John Law, the most brilliant financier of his age, formed in 1719 the "Mississippi Company" in Paris. Later, this firm realized a 900% increase in stock price based upon the "potential" of fur, tobacco, and other commodities from the Mississippi river valley in America![25] Other speculators would follow. It was the unprofitable voyage of exploration led by Henry Hudson in 1609 that led directly to white settlement in the vicinity of New York City. Hudson, an English sea captain in the employ of the Dutch East India Company, sailed across

the Atlantic with a crew of eighteen in the "Half Moon" and explored the North American coast from Newfoundland to the Chesapeake Bay. In a vain effort to find a northwest passage to the East Indies, Hudson sailed by what is now known as New York City and up the great river that today bears his name to a point near present-day Albany before returning, disappointed, to Europe.

Upon Hudson's return to Amsterdam in 1610, a group of enterprising Dutch merchants sent a ship to the newly explored river to establish a profitable fur trade. Other voyages of exploration and trade soon followed. The Indians generally were friendly to the Europeans, and when in 1613 the ship of Captain Adriaen Block accidentally burned, he and his crew received help from the native inhabitants in securing food and shelter until they built a new vessel. In 1614 a group of Dutch merchants who had sponsored Block's voyages, as well as those of other explorer-traders, received from the States General of the United Netherlands a monopoly of trade in the region from forty to forty-five degrees north latitude, effective for four voyages, or three years. This area, lying between New France and Virginia, was given the name of "New Netherland."[26]

In 1621 the States General incorporated the Dutch West India Company, which was given a monopoly of trade between Dutch ports and the west coast of Africa and all the coasts of America. The new company had the power to enter into

treaties with the natives, to appoint governors and other administrators, and to promote colonization as well as trade.

Peter Minuit, who was sent to New Netherland as Director General of the colony, bought Manhattan Island from the native Indians for sixty guilders. A report reaching Amsterdam in November, 1626, indicated that "the colony is now established on the Manhates, where a fort has been staked out by Master Kryn Frederycks, an engineer."[27] Outside the fort thirty houses had been built. "In order to strengthen with people the colony near the Manhates" most of the families living at Fort Orange and at Fort Nassau were brought to this new settlement, which was named New Amsterdam.[28] This settlement on the southern tip of Manhattan Island developed from a trading post in the wilderness into a center of commerce and trade. The first published statement describing the population of the area appeared in the semi-annual register of news compiled by Nicolaes van Wassenaer in "*Historisch Verhael*", dated October, 1628:

> The population consists of two hundred and seventy souls, including men, women, and children. They remained as yet without the fort, in no fear, as the natives live peaceably with them.[29]

While fear of Indian attack discouraged many would-be colonists from cultivating the land, the opportunities for trade with the Indians induced many new pioneers to come to New Netherland. Among these were English colonists from New England and Virginia. The first English settler in Manhat-

tan was an indentured servant named Thomas Hall, who deserted his master, George Holmes, in favor of opportunities in trade.[30]

Peter Stuyvesant, the last Director General under the Dutch, was honest and capable, but he was also proud and tyrannical, and in 1649 eleven leaders of the community, reflecting popular discontent, asked the Dutch authorities to grant municipal government to New Amsterdam. In 1653 the small settlement known as New Amsterdam, located at the southern tip of Manhattan Island, was granted legal status by Peter Stuyvesant, governor of New Netherland, as an incorporated city. New Amsterdam's population at this time has been estimated at seven or eight hundred inhabitants.[31] Thus began the municipal history of the present City of New York, legal parent of Wall Street.

The granting of municipal status to the fortified trading post on Manhattan Island occurred during the first of three wars fought between England and the Netherlands. These two countries were strong commercial rivals, and municipality seems to have been a concession made to soothe the dissatisfied colonists. But trade rivalry between the two European powers continued, and in 1664 the English king, Charles II, decided to annex the Dutch colony without waiting for a formal declaration of war. When the English forces appeared in the harbor, the citizenry of New Amsterdam, fearful of the destruction of their town and still

discontented with the administration of the Dutch West India Company, urged Stuyvesant to surrender. This he did on September 6, 1664, and all of New Netherland passed into English hands. The principal town, with a population "full fifteen hundred souls strong" was renamed New York. The inhabitants were promised in the name of the king of England "free and peaceable possession of their property, unobstructed trade and navigation, not only to the King's dominions, but also to the Netherlands with their own ships and people."[32]

The earliest non-native settlers in New York were chiefly English and Dutch. But no less than sixteen different languages and dialects were spoken among the first thousand white settlers on the tip of Manhattan Island. It is quite likely that the conversation of that period frequently dealt with the utility of the stockaded thoroughfare--a walled street. This particular defensive structure was to keep Indians to the north out of New Amsterdam. The walled street existed to protect the private and commercial interests of the colonists. As fate would have it, this street became the famed "Wall Street."

From the very beginning of Dutch settlement on the Hudson and Delaware Rivers, the emphasis had been on trade. The colony of New York, set up as a trading post by the Dutch, developed along the lines that they had set down, lines modified only slightly after 1664 to conform to the

English Navigation Laws. Especially important was New York's continuing trade in provisions to the Dutch West Indies, which served as a conduit to their Caribbean neighbors, particularly the Spanish on the Main. The traders of Wall Street would have been well positioned geographically to enjoy the fruits of these early established contacts between English and Dutch, and later the Danish West Indies.

New Yorkers also had very good contacts with European commercial and financial centers, notably Amsterdam, which they exploited to their advantage. Their export trade in flaxseed, which was used in the Irish linen industry, also oriented them eastward. New Yorkers built upon a mercantile heritage that combined the trading expertise of the original settlers of New Amsterdam with the skills and connections of the English who had supplanted them.

This pattern of trade led to direct competition with London traders and merchants. On the eve of the American Revolution, residents of the colonies owned three out of every five vessels clearing the Port of New York for Great Britain.[31] Thus, with the Revolution came a tremendous financial opportunity, including a better standard of living and exceptional freedom for those engaged in the daunting task of enriching upstart America and her people while retaining British business associations.

Everyone in America, however, did not subscribe to the importance of wealth through trade, particularly subsistence farmers who made up the majority of those involved in rural economies. The words and actions of ordinary Americans during the Revolutionary decades are reminiscent of physiocractic arguments made long before. The egalitarianism that small farmers and marginal artisans propounded was multidimensional. Not only did they demand equality of opportunity, but they made recurrent demands for specific measures to diminish the spread between the bottom and top economic levels and to protect weaker economic groups from exploitation. These anti-mercantilist voices reveal themselves in a number of legislative petitions and in opposition to the passage of the Federal Constitution.[33] There is recorded discussion of a "moral economy", one in which bold-faced exploitation of wartime disruptions in monetary values and market prices should not be tolerated.[34] There was protest over the social oppression endured from the operation of the "free market." Both opportunities and shortcomings of trade and exchange were becoming more visible and the debate more heated.

Agrarian action, inspired by a sense of a moral economy and with luminaries such as Thomas Jefferson in support, was not a spasmodic and impulsive response to hunger but a disciplined, extralegal form of behavior. The aim was to control prices and enforce the availability of goods on an

equitable basis, not to steal or unduly profit from necessities that were scarce. A particularly clear example of this objective occurred in Delaware, where citizen committees seized the goods of market manipulators who tried to evade the price regulations enacted in 1779, and sold them at the established prices. Following that action, they turned over the monies to the owners.[35]

In contrast to this agrarian view, early Wall Street recalls the philosophical opposition: Peter Minuit, Wouter van Twiller, the detested Kieft, Peter Zenger, Captain Kidd, Alexander Hamilton, and Aaron Burr. Eventually the place itself took on vast proportions against a background of such imposing figures as Commodore Vanderbilt, Jay Gould, C.P. Huntington, Daniel Drew, E.H. Harriman, James J. Hill, and J.P. Morgan the elder. The story of American education, theater, music, art, religion, politics, warfare, labor and sports cannot be told without reference to the captains and financiers of America's economic and cultural thoroughfare. These are the men who would lead the frontal assault upon the agrarian view.

Between 1894 and 1897 Max Weber wrote a number of articles concerning the early operations of the stock exchanges and their relationship to society.[36] He set out to counter agrarian resistance which, in his view, stems from a naive understanding of the characteristics of the functioning of a modern economy, and which dismisses the

stock exchange as nothing more than a "conspiracy against society."[37] For Weber, the belief that the stock exchange is simply the means of profit-making for a capitalist minority neglects altogether the mediating functions which the institution fulfills in the economy. The stock market provides a mechanism whereby a businessman, through the use of rational planning, can facilitate the progress of his enterprise. It is erroneous to identify the operations of the stock exchange solely with irresponsible speculation. But, as Weber acknowledges, there are difficulties for the normative regulation of the stock market which the growth in scale and volume of transactions in the modern economy brings about. Prophetically, he recognizes that the stock exchange tends to neutralize the ethical controls which society might otherwise impose.

So, as fact, Wall Street draws its force and character from a commercial tradition of banking, underwriting, and trading. Certainly, every society has its methods of production, distribution, consumption, and exchange. But Wall Street maximizes its success and influence not merely by representing financial and economic elements, but by symbolizing important aspects of our collective being, among them, the character and values of America's self-made man.

Notes

Chapter Two

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CHAPTER 3

BETTING ON THE NATURE OF AMERICA'S SELF-MADE MAN

> "A country, like an individual, has dignity and power, only in proportion as it is self-formed."[1]

The relative influence of Wall Street as a symbol of our culture rests largely upon patterns of complex ideas, feelings and behaviors which have each contributed over the course of our history to its present allure. Currents of thought include laissez-faire individualism, liberal economics, republican values, Jacksonianism, industrialism, utilitarianism, the Gilded Age, Social Darwinism, pragmatism, New Deal socialism, objectivism, modern malaise and resiliency -- all joining with numerous counter-movements to produce a sizeable body of fascinating ideas and feelings influencing the relationship of Wall Street to America's self-made man.

When one searches for the source of any emerging (and merging) American ethos, one cannot long forget that the original settlers were English Protestants. Among the worshippers of the Reformed Church the individual conscience had been liberated from Catholic and Anglican formulae and tradition. The reformers and their followers were freer to adjust themselves more flexibly to new hazards and opportunities. Among early New Englanders and the widely scattered Scotch-Irish, Calvinism was dominant and its influence was widespread in nearly all the colo-

nies. In Religion and the Rise of Capitalism, Richard Henry Tawney argues that Calvin liberated the economic energies of the rising bourgeoisie of Europe by his teachings. By the Calvinist scale of moral values, the true Christian "must conduct his business with a high seriousness as in itself a kind of religion."[2]

Many sayings of the time show how "among the Reformed, the greater their zeal, the greater was their inclination to make of themselves in trade, as holding idleness unlawful."[3] Others commemorate the amalgam of piety and ruse which made the best of both worlds: "The tradesman meek and much a liar...."[4] In the Puritan Tawney finds a will that "is organized, disciplined and nerved to the utmost."[5] He concludes that "if his personal life is sober, then it is true that he enjoys freedom in the deepest sense; he ends by utterly opposing the authority even of church officers to police him; in the end his own individual conscience is his final authority."[6]

According to historian Matthew Josephson, money was the sole means of power for the people of the Reformed Church and their heirs.[7] Among those who won notable triumphs by pursuing the Puritan economic virtues was the free-thinking Benjamin Franklin, who was the son of Puritans; and no one was a more eloquent spokesman for those elements of the national character in the early period of the republic than he. He was Daniel Defoe's wise

shopman, his "Compleat English Tradesman," for whom "trade was not a ball where people appear in masque and act a part to make sport...but 'tis a plain, visible scene of honest life...supported by prudence and frugality."[8] It was for good reason that Franklin, much more than Washington, was held up as a model of success for succeeding generations. No man of his time was more widely read than he; millions of copies of his "Poor Richard" and his Autobiography circulating in scores of languages in the early years of the 19th century.

Judge Thomas Mellon, father of Andrew Mellon and founder of the famous banking house, always recalled the joy with which he came upon a dilapidated copy of Dr. Franklin's Autobiography for the first time, in 1828, at the age of fourteen:

> It delighted me with a wider view of life and inspired me with new ambition....For so poor and friendless a boy to be able to become a merchant or a professional man had before seemed an impossibility; but here was Franklin, poorer than myself, who by industry, thrift and frugality had become learned and wise, and elevated to wealth and fame. The maxims of "Poor Richard" exactly suited my sentiments....I regard the reading of Franklin's Autobiography as the turning point of my life.[9]

Thomas Mellon determined once and for all to leave his father's farm at Poverty Point, Pennsylvania, and establish himself in the near-by city of Pittsburgh, where owing to the sternest self-denial he prospered as a lawyer and later as a money-lender and stock investor. It is no coincidence

that today a statue of Franklin overlooks the great room of Mellon's traditional Wall Street address.

In Franklin, as a result of the long slow process of economic and religious liberation, there began to crystalize what we may call a "market spirit," as opposed to a feudal spirit. It was Franklin who lamented that we lose so much time in sleep who framed the immortal dictum: "Time is money."

Thomas Jefferson was also influenced by Franklin though he definitely held some different views. Jefferson was no early admirer of commerce. When asked what he thought on the expediency of encouraging states to be commercial, he responded: "Were I to indulge my own theory, I should wish them to practise neither commerce nor navigation, but to stand with respect to Europe precisely on the footing of China. We should thus avoid wars, and all our citizens would be husbandmen."[10] But Jefferson also recognized the seemingly natural inclination of his countrymen:

> Our people have a decided taste for navigation & commerce. They take this from their mother country: & their servants are in duty bound to calculate all their measures on this datum: we wish to do it by throwing open all the doors of commerce & knocking off its shackles.[11]

At the same time when he was asked whether agriculture or manufactures would add most to the national wealth, he answered:

> When one grain of wheat is committed to the earth, she renders twenty, thirty, and even fifty fold, whereas to the labor of the manufacturer nothing is added. Pounds of flax, in his hands, yield, on the contrary but pennyweights of lace.[12]

In his first annual message to Congress on December 8, 1801 Jefferson said, "Agriculture, manufactures, commerce, and navigation, the four pillars of our prosperity, are the most thriving when left free to individual enterprise."[13]

Later in life, Jefferson was to modify his views towards commerce still further. In a letter to Benjamin Austin dated January 9, 1816, he wrote: "We must now place the manufacturer by the side of the agriculturist. Experience has taught me that manufactures are now as necessary to our independence as to our comfort."[14]

With the election of Andrew Jackson to the Presidency, one can trace the self-made man's changing from Jefferson's farmer to Jackson's "common man." Old Hickory's predecessors to federal office came from the best families, were well educated men, and scorned, feared, or distrusted the "rabble." Jackson had come from the frontier and was an "outsider." Historian Joseph Blau writes in Social Theories of Jacksonian Democracy that "he came to symbolize for the American people the possibility that any citizen might become President."[15] The principle sources of Jacksonianism were Jefferson and John Taylor of Caroline. In matters of economy, the Jacksonians followed and indeed exaggerated the views of economic liberals. They criti-

cized Adam Smith for having admitted any economic restrictions into his system of free trade at the same time that they idolized Smith for this system. They followed David Ricardo's ideas contained in On the Principles of Political Economy[16] published in 1817, and they quoted John Ramsay M'Culloch is in Principles of Political Economy[17] written in 1821 and finally published in book form in 1877. Of their American predecessors and contemporaries in economic theory, the only one they viewed with any approval was Daniel Raymond, who, like them, was a stalwart defender of free trade principles. In addition they had read and carefully considered James Madison's exposition of economic determinism in the Federalist papers and were in general agreement with the views expressed. They opposed the communalism of Robert Owen because, they felt, it violated their central tenet of individualism.

A loose aggregation of landowners and farmers who were taxed for roads and canals they neither needed or wanted, and "hard money" men who distrusted stock speculators and the banks were called by the Jacksonians "the democracy," "the people," "the working men," and various other similarly appealing names. The program of Jackson's Democratic party called for lowered tariffs, state banks of deposit with money-issuing powers reduced to a minimum, the removal of special privileges in the form of corporate charters, local control over local improvements, and, up to a point,

states rights. Boldly they advocated the extension of the franchise, abolition of imprisonment for debt, and other such measures designed to attract the new industrial working class to their cause.

In New York, James Fenimore Cooper, whose father had been a leader of the New York Federalists, included in his Notions of the Americans an elaborate theoretical justification for broadening the franchise in order to provide representation for the lower orders. In reading Cooper, one suspects that he sensed that the landowning class of Jefferson was being eclipsed by the rising commercial oligarchy. Cooper's position and, indeed, that of many of the Jacksonians, was tied to a criticism of the "stake in society" principle, which was good Whig doctrine both in the United States and in England. This principle asserted simply that only those who were property owners should have the right to vote because only they had an interest or "stake" in good government and good economics. Another of Cooper's less familiar works, The Monikins[18], is a satiric novel dealing largely with this point.

Freedom for the common man was taken all too seriously by Jacksonians in laissez-faire themes of economic liberalism. The strong, controlling economic force which they feared was a centralized bank, and it was such a bank which they inherited from their political predecessors. To them the Second Bank of the United States was a financial

octopus whose stockholders made outrageous profits at the expense of the government, and therefore at the expense of the citizens. The combination of Bank and State, the enhancement of which the Jacksonians feared, was virtually a reality by the time the Bank's charter came up for renewal in 1832. Jackson's veto of the bill rechartering the Bank was one of the most popular acts of his administration.

The Jacksonians, however much they disliked the Bank and distrusted the financial oligarchy which directed its affairs, were at a loss to provide an acceptable substitute. In no small measure, the deaths of Thomas Jefferson and John Adams on July 4, 1826, had marked a turning point in American history and American identity. With the fervor of the Revolution replaced by Jacksonian politics and the idyllic agrarianism of an earlier period supplanted by a growing industrialization, America stood poised at the threshold of the modern era. The generation of Americans coming of age in the early decades of the nineteenth century, who rolled up their sleeves and set about the arduous task of shaping the identity and direction of the nation, knew that the opportunity and responsibility for this task lay with them. And thus they found their mission and their identity in this endeavor of self-formation, making myth out of necessity and declaring themselves a

nation of self-made men. "Ours is a country," wrote Calvin Colton

> where men start from an humble origin...and where they can attain to the most elevated positions, or acquire a large amount of wealth, according to the pursuits they elect for themselves....This is a country of self-made men, than which nothing better could be said of any state of society.[19]

Converting the task of self-formation into an ideal, Colton proclaimed, "A country, like an individual, has dignity and power, only in proportion as it is self-formed."[20]

A variety of writers set about the business of turning self-cultivation into a moral and practical enterprise for aspiring go-getters. A flurry of sacred and secular texts about conduct, self-formation, and self-cultivation fashioned a discourse, a code, and an ideology that set the parameters both for national definitions and for individual self-interpretation. On various levels, national and individual, secular and sacred, the ideal of self-formation, of being a self-made man, was pervasive and was supported in a wide range of public and private texts. So pervasive was this ideal that it structured individual choice and self-interpretation. Basil Berstein tells us, "We see and hear and otherwise experience very largely as we do because the language habits of our community predispose certain choices of interpretation."[21] Thus language in the form of particular discourse codes like the myth of self-formation mirrors social attitudes and contributes to

the construction of those attitudes and the shape of individual identity.

Like his contemporaries, the young Reverend Ralph Waldo Emerson participated in the celebration of the American way. Like them he filled his discussions of transformation with a discourse that used the rhetoric of reform, of self-denial and work, of the external or bodily self, to speak about progress, transformation, and freedom. Emerson called attention in an 1827 sermon to the external proofs of the nation's ability to reshape the raw materials of the landscape into an entity with meaning and purpose. He asked his congregation:

> What is it that has sprinkled [America's] hills and valleys with towns; what is it that has felled its forests, that has chalked the continent with roads and furrowed it with canals and reduced its noble streams into the servitude of man, that has filled its enormous regions with rejoicing nations, subdued them with laws, enriched them with arts, and consecrated them with temples to the living God, and multiplied innumerable blessings for which the voice of thanksgiving ascends from them all this day in a mingled incense to heaven? What is it under God but the joint human exertion; the cooperation of men in society?[22]

The view of America illustrated in this passage is of a civilized body, one whose wild(er)ness has been tamed by social institutions and by the hand of the common man skilled in the mechanical arts of building and invention. Implicit in Emerson's picture of the tamed landscape is a larger paradigm of reform for the nation and the individual that connects the transformation of the external surface

(the felling of trees and the building of towns and canals) with an internal transformation of being, from wild and savage to civilized and godly. It is also a paradigm that both mirrors the physical evidence of the landscape and promotes transformation as an external, bodily phenomenon.

In similar ways, discussions about individual reform and progress articulated in numerous advice manuals and represented by the fictive character, the self-made man, promoted the idea that self-formation was a task of refiguration. Because this task also promoted the political project of national progress and self-sufficiency, it was validated and popularized by national spokesmen. The future of the nation was at stake, dependent on a corps of young, hardworking men for its corporate financial success. The promoters of a bourgeois version of America held out the promise of money, power, character, and morality to young men who would each endeavor to shape his plastic self into something of value, the self-made man. In Boston the Franklin Lectures were begun in 1831 to inspire young men to make the most of their opportunities. In the inaugural lecture, Edward Everett declared, "Our whole country is a great and speaking illustration of what may be done by native force of mind, uneducated, without advantages, but starting up under strong excitement, into new and successful action."[23] Like Emerson's depiction of the landscape, Everett's description of the nation and its people ascribes

change and identity to external conditions, to hard work, industry, and perseverance. Casting his gaze on the physical, embodied, masculine self, Everett describes and shapes the identity of Americans as "working being[s]" who are "eager, restless, and powerful," and who are to establish "habits of industry" and "earnestly persist in [their] toil, adding little by little to [their] capital stock of ideas[,] influence or wealth."[24]

To support the idea that the nation's success was due in large part to individual projects of self-improvement and self-formation, manuals and guidebooks for young men became a regular feature of the popular literature. Although Benjamin Franklin's "Way to Wealth" was written in 1757, the literature of success really began to emerge in the 1820s and 1830s. A burgeoning number of youth periodicals appeared whose aim was to prepare youngsters to be successful in life. Works such as Daniel Wise's Young Man's Own Book, William Alcott's The Young Man's Guide, Joel Hawes' Lectures to Young Men on the Formation of Character, William Sprague's Lectures to Young People, and Isaac Taylor's Character Essential to Success in Life, Addressed to those Who Are Approaching Manhood were all published in the late 1820s and 1830s. More were to follow as the years passed. Advocating economic self-reliance, the reality and the dream of the self-made man appeared even before the term itself was coined. According to Rex

Burns in Success in America: The Yeoman Dream and the Industrial Revolution[25], the term first appeared in print in an 1827 article, "A Self Made Man," which tells the story of an ex-yeoman mechanic who, having made his wealth and gained security in stocks, then retires to serve his fellowmen in Congress. Quite naturally, the meaning of the term evolved through time, and when Henry Clay used it five years later, he was referring to a group of manufacturers who had amassed riches rather than virtuously accumulating and using wealth.[26] However the term was used, Americans seemed convinced of the ideal of the man who created his own success.

Similarly, America's religious leaders, particularly Unitarian ministers, preached self-formation as a religious goal. As David Robinson puts it:

> the sermon was an ideally suited mode of expression for the philosophy of self-culture. The immediacy of its oral presentation, the authority of its homiletic context, and most importantly, the tradition of moral persuasion that it embodied made the sermon an essential tool for a movement whose touchstone was moral perfection.[27]

Like their secular counterparts, Unitarians considered the self-made man as exemplary and found the direction of life on the path toward moral perfection. Just as success is perceived as the result of relentless labor, so too salvation is figured in terms of "right and vigorous exertion." William Ellery Channing preached that

> ...the true religion consists in proposing, as our great end, a growing likeness to the Supreme

> Being, the means for which lay organically within the self, in our essential faculties, unfolded by vigorous and conscientious exertion in the ordinary circumstances assigned by God.[28]

Rather than preaching a religion of emotional conversion, Unitarians believed that salvation entailed a process of developing and unfolding the godlike potential of the individual. Salvation, like success, derived from the development of resources within the self, by the self, rather than by outside forces such as miracles.

At the same time Unitarians, the young Emerson among them, advocated a program of reform of the external person, marked by habit and moderation, as a way of transforming the inner self. Indeed, a reviewer of Marie Joseph de Gerando's Self-Education, of the Means and Art of Moral Progress suggested that the similarity between secular and moral improvement lies in a program of self-education: "The life of man, is, in reality, but one continued education, the end of which is, to make himself perfect."[29] As with the secular version of success, the Unitarian doctrine found measurable and real rewards for self-formation, for as hard work assuredly brings money and power, character formation brings salvation and spiritual power. There is, then, a ringing similarity between the secular and spiritual version of the self-made man. The goals, methods, and rhetoric of both versions parallel each other and at the same time intersect, often merging the secular with the spiritual.

Advocates of secular self-improvement and moral self-formation recognized a similar set of basic conditions upon which they built their recommendations for living. The first was freedom--political and economic freedom from the constraints of European traditions of entailment, privilege, and statutory subservience. Americans preached the freedom of opportunity, for this new nation provided an arena in which men could have a second chance and could escape the confining definitions of self inherent in a hierarchical society. Just as social position was theoretically fluid, so too was personality. Self-help advisors like William Alcott and Joel Hawes preached that personality is malleable and dynamic, chameleonlike, subject to external events and circumstances that young men were urged to manage with habit and morally informed choices. Each person then has the freedom to make of himself "whatsoever [he] will resolve to be." Moreover, the individual has the responsibility to assure that his being is moral and energetic. Freedom to form character carries with it the responsibility to use that freedom wisely to enlarge "a people's energy, intellect, and virtues."[30] As Emerson put it, "liberty does not consist in doing what you please but in pleasing to do right."[31]

Raw freedom, then, is not the goal of these moral advisers, but rather a controlled freedom used for the formation of moral and useful lives. Even though wild

savages may boast of freedom, Channing argued, they are constrained by their ignorance and comfortless lives, since true freedom finds expression only in a civilizing progress. Finally, without freedom of choice, moral decisions are invalid, for they do not carry with them the weight of responsibility or compensation. As Horace Mann put it, "Free agency necessitates the possibility of perdition; moral compulsion, indeed, may save from ruin; but compulsion abolishes freedom."[32] Without freedom, whatever degree of success, material or moral, one happened to attain is bogus, for it derives not from the self but from privilege or compulsion.

The second basic requisite for self-formation is what Alexis de Tocqueville called the "principle of equality."[33] While leveling all men to a common denominator by denying the value of inherent inequality, the advocates of the American self-made man promoted the virtues of hard work and self-cultivation as causes for success rather than "luck, fortune, or even talent." Hawes, both a lecturer on self-improvement and a Calvinist minister, found the American character distinctive in that "All are born equal, and are alike left to make their way in the world by their own exertions."[34] Some religious advisers went so far as to declare that "the theory of Christianity is essentially republican," that the condition of equality requires virtue and hard work, duty and forbearance in order that the

political (or moral) state may survive. Many writers recognized that some people are born with more gifts than others, and that some people, even in America, inherit wealth. They nevertheless downplayed inherited gifts of position or talent and promoted the principle of equality and the more utilitarian qualities of industry, character formation, and will. Their interest was to identify and shape America as a nation of moral workers, a people who accomplish national and personal goals without the ready assets of wealth or privilege.

Building on these ideological assumptions about the American character, the advisers of success and character formation advocated a hands-on, tangible, democratic version of success and human nature that empowered the individual to make what he would of his life. A reviewer of the "State of Literature" noted that in America "we are morally, as intellectually, the makers of ourselves." "All that [a man] learns is effected by self-discipline, and self-discipline is the mind's own work. We all are, under God, intellectually, the makers of ourselves. Virtue, religion, as well as knowledge and success, must also be, mainly, the mind's own work."[35] Americans represented themselves, then, as craftsmen of the self, fashioning and shaping a self to deal with the other selves formulated by the ideology of self-culture. Moreover, advocates of self-formation figured self-culture as an organically unfolding,

revelatory process, "the care which every man owes to himself, to the unfolding and perfecting of his nature.[36]"

Given the democratic assumptions about human nature--that man is born free and equal and apparently with little on his psychic slate--advocates of success and salvation found in habits the key that could make the difference between success and failure. Habits or right principles of living as methods of character formation had distinct advantages for an American audience interested in self-improvement and morality. First, because habits are so much the stuff of everyday living, anyone, regardless of inherited talent or position, can and should form sound habits. Writers like George Burnap advised young go-getters that the difference among individuals resides not so much in inherited talent as it does in the early establishment of habits: "What usually passes for genius is the result of early intellectual habits, and still more often, of thorough and careful preparation for every individual effort."[37] Second, cultivating good habits is useful advice appealing to a manipulative, practical people who are not much given to speculative thought. Third, habit formation stresses self-reliant individualism, for although one may be influenced or tempted by the examples of others, the decision to adopt one set of habits or principles over another is personal. Indeed, the individual forms himself with the adoption of habits, and is

thereby self-sufficient, relying on no one but himself for the outcome of his character or life.

In addition, habits are obvious, evident, and measurable; one can assess his own as well as others' character by the kinds of habits demonstrated. A writer for the Christian Examiner prescribed the development of the "habits of religious thinking and feeling" as the means for forming a Christian character. Readily visible, habits both "constitute the character" and can be formed by "voluntary, persevering, prayerful exertions" that the individual and his fellows can witness. Further, much of the advice about habits clearly fed into the Calvinist distrust of the body, warning young men to "control your appetites, subdue your passions, firmly adopt and rigidly practice right principles, form habits of purity, propriety, sobriety and diligence."[38] Finally, the appeal of the idea of habit formation is that it makes the individual self-made and participates in the democratic version of the self, for one forms his character and hence his success from the habits established in life. The author of Young Man's Own Book told his readers, "Success in life depends in a great measure on the early formation of our habits," for habit "will render us much assistance, in forming a character useful, estimable, and efficient."[39]

Observers like Alexis de Tocqueville wrote that American men clearly see that it is profit which, if not

wholly at least partially, leads them to habits of work:

> As soon as, on the one hand, labour is held by the whole community to be an honourable necessity of man's condition --and on the other, as soon as labour is always ostensibly performed, wholly or in part, for the purpose of earning remuneration--the immense interval which separated different callings in aristocratic societies disappears. If all are not alike, all at least have one feature in common. No profession exists in which men do not work for money; and the remuneration which is common to them all gives them all an air of resemblance.[40]

For Tocqueville,"equality of conditions not only ennobles the notion of labour in men's estimation, but it raises the notion of labour as a source of profit."[41] He noted:

> America, then, exhibits in her social state a most extraordinary phenomenon. Men are there seen on a greater equality in point of fortune and intellect, or, in other words, more equal in their strength than in any other country of the world, or in any age of which history has preserved the remembrance.[42]

In an often quoted observation he added:

> I know of no country, indeed, where the love of money has taken stronger hold on the affections of men, and where a profounder contempt is expressed for the theory of the permanent equality of property.[43]

Like Emerson, Henry Thoreau was also a critic and a seer. He wrote, "I would have each one be careful to find out and pursue his own way."[44] Thoreau himself tried trade, "but found that it would take ten years to get under way in that, and that then he would probably be on [his] way to the devil." He considered farming no better than trade. It also was too complex. The farmer, said Thoreau, "is endeavoring to solve the problem of livelihood by a

formula more complicated than the problem itself. To get his shoestrings he speculates in herds of cattle."[45] Manufacturing in any organized way he considered downright dishonest. "I cannot believe that our factory system is the best mode by which men get clothing," he said. Then he added:

> The condition of the operatives is becoming every day more like that of the English: and it cannot be wondered at, since...the principal object is, not that mankind may be well and honestly clad, but, unquestionably, that the corporation may be enriched.[46]

On the other hand, Thoreau held some business attributes of value to his personnel development: "I have always endeavored to acquire strict business habits," he said; "they are indispensable to every man."[47]

Thoreau's concern with economy went considerably beyond a rationale for rejecting society--for setting up to do business in nature; it involved far more than a rather witty critique of an acquisitive way of life. Economy appears as the principal concept ordering both Thoreau's ethics and his aesthetics. Only through the exercise of the strictest economy did he consider salvation, here, possible for a practical man like himself. Yet in adopting economy as his principal strategy Thoreau possibly betrayed more of the Yankee merchant in himself than he is likely to have admitted. To him, as to the broker, economy involved two coordinated programs of action: (1) the negative, elimination or minimizing of all activity removed from the

chosen goal, and (2) the positive, concentration of activity upon attainment of the goal. It was Thoreau's concern with acquiring spiritual wealth as experience in nature rather than material wealth drawn from society which distinguished him from his more literally acquisitive neighbors. He was a most businesslike mystic; and his rejecting as irrelevant the quest for material wealth was simply the negative manifestation of his enterprise.

To Thoreau the economical life was a restricted one, characterized by a lowest-common-denominator simplicity from which all things irrelevant to salvation here were canceled out. "I do believe in simplicity," he said, and added:

> It is astonishing as well as sad how many trivial affairs even the wisest man thinks he must attend to in one day...[yet] when the mathematician would solve a difficult problem, he first frees the equation of all encumbrances, and reduces it to its simplest terms.[48]

"So simplify the problem of life," he said, "distinguishing the necessary and the real." To this purpose Thoreau retired to Walden to try his own brand of economy: to simplify his life, to prepare himself for salvation there by reducing life to its irreducible essentials.

But simplification even in the interest of salvation can be overdone. And after his experiments at Walden, Thoreau remarked, "there are two kinds of simplicity--two kinds of economy--one that is akin to foolishness, the other to wisdom." One is the simplicity of the savage; the

other is that of the philosopher. "The savage lives simply through ignorance and idleness or laziness, but the philosopher lives simply through wisdom." "The philosopher's style of living," said Thoreau, "is only outwardly simple, but inwardly complex. The savage's style is both outwardly and inwardly simple."[49]

Walt Whitman's concept of America's self-made man was closely tied to Jacksonian democracy. The Jacksonians had tended to exalt human rights as a counterweight to property rights. Hence, the tendency was a leveling one since it was assumed that the human rights of each man are equal and that an equitable distribution of the wealth of the country would render all men equal. Jacksonians moderated that side of Jeffersonianism which talked of agricultural virtue, independent proprietors, "natural property," and the abolition of industrialism, and, according to Arthur M. Schlesinger, Jr. in The Age of Jackson, expanded the side which talked of economic equality, the laboring classes, human rights, and the control of industrialism. In preference to Jefferson's agrarian philosophy, Jacksonians adopted Adam Smith's labor theory of value. They believed in the equitable distribution of property, battled against the concentration of wealth and power in a single class, and demanded the opening up of western lands. Jacksonians were for hard money and gradually reduced the paper circulation in an effort to eliminate all notes under

twenty dollars. The writings of Jackson offer no clear-cut exposition of what might be labeled the Jacksonian theory of democracy, but author Leadie M. Clark has identified laissez-faire, the rights of the common man, and the rights of labor were integral parts of Jacksonian doctrine.[50]

In the editorial "Who Gets the Plunder?," Whitman asserted:

> It would be of some excuse and satisfaction if even a fair proportion of it went to the masses of laboring-men--resulting in homesteads to such, men, women children--myriads of actual homes in fee simple, in every state, (not the false glamour of the stunning wealth reported in the census, in the statistics, or tables in the newspapers), but a fair division and generous average to those workmen and workwomen--that would be something. But the fact is nothing of the kind. The profits or "protection" go altogether to a few score select persons--who, by favors of Congress, State legislatures, the banks, and other special advantages, are forming a vulgar aristocracy, full as bad as anything in the British or European castes, of blood, or the dynasties there of the past.[51]

In his collection "Poet of American Democracy" Whitman sheds the past and advances the cause of the common man:

> It is no more in the legends than in all else,
> It is in the present--it is this earth today,
> It is in Democracy--(the purport and aim of all the past,)
> It is in the life of one man or one woman today--
> the average man of today,
> It is in language, social customs, literature, arts,
> It is in the broad show of artificial things, ships, machinery, politics, creeds, modern improvements, and interchange of nations,
> All for the modern--all for the average man of today.[52]

In "Yourself, For Ever and Ever!" Whitman once again celebrates the individual:

> The only government is that which makes minute of individuals,
> The whole theory of the universe is directed unerringly to one single individual--namely to You.[53]

Yet Whitman seems to have retained concerns similar to those held by Thoreau. In Democratic Vistas he wrote:

> Never was there, perhaps more hollowness at heart than at present, and here in the United States. The best class we show, is but a mob of fashionably dressed speculators and vulgarians. True, indeed, behind this fantastic farce, enacted on the visible stage of society, solid things and stupendous labors are to be discover'd, existing crudely and going on in the background, to advance and tell themselves in time. Yet the truths are none the less terrible.[54]

His beloved common people did not escape censure though he paused to praise the grand common stock which had so vividly demonstrated to him its worth in the Civil War. About the common man, he noted:

> I myself see clearly enough the crude, defective streaks in all the strata of the common people; the specimens and vast collections of the ignorant, the credulous, the unfit and uncouth, the incapable, and the very low and poor.[55]

Of the low and the poor he further wrote:

> ...democracy looks with suspicious, ill-satisfied eye upon the very poor, the ignorant, and on those out of business. She asks for men and women with occupations, well-off, owner of houses and acres, and with cash in the bank.[56]

Writers and moral advisers of the early nineteenth century seem to have agreed on some basic premises about

human nature and about the specific ways that the self-made man is formed and transformed. Overwhelmingly, they saw personal identity as the product of external circumstance (habit) and the responsibility of the individual. Just as they found that the identity of the landscape changed with superficial modifications, such as roads and canals that transform a wild spot into a town, they found the identity of the self to be altered by manners, habits, duties and desires.

A dramatic transformation occurred later in the nineteenth century with the eclipse of republican values during the heyday of what Alan Tracthtenberg calls the incorporation of America. By this he means, "the emergence of a changed, more tightly structured society with new hierarchies of control, and also changed conceptions of that society, of America itself."[57] American society, he argues elsewhere, "was in one of those immature, expectant stages, on the threshold of such a future as had no antitype in the past."[58] It was only in the age of the Robber Barons that an ethic of unabashed economic individualism triumphed fully enough to serve as a rationale for what Wall Street has come to represent.

The phrase used frequently to describe the post-Civil War decades, the "Gilded Age", comes directly from Mark Twain; the first adoption of the "Robber Barons" tag is less certain. Edwin Lawrence Godkin, former editor of <u>The</u>

Nation, used the phrase "medieval barons" as early as 1869. Henry Demarest Lloyd picked up or re-coined this idea in 1882 and included it in his book, Lords of Industry. Another journalist, Carl Schurz, used the very words "Robber Barons" in a Harvard speech the same year and included it in his book, American Imperialism. As Thurman Arnold wrote in 1937 of the trusts led by the so-called Robber Barons, "...the antitrust laws were the answer of a society which unconsciously felt the need of great organizations and at the same time had to deny them a place in the moral and logical ideology of the social structure."[59] Why this ambivalence? Partly because the Robber Baron and the corporation--as driver and engine--helped to create both material progress and social dislocation. The new industrial, urban way of life was constructed only by making the old commercial and rural way derelict; the new large-scale organizations were introduced only at the expense of the family firm and the small partnership.

As historian Peter d'A Jones points out in The Robber Barons Revisited, when the transcontinental railroad was completed in 1869, the Republican Party managed to erect a virtual one-party system for many years, giving the American businessman everything he needed, or thought he needed--protective tariffs, a national currency and banking system, liberal land-grants to private corporations, and freedom from taxation. These actions contributed to the

release of America's energies in a way never before experienced.

The Robber Barons could find support in the popular philosophy of the day--conservative Social Darwinism, which lauded the "survival of the fittest," and the Gospel of Wealth, which rationalized inequality and was preached with conviction from leading church pulpits throughout the land. The reactions of Americans who lived in these years were conflicting. This is seen clearly in the diametrically opposed writings of Henry Demarest Lloyd and Edward Atkinson. Lloyd, the precursor and classic model for the "Muckraking" journalists of the Progressive era, had no doubts about the entrepreneurs of the Gilded Age; these "Lords of Industry" were evil speculators and profiteers. They monopolized the channels of economic opportunity and deliberately blocked roads to success for those who tried to better themselves. Atkinson, on the other hand, a highly successful inventor-statesman and spokesman for polices of laissez-faire, asserted in The Elements of National Prosperity that the great capitalists deserve wealth, and in their search for efficiency and new opportunity they make all Americans better off. Atkinson asked, "Did Vanderbilt keep any of you down by saving you $2.75 on a barrel of flour, while he was making 14 cents?"[60]

Even Matthew Josephson, the business critic of the 1930's, admitted in his study of a dozen or so Robber Barons that all were poor in childhood (except J.P. Morgan, whose father was a banker) and that all left home when young to make their fortunes. Julius Grodinsky was very generous in his biography of Jay Gould, who remains, in the minds of many, the archetypal corrupt baron of the Gilded Age. Grodinsky sees his subject as a "business type," an entrepreneur with human virtues as well as human vices. He argues that despite his faults, Gould taught his countrymen how to amass capital for large-scale investment; he built many miles of track, and reduced railroad rates for the common man.

A specific example which illustrates the different views held on the contributions of the Robber Barons and the values they represented is John D. Rockefeller's South Improvement Company scheme. Henry Demarest Lloyd called it a "fiendish conspiracy" by Rockefeller to persuade the railroad to destroy his competitors in the oil business by charging them high freights and by giving his Standard Oil rebates for discounted fares. Many years later, however, one biographer of Rockefeller, Allan Nevins in Study in Power: John D. Rockefeller, saw the South Improvement Company as a natural response of a man in an impossibly competitive, adverse, and fluctuating trade market. Nevins portrayed a man less concerned with the microeconomic

consequences to particular individuals and more interested in the macroeconomic benefits to the country achieved through dominating markets and lowering prices for everyman.

Whereas classical political economy had stressed the centrality of economic aggregates such as land, labor, and capital, and rent, wages, and profits in the determination of costs of production and income distribution, the neo-classicists of the late nineteenth century centered their analyses on marginal changes in the micro-choices of sovereign individuals in the market-place. Neo-classicism gave pride of place to rational choices by consumers and producers, replacing the "objectivist" labor theory of value with a thoroughgoing subjectivism concerning individual actors' "ends." Max Weber shared this liberal economic outlook in which the "subjective" value judgments of individuals in the marketplace were regarded as authentic and sovereign. They could not be reduced to any naturalistic ethics or substantive rationality, such as that propounded by socialists.

One can go further, however, to claim that Weber's liberalism, influenced as it was by Nietzsche, had strong affinities with a highly activist emphasis on individual action and entrepreneurship. With the breakdown of traditional normative communities and the "death of God", individuals were placed in the position of creating secular

meanings for themselves, albeit in competition with others. Weber attempted to chart the historical pathways whereby the process of "disenchantment" had first emerged in the western world. His own account of the psychological dilemmas of the Protestant ethic in which no certainty of salvation can be assured even in the context of a highly activist culture, is nonetheless mirrored in the neo-classical emphasis on the uncertainties of the marketplace in which secular achievement cannot be assured within the highly activist process of economic competition. For Weber, the appeal either to history or to reason could not solve moral problems. Solutions depended rather on voluntaristic choices, limited by constraints, but informed by subjective preferences and ultimate values of the market-place.

Weber's methodological individualism was premised on the notion that the individual actor is the central unit of analysis in socio-economic theory, and that organic totalities must therefore be disaggregated into their individual parts for purposes of explanation. This is the methodology of a *Gesellschaft* society rather than a *Gemeinschaft* community. Beyond this point, however, serious difficulties arise in clarifying the nature of the individual economic unit, and its relation to the wider society. One influential strand of methodological individualism associated with utilitarianism asserts a

psychologistic conception of the individual, whose ends are thus beyond social determination. Carl Menger's law of marginal utility was often expressed by early 20th century economists in such terms. It involved a basic psycho-physiological law of want satiation as the foundation of the process of preference rankings and changes in marginal choices by sovereign individuals.

The socio-economic ties connecting individualism to institutional values were explored by Weber in a number of his works including Economy and Society. He saw institutions as divided into two types: those designed by legislation and those that were undesigned, such as language, markets, legal norms, and money. Although Weber believed that the norms governing institutions arise only in the rarest of cases by autonomous agreement, he nonetheless emphasized the centrality of "new lines of conduct" in the evolution of institutional norms or rules. There is room in Weber for "structural" influences on individual outcomes, but only in so far as these are either points of orientation in individual's action-schema (for example, the belief in Wall Street as an over-arching compulsive system required for success and individual freedom of action), or as a not necessarily intended result of the actions of many individuals.

What remains is an increasing recourse to game theory --that is, to interactions of two or more actors, where

individual means-end strategies cannot be formulated without regard for the strategies of others engaged in Wall Street. Weber challenged the empiricism which assumed that historical analysis could produce explanations without recourse to abstract conceptualizations of an explicit or implicit kind. He questioned the view that central economic concepts such as "economic exchange" or "capital formation" could stand as unproblematic generic concepts, disconnected from the ideals and values of individual actors. Interpreting this view as license for pragmatic individual action, John C. Van Dyke wrote in The Money God, published in 1908, that the goal of many Americans was very specific: "It is money that the new generation expects to win, and it is money that the parents want them to win. The boy will make it, and the girl, if she is not a goose, will marry, it. They will get it in one way or another."[61]

According to Richard Hofstadter in Social Darwinism in American Thought,[62] the emergence of this individualistic moral sensibility is of considerable significance in that it both legitimized unequal outcomes given the assumption of equal chances, and it also marked the individual alone as socially significant. It is the individual who determines what his or her contribution to the commonweal will be, and who is therefore responsible for the degree of personal success achieved. Society is seen as benign, offering up opportunities through institutions such as Wall

Street, waiting to be enriched by those who have the will and capacity to make productive use of them. This sensibility therefore removes inequality of personal outcome from the category of social conditions in need of reform. If such inequality is seen as the product of traditional restrictions on opportunity, it becomes a target for social reformers to whom it is the arbitrary and unjust outcome of a reactionary system. If, however, such inequality is simply an indication of differentials in the productive exertion of individuals, free to exercise their ambitions and talents to the fullest, then the presumption of social arbitrariness cannot be sustained and only the individual can be held accountable for the state of his or her well-being. If inequality exists, it is nothing more than a reflection of different personal qualities among self-made men.

Similarly, Michael Lewis argues in The Culture of Inequality,[63] that if we see ourselves as living in a society where all individuals are presumed equally free and responsible to achieve and be socially mobile, then there appears to be no legitimate limit to the aspirations of any individual, and our sense of self-respect is likely to depend upon the extent to which we aspire and succeed and our ability to convince ourselves that we have in fact realized our dreams. While aspiration is of itself relatively unproblematic, as Robert K. Merton suggests in

Social Structure and Social Theory,[64] convincing ourselves that we have indeed been successful--that our dreams have been realized, our ambition sated and that consequently we may respect ourselves--is extremely problematic but central to the driven nature of the self-made man.

One illustration of the complex relationship between generic economic concepts and the ideals and values of individual actors is Franklin Delano Roosevelt's New Deal. On March 29, 1933--less than one month after taking office as President--F.D.R. sent Congress his first proposal for regulating the securities business; he called it the "truth in securities" bill. The measure had one purpose: to make certain that prospective buyers of new stock issues were given all the facts needed to evaluate the securities involved. As Roosevelt told newspaper reporters:

> It applies the new doctrine of caveat vendor in place of the old doctrine of caveat emptor. In other words, let the seller beware as well as the buyer. In other words, there is a definite, positive burden on the seller for the first time to tell the truth. [65]

This was of vital importance since investors at the time were unable to obtain reliable financial and other information on which to evaluate securities; stock buyers were easy marks for tipsters and rumor artists, many of whom were the hirelings of manipulators.

The legislation which Roosevelt proposed came under immediate attack from the financial community. A principal spokesman for the opposition was John Foster Dulles, then a

Wall Street lawyer. Chief Congressional supporter of the bill was Representative Sam Rayburn of Texas, even then a Capitol Hill veteran. After some fits and starts, Congress lined up with Rayburn and on May 27 the President signed the landmark Securities Act of 1933 and said:

> This measure at last translates some elementary standards of right and wrong into law. Events have made it abundantly clear that the merchandising of securities is really traffic in the economic and social welfare of our people. Such traffic demands the utmost good faith and fair dealing on the part of those engaged in it. If the country is to flourish, capital must be invested in enterprise. But those who seek to draw upon other people's money must be wholly candid.[66]

Once again, many in Wall Street and the business world opposed the bill. Their leader was Richard Whitney, then serving his fourth term as president of the New York Stock Exchange. Asserting that the Exchange was "a perfect institution," Whitney insisted that the marketplace requires no federal policing. Any such attempt would be impractical and dangerous, he argued, and serve only to deter the investment needed to help pull the country out of the Depression. Whitney told the Senate Banking Committee:

> I claim that this country has been built with speculation by self-made men and further progress must be in that line...Speculation is always going to exist in this country just as long as we are Americans--these are our values and ideals.[67]

President Roosevelt sought to compromise by separating business and government appointing as the first chairman of the Securities and Exchange Commission, Joseph P. Kennedy,

long-time Wall Street operative. An advance rumor of Kennedy's selection reached Roy Howard of the Scripps-Howard newspapers, who hurried to Roosevelt's office with a personal protest. Howard's Washington Daily News warned editorially that the President could not "with impunity administer such a slap to American's values."[68] Roosevelt did not respond. He had several reasons for believing the appointment would work out. The laws providing for the policing of Wall Street had outraged important segments of the financial community; F.D.R. reasoned that the choice of a prominent market operator to direct the enforcement work might mute the outcry and enable the new Commission to establish a desirable working relationship with Wall Street institutions. This action seems contrary to a previous position stated by then Governor Roosevelt, who on July 4, 1929 proclaimed to an enthusiastic audience at the dedication of Tammany Hall's newly constructed headquarters in New York City: "It may soon become necessary to proclaim a new Declaration of Independence from the ever growing combinations of capital, separating forever government and business. Only in this way can we preserve the heart of America."[69]

But America was soon to steer a different course. Roosevelt's eventual creation of the "welfare state" through the New Deal in fact began to alter significantly the status of the Jacksonian self-made common man. New

Deal legislation, typified by the Farm Tenancy Act of 1937, was directed, realistically or not, at the old Jeffersonian idea of true property and true enterprise, at restored opportunity in the most sweeping sense. This was paralleled by what seemed a considerable, even devastating attack on entrenched privilege, on monopolistic wealth, on concentrated economic power, on unfair rules in the market place. At this point the New Deal was most traditional, not only in echoing the rhetoric of progressivism but of Puritanism. The idea of broad opportunity, the sense of moral responsibility, was perhaps an older and deeper orthodoxy than laissez-faire.

The most penetrating criticism of the New Deal's attempt to deliver opportunity to the unemployed, the elderly, and the exploited came from Jeffersonians and socialists. To such an old Jeffersonian liberal as Herbert Hoover, the assumption of direct responsibility for the individual by any government, and particularly by a distant federal government, endangered the whole idea of personal responsibility. In American Ideals versus the New Deal,[70] he argued that sustained support from government would create a passive, alienated group of men, without a real stake in society, and with no compelling involvement or investment. Hoover had always insisted that the long-range welfare of the individual could only be served by his active, creative participation in the private economy, and

not by accepting some dole. In American Individualism[71] he pressed the case for a rejection of all socialist tendencies in government and society.

On the socialist left, critics did not agree with Hoover that business and finance capital were the answer. Led by Norman Thomas, they felt that welfare measures obscured the continued injustices of capitalism, thus undercutting the rightful demands for economic justice. Welfare, by stilling the voice of dissent, and by stimulating consumption and higher profits, represented a type of government insurance for a capitalist economy.

Popular author Ayn Rand's 1961 book The Virtue of Selfishness, unabashedly rejected the New Deal's welfare-made individual in favor of market-driven individuals. The book espouses the ethics of rational self-interest above all else for the self-made man. This "objectivist" view advocates and upholds the argument that rational selfish values are necessary for human survival. Rand makes several specific observations about the nature of the American self-made man. First, individuals should accept selfishness as a virtue, for indeed it means no less than the very survival of that individual. Rand quotes philosopher John Galt:

> There is only one fundamental alternative in the universe: existence or nonexistence--and it pertains to a single class of entities: to living organisms. It is only a living organism that faces a constant alternative: the issue of life or death. Life is a process is self-sustaining

> and self-generated action. If an organism fails in that action, it dies.[72]

Second, we are naturally selfish in that we clearly prefer our own pleasure to pain. Materialism and acquisitiveness bring us pleasure; deprivation and sharing our bounty with others may result in our pain. Thus, in this rather simplistic argument, pleasure is viewed as immensely better by the human organism and necessary for its survival. Quite naturally the organism must pursue such pleasure and avoid pain. Third, there is in America a cult of moral grayness that in practical terms allows each of us to pursue our pleasurable ends without too much moral discomfort. Rand writes, "If man is 'gray' by nature, no moral concepts are strictly applicable to him, and no such thing as absolute morality is possible. We are all unable to be wholly good or wholly evil, and thus we exist in the moral "gray."[73]

To critics of Rand, often socialists, whether Christians, Marxists, or pragmatists, there is still the vision of a co-operative commonwealth. Yet arguably their voice in America has been weakened by the diminished institutional support from conservative elements like the Catholic Church. Pope John Paul II has written recently that popes as early as Leo XIII (1878-1903) recognized that socialism as an idea and ideal was fatally flawed. It allegedly carried within it the seeds of the human catastrophe that would come to awful fruition in what John Paul calls the

"real socialism" that followed the communist revolution of 1917. In his ninth encyclical released in 1991 entitled "Centesimus Annus: The Economics of Human Freedom", the Pope writes, "Socialism is equated with the totalitarian state and attributed to an atheism closely linked to rationalism and the Enlightenment and is, therefore, to be rejected."[74] He unmistakingly supports in its place an economic system for every man in which "the fundamental and positive role of business, the market, private property, and free human creativity in the economic sector is encouraged. This "market economy" or "free economy" is to be endorsed by all.[75]

Protestant thinker Reinhold Niebuhr in The Irony of American History writes: "Nothing worth doing is completed in our lifetime; therefore we are moved only by hope." One can examine how the individual achieves self-formation and success in modern America through the pursuit of hope in Wall Street. Agrarianism has been replaced by industrialism that itself is being replaced by information. Capitalism, once roundly criticized by the Catholic Church has now "evolved" into an economic pluralism that the Church can support. The modern individual looks for hope. Since the 1960's public trust has eroded in American government and in a number of other institutions. A large segment of the public sees moral order crumbling and is disturbed by such factors as illiterate public high school

graduates, illegitimate births, and decline in real middle income. Government with its institutional "gridlock" is perceived as unresponsive to individual needs and wants. Income inequality gives rise to a variety of newly privileged sectors.

Yet despite this distrust, the American Dream is still alive and thus moves us as individual actors once again to take the initiative to secure our success and freedom. A 1995 survey-based study conducted for the Hudson Institute[76] found that over four-fifths of Americans, or 81%, agree with the statement "I am optimistic about my personal future." In contrast, 49% were optimistic about the future of America. Interestingly, over 85% of the respondents said they would invest money in Wall Street if they had it rather than in a bank.

As Woodrow Wilson stated with considerable insight in his annual address to the American Bar Association in 1910 speaking about the status of the "average" man:

> With their individuality and independence of choice in matters of business they have lost also their individual choice within the world of morals. They must do what they are advised by Wall Street or lose their connection with modern affairs. They are not at liberty to ask whether what they are advised to do is right or wrong. They cannot get at the men who make the rules--have no access to them. They have no voice of counsel or of protest. They are mere pawns of the game.[77]

Available to interested Americans today are many "self-help" tools to achieve man-made success such as John

G. Hume's The Art of Investing, Phillip Carret's The Art of Speculation, Thomas Gibson's Basic Principles of Speculation, Samuel A. Nelson's The ABC of Stock Speculation, and many more. In early 1996, televangelist Pat Robertson was taking phone calls on the 700 Club. One caller asked what he should do to improve his 3.5% interest rates in a savings account. Robertson immediately asked, "Have you ever heard of Wall Street?"[78]

Chapter 4 will closely examine the growing importance and sophistication of Wall Street in addressing the needs of those seeking success and freedom through a variety of ideas, devices, and symbols that are bullish on the American Dream.

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CHAPTER 4

TICKER-TAPE IN THE GARDEN

> There is no more welcome gift to men than a new symbol that satiates, transports, converts them. They assimilate themselves to it, deal with it in all ways, and it will last a hundred years.[1]

A Symbol Emerges

Symbols function to synthesize our ethos -- the tone, character, and quality of our life, its moral and aesthetic style and mood. A symbol is an object, act, event, quality, or relation that serves as a vehicle for a conception. This conception is the meaning of the symbol. While symbols are sturdy, they cannot survive a fixed, restricted, or confined interpretation. Symbols are constantly re-adapted and re-interpreted within the fresh contexts of our culture. The bonds of our society become the shared symbols, rituals, values, and beliefs of its members, and it is in these that "meaning" emerges. Wall Street satisfies the criteria for "symbol" by representing the tone, character, moral and aesthetic style and mood shared by many Americans. Ultimately it brings to light the most hidden modalities of meaning shared by many Americans. The Street reminds us that we not only live in a physical universe, but also in a symbolic universe that more accurately represents the light and darkness of our being.

Julian Steward was among the first anthropologists to emphasize the relationship among culture, the exploitive or productive activities of a society, and corresponding symbols. In Theory of Culture Change he writes:

> First, the interrelationships of exploitive or productive activity must be analyzed....Second, the behavior patterns involved in the exploitation of a particular area or society by means of a particular vehicle or technology must be analyzed....The third procedure is to ascertain the extent to which the behavior patterns entailed in exploiting the social and physical environment affect other aspects of culture and how they are revealed in symbols.[2]

Other anthropologists, such as Leslie White and Bronislaw Malinowski, view the study of culture as the only way really to understand human beings. According to White:

> ...culture is a continuum of interacting elements [traits], and this process of interaction has its own principles and its own laws. Culture must be explained in terms of culture. Thus, paradoxical though it may seem, "the proper study of mankind" turns out to be not Man, after all, but Culture. The most realistic and scientifically adequate interpretation of culture is one that proceeds as if human beings did not exist.[3]

Clifford Geertz reminds us, however, that "Cultural analysis is intrinsically incomplete. And, worse than that, the more deeply it goes the less complete it is."[4] He continues with a caution that applies to this study of Wall Street as a symbol of American culture:

> The danger that cultural analysis, in search of all-too-deep-lying turtles, will lose touch with the hard surfaces of life--with the political, economic, stratificatory realities within which men are everywhere contained--and with the biological and physical necessities on which those surfaces rest, is an ever-present one. The

> only defense against it, and against, thus, turning cultural analysis into a kind of sociological aestheticism, is to train such analysis on such realities and such necessities in the first place.[5]

White also theorizes that there is a "basic law of cultural evolution."[6] It appears that Wall Street may well be one of the energizing factors that have brought about definition, growth and change in American culture, consistent with White's "law":

> Other factors remaining constant, culture evolves as the amount of energy harnessed per capita per year is increased, or as the efficiency of the instrumental means of putting the energy to work is increased. Culture thus becomes primarily a mechanism for harnessing energy and putting it to work in the service of man, and secondarily, of channeling and regulating his behavior not directly concerned with subsistence and offense and defense. Thus cultural systems, like biological organisms, develop, multiply, and extend themselves.[7]

At the very beginning of our nation, Wall Street emerged as a symbol that both mirrored and energized the aspirations of many Americans. It represented a broad assortment of meanings, values, habits, and ideas that were in the minds of the populace. Early Wall Street included great diversity. Trinity Church, City Hall, the slave market, the town pillory where sinners did penance, auction houses, coffee houses where deals were consummated, and the city jail all converged with their varied activities on the Street. It was the place where human transactions of all sorts quite literally intersected.[8] It was also the place where diverse ideas, habits, and values were quickly

distilled into a free-market culture hitherto unknown to the world.

Wall Street achieved the status of "symbol" through a continual evolutionary process of innovation, followed by general social acceptance and selective elimination of some of its activities, and finally, integration into new patterns of thought, behavior, and language for an entire nation. The Street has always precipitated changes in our culture by frequently altering, rather severely, the life conditions of American women, men, and children. The Great Stock Market Crash of '29 is an example of the powerful shock waves felt throughout the nation, and around the world, when Wall Street made a significant market "adjustment" in this century.

One interesting development that parallels the rise of Wall Street is the relative decline of other institutions to include the neighborhood, community, and family. Maybe people will sacrifice some institutions if they are not finding sufficient meaning and satisfaction in them and focus upon others. Wall Street symbolizes the opportunity to find enough material satisfaction and secular meaning sufficient to sustain a highly individualized and selfish journey through an uncertain life. As early as 1666, in New Amsterdam, Frederick Phillipse cornered the market in wampum by creating a shortage. He buried several hogsheads of it to force those who had to use this medium of exchange

to purchase wampum from him at a higher price.[9] In colonial times, just before stock and bond peddling, Captain William Kidd took up residence on Wall Street. This was before he became a pirate of repute. He managed gradually to acquire wealth by siphoning off the income of a wealthy widow and speculating with that money in the slave auction marts.[10] His ability to gain wealth at the expense of others without creating or producing anything has been a hallmark of the Street ever since.

Following Kidd, Wall Street has consistently epitomized the essentials of making money. Wall Streeters do not have to worry about some of the things that concern other money makers: huge personnel rosters or assembly lines, or the massive capital investment required, in say, steel. On Wall Street the product has always been money. And the aim has been simple: make all you can as fast as you can.

The United States of 1792 was a mercantile nation, short of capital but energetically in pursuit of more. The economy pivoted on agricultural production transported abroad in American ship bottoms. Products were exchanged for credits in London or Amsterdam, or, bartered in the exotic parts of the Far East for uncommon goods. Most of the country's four million people worked the land growing rice, tobacco, wheat, indigo, and other exportable foodstuffs and raw materials. Coastal communities, with

congressional encouragement, built a fleet of new merchant ships and provided the crews to sail them. In New York, Philadelphia, and Boston--three of the nation's six cities with more than 7,500 inhabitants--were situated the few merchant-capitalists who owned the ships and warehouses, obtained the credits, and controlled the money.[11]

Foreign trade was immensely profitable from the beginning and there was no incentive for the American business community to compete with British industry by investing in local manufactures. The outcome of such ventures was unforeseeable, and, in any event, their short-rate range of return was likely to be less than in shipping and trade. America in its infancy was simply not a good investment.

There was, however, a need for banks. The British had never allowed the colonies to engage in commercial banking.[12] Consequently, colonial highways and bridges, docks and moorings, and other public facilities and projects frequently went without adequate financial support. It was under these pressures that Wall Street began to take root in the American garden.

It was from commerce that the signers of the buttonwood compact emerged. They had been principals or intermediaries in the buying, selling, and insuring of cargoes. By 1792 they were in transition with the nation, venturing into securities transactions while still dealing

in cotton, pepper, chinaware, tea, and other items of the carrying trade.

The early market offered only the "stocks" (actually bonds) of the United States Government and the shares of several banks. Stock brokerage was small business and would remain so for the next twenty-five years. Yet its potential did not escape the shrewder minds on Wall Street. The competition to control it soon became intense. The first evidence of the struggle appeared early in March 1792, near the climax of a period of frantic speculation in government bonds and subscription warrants for United States Bank stock. Previously, most stock trading had been done in brokers' offices as the occasion for it arose. During the winter's furious market activity, however, buyers and sellers came to rely more often on the public auctions held on Wall Street.

The earliest notice of these dealings in New York appeared in the Diary (London's Register):

> The Stock Exchange office is opened at No. 22 Wall Street for the accommodation of the dealers in stock, and in which public sale will be held daily at noon, as usual, in rotation by A.L. Bleeker and sons, J.Pintard, McEvers & Barclay, Cortland & Gerrers, and Jay & Sutton.[13]

A public announcement came some eight weeks later when the merchant-broker group assembled under the buttonwood:

> We, the Subscribers, Brokers for the Purchase and Sale of Public Stocks, do hereby solemnly promise and pledge ourselves to each other that we will not buy or sell, from this day, for any person whatsoever, any kind of Public Stock at a less

> rate than one-quarter per cent Commission on the Special value, and that we will give a preference to each other in our negotiations.[14]

It is a small document with a few signers relegated to the reverse side of the sheet. It is written in a scribe's fair hand. The signatures are characterized by bold capitals, flourishes, and casual, 18th century orthography. Many are difficult to decipher. Twenty-one individuals and three two-man partnerships are represented. One signer was John Bush, ancestor of former President George Bush.[15]

Once established, the Buttonwood brokers continued to conduct business under their tree in the open air, weather permitting. Later they removed to the northwest corner of Wall and Water Street, in front of the newly built Tontine Coffee House. This large, handsome brick structure, built by an association of merchants, was fast becoming the favorite place for meetings of all sorts. On the first floor it had a large public room that ran the length of the house. When the brokers eventually took shelter indoors, it was this room that became the stock exchange.

Unlike colonial Boston, whose heritage belonged to frugal Puritans, and Philadelphia with its Quaker abhorrence for gambling, New York, as the major port of embarkation of new immigrants, had a population more willing to seek improvement in their lives through risk-taking. Wall Street both embraced and reflected that

attitude. Among the early enthusiasts were Alexander Hamilton and Aaron Burr.

Into this land of Wall Street's promise, these two newly fledged lawyers set out to do business in the winter of 1783. Among the first shingles displayed on Wall Street was that of Hamilton. His office was at No. 58, now 33 Wall Street. Around the corner, Aaron Burr began his career at No. 10 Little Queen, now Cedar Street.[16] For a time, Hamilton and Burr had few rivals in the field, but in July, 1784, John Jay (office at No. 8 Broad Street) returned from a successful mission to Europe and was feted at a public reception in Wall Street. His optimistic report motivated Hamilton to organize the Bank of New York at the Merchant's Coffee House at No. 48 Wall Street. By 1785, with the arrival of the Continental Congress, all the representatives of the nation as well as the municipal and state authorities were concentrated in Wall Street.[17] Here daily congregated such men as John Hancock, Rufus King, Nathan Dane, Charles Pinckney, Richard Henry Lee, James Monroe, James Madison, and other distinguished statesmen of national repute, who with the lawyers and city officials in the building and the opposite corner constituted the Wall Street power brokers of the day.

The great struggle for the formation of a permanent national government drew Hamilton into the foray as arguably Wall Street's most distinguished advocate. No

fewer than sixty-three of the eighty-five Federalist papers were penned by Hamilton at his Wall Street office.[18] He also led the fight for New York's ratification of the Constitution and was victorious on July 26, 1788 to the delight of Wall Street brokers. What Hamilton cared most about was "energy" in government and in matters of trade and exchange. The Federalist Papers are full of references to the need for activism, and the word "energy" occurs again and again. Where Hamilton extolled energy, administrative efficiency and market activism, Jefferson remained preoccupied with liberty, equality, the necessity for reflective leisure, and the virtues of agrarian living. William Hurst, one of the foremost scholars of American legal history and student of Hamiltonian politics and economics has observed:

> [Hamilton's] concern was almost exclusively with promoting overall capacity to produce goods and services. Conversely, he showed almost no concern with the quantity of consumer satisfactions...So far as he took account of consumption functions in the economy it was only in ways which underlined his preoccupation with production...His official recommendations dealt with the condition of the factors of production appraised as wholes--the labor supply, the available stock of investment capital, the sum of farm production...Aptly for his prime interests, he focused his analysis of public policy on the concerns of commerce and industry.[19]

Hamilton called for a full-blown industrial policy designed for a developing country. Unlike Jefferson (and Adam Smith who also thought America should stick to farming),[20] Hamilton was determined that the United States

be more than an agrarian country. Although the new Congress never enacted the systematic program outline in his "Report on Manufactures," an unexpected series of events over the next three decades brought many of Hamilton's plans to fruition. Economic pressures deriving from the Napoleonic Wars, the embargo under President Jefferson, and the tariffs enacted by Congress in 1816 and the 1820s all had the effect of promoting commerce, trade, and exchange, and even more so, manufacturing. The overall result was just the kind of diversification of the American economy that Hamilton desired.

Before these events unfolded, on Wall Street, City Hall was transformed into a new structure dedicated to the use of the First Congress of the United States. The task of designing this building and superintending its erection was entrusted to Major Pierre Charles l'Enfant, who later would be rewarded with planning responsibility for the nation's capital in Washington.[21] In the meantime, America's political and financial luminaries were assembling at Wall Street.

On April 6, 1789, the Congress performed its first important duty at Federal Hall, Wall Street, unanimously electing Washington as the first President of the United States and John Adams, as recipient of the next highest vote, Vice-President. During the afternoon of April 23, 1789 Washington arrived by barge at the Wall Street wharf

to a wave of cheers. A reporter from Harper's Magazine was present and wrote:

> The bands joined the clashing of bells and the roar of cannon in tumultuous welcome. Then the man upon whom all eyes centered rose from his place in the stern of the barge, his plain uniform of buff and blue contrasting sharply with the crimson trappings of the stairs, and as his hand touched the rail the thunderous roar of cheer which greeted him silenced the music and the bells. Then on foot through that seething crowd, declining the carriage provided for his use, Washington passed, amid the acclamations of the assembled thousands, up Wall Street.[22]

Clearly, Wall Street reigned politically and socially supreme. Yet as brokers entered the nineteenth century, their business was virtually at a standstill. The reasons for this were several and reinforced each other--the lack of capital for investment, a weak and unstable banking system, and a government both parsimonious and hostile to the money power represented by banks. Few new securities emerged, and holders of "funds" (bank stocks), which paid fifteen to eighteen percent dividends, had little inducement to sell. A list of stock prices in the Evening Post of November 16, 1801 shows just how meager the choices were for investors: four government stocks, three funds, and three fire and marine insurance companies.[23] It was not much to show for the nine years that had passed since the Buttonwood Agreement.

The real primacy of Wall Street as America's financial center, however, began with the demise of the Second Bank of the United States (1816-36) located in Philadelphia.

The original Bank of the United States had been established in Philadelphia in 1791. By 1805 it had eight branches and served as the government's banker, as well as the recipient of private and business deposits. The bank's charter, however, was not renewed in 1811 for political and economic reasons tied largely to agrarian resistance to growing commercialism. In 1836, President Andrew Jackson elected not to renew the charter of the Second Bank of the United States amidst a surge of populism. Subsequently, the nation's economic resources, the fuel for the engine driving America's development, were headquartered in Wall Street.

The waves of foreign immigrants who have served along with those already here as the economic resource market--laborers, consumers, and investors, have palyed an important role in this development. When Emma Lazarus wrote the subsequently famous words in "The New Colossus" in 1883, "Give me your tired, your poor," and concluded with, "I lift my lamp beside the golden door,"[24] perhaps coincidentally the doors to the "House of Morgan" on Wall Street were trimmed in gold. To many on Wall Street, immigrants should "assimilate" or "melt" into the mainstream of Anglo-Saxon protestant American life. The Street would provide the means to make that personal and patriotic "commitment" to "become American" primarily, though not exclusively, through speculation and other

investments of cash. If the individual did not invest directly, then intermediaries were available: banks, insurers, churches, associations, or social clubs. The message was clear: if you wanted to be an American, then demonstrate your commitment and loyalty by investing in America.

That message, conveyed from pulpits, politicians, educators, and from Wall Street itself, raised billions of dollars. The Reverend Russell H. Conwell, founder of Temple University, expressed such a view in his popular touring speech "Acres of Diamonds," first presented on the Chautauqua circuit in 1861. Conwell preached that "To secure wealth is an honorable ambition for everyone coming to America. Money is power. Every good man and woman ought to strive for power, to do good with it when obtained."[25]

The growth in small investors was a godsend to the powerful on Wall Street, not only for the sums of money invested, but in providing an innocuous buffer for a single large-block shareholder who could control a firm because the remaining stock ownership was so diluted. Newcomers would frequently confuse stock ownership with the power of the individual vote in the American political process. With the ballot, one registered voter equals one vote; with stock ownership, one share equals one vote, thus allowing a

single powerful investor to have tens of thousands of votes against one for a single-share holder.

Early Wall Street activity centered on the various currencies overprinted by the states. One effect of the prevalence of paper money was a strengthening of the gambling spirit stimulated by unstable values. One might take a risk with money today for fear of arbitrary losses in value if that same money were held another day. In the 1830s, observer James Sullivan wrote:

> The rage in the present day is for acquiring property by accident. Some men are supposed to have made large fortunes by speculations in the stocks and currencies; and they who have not been thus fortunate, can discover no reason why their neighbors should be thus favorably distinguished from them. And too many are ready to lay aside their ordinary business to pursue Chance as the only goddess worthy of human adoration.[26]

For many, Wall Street represented the "chance" of a lifetime.

Wall Street symbolizes a market for hopes and expectations in which the future is bought and sold at discount. This naturally includes attempts to chart the future, and Wall Street has always been fully conscious of this self-fulfilling mission. Each working day, a consort of prophets assembles at the banking and trading sites to determine what quotations will result from their joint efforts. They conclude whether an emerging opportunity like artificial intelligence is "hot" or "cold." If it is "hot," the technology will acquire millions of dollars in

additional capital for research and development through the conspicuous public sale of thousands of shares. If it is "cold," the opportunity for development must await another time, or, is derailed altogether. An example of a "cold" opportunity is "alternate" energy development. There is greatly restrained interest in activity that would diminish existing fossil-based profitabilities despite the rapid degradation of the earth's limited resources. For energy, analysts have developed self-fulfilling prophecies that predict greater investor returns on diminished fossil-based supplies than on alternate sources, and they guide their investors accordingly. Thus, the prophecy is miraculously fulfilled. Drilling for petroleum-based product receives additional capital while wind-power generation has practically been abandoned. The investor is astounded by the accuracy of the analyst's predictions.

Playing the stock market, even a rigged market, is simply another form of speculation, one that has made it easy for the "little man" to participate in the growth of America with a small stake. During a boom in the stock market in 1824, Josiah Quincy told how "that enormous increase in wealth without labor which has come to fortunate speculators...seems to make the invocation of chance legitimate business."[27]

Well before and long after the meeting under the buttonwood tree, Wall Street's approach to early finance

and investing was a matter of powerful, moneyed, and politically connected interests. Speculating on inside information created financial opportunities that the average person could seldom pursue. The men involved in the speculations were so ruthless that over the years they sheared the public, and they sheared each other. They used bribery, payoffs, deceit, and treachery routinely, yet they were pious in the extreme and gave generously to charitable organizations. Taken together, such activity became a template of conduct for the early manipulators and for later generations of dealers

Wall Street has become a prominent symbol of our culture primarily because of its considerable investment in, if not ownership of, the means both to communicate and to promote itself. It has access to the entire nation and to the world. Its power, influence, meaning, and values are found throughout the culture in language, literature, cinema, politics, and sports. One of the ways that Wall Street promotes what it represents is through its architecture.

The architecture of Wall Street symbolizes for the nation what the white church spire is to the village--the symbol of aspiration, faith, and salvation: the tall spires suggest that the only way is up. In addition, the towers of Wall Street also make that financial center into a kind of "nature." It constitutes the swarming of men and women

into a landscape with both mythical and romantic dimensions, a harmony, a satisfier. In this nature, there is a facade of grandeur, stability, and ageless continuity. Wall Street is a singular example of the collective image in group architecture; its buildings share a common identity, an enduring nucleus, and an interdependent relationship.

Wall Street also uses architecture to disarm the unsuspecting observer. Through architecture, the Street appears permanent, stable, invulnerable to threat, and impervious to frequent economic and political tremors. In reality, each day's transaction is a fragile mix of investor mood, social climate, political event, speculative analysis, and reaction to other technological, and global developments. This is a conscious exploitation of architecture and this development is recent.[28] The belief that there is an aesthetic innate to Wall Street--a proclivity toward largeness, ornateness, and historic styles--reduces a complex interaction of client and trader to a more simple matter of client and image.

Dominating one end of Wall Street is Federal Hall National Memorial, a marble Greek temple reminiscent of the Parthenon. This building was erected in 1862 as the nation's sub-treasury. It supersedes a previous United States Custom House that replaced City Hall at this location. Federal Hall National Memorial is evidence of

the well-established association between Wall Street and national power.

The site is a significant one in our history for several reasons. Here, editor Peter Zenger went to trial in 1735 for his New York Weekly Journal's "seditious libels" against the British government and Governor William Cosby.[29] (Cosby had the paper confiscated and burned on Wall Street). Later, irate colonists met here as the Stamp Act Congress in 1765 to draft a "Declaration of Rights and Grievances" protesting taxation without representation. They followed up by boycotting British goods. The Declaration of Independence was read here on July 18, 1776, but its brave words did not prevent the British from using the building as their headquarters during most of the Revolutionary War.

Looking to the southeast corner of Wall Street, one finds "Number 23," the "House of Morgan," headquarters of J.P. Morgan & Company. Now Morgan Guaranty Trust Company, the building bears the pockmarks of September 16, 1920, when a wagonload of explosives detonated at high noon, blowing to bits one horse and thirty-three people (and injuring four-hundred others). The incident was blamed on anarchists, who aimed this statement at Morgan as the world's manifestation of arch-capitalism.

The skyscraper at 40 Wall Street occupies the site of the headquarters of the Manhattan Company, an enterprise

started by Aaron Burr in 1799, initially to bring clean water to the city of New York. (Recently, the building's owners included the late Ferdinand Marcos, and his widow Imelda). Burr wrote the charter so that it allowed various pursuits, and he began a bank under its aegis. It competed, of course, with Hamilton's Bank of New York (founded in 1794) and exacerbated their antagonism, ultimately leading to Hamilton's death from a duel between the two investors. The Manhattan Company's water system of pine-log pipes (which still turn up in excavations in downtown Manhattan) became obsolete with the Croton Water System in 1842. Its Bank of the Manhattan Company, however, thrived and merged to form today's Chase Manhattan Bank.

The physical and symbolic character of Wall Street was established long before the Civil War. The acquisition of its unique identity corresponds to a continual dynamic process of energetic development within a circumscribed area. Whereas European financial centers developed over centuries, Wall Street catapulted into financial prominence in a matter of decades with the demise of the Second Bank of the United States in Philadelphia and the rise of large banking and investment houses on the Street. European exchanges were located in two and three-story buildings. Wall Street reached for the sky in the American spirit of

bigger and bolder. Oscar Lovell Triggs, Professor of English at the University of Chicago, wrote in 1898:

> The commercial temple, largely the product of the American mind, is the exact equivalent of the modern business ideal. The daring, strength, titanic energy, intelligence, and majesty evidenced in many of the modern business temples indicate precisely one, and perhaps the dominant feature of the American character.[30]

One example of this was the Exchange Building at the corner of Broad and Wall Street. Dedicated on April 22, 1903, this twenty-two story structure, Roman Renaissance in style with white Georgian marble, included a facade of six Corinthian fluted columns. The Board Room is done in white and gold decor with a mahogany dining room for members. At the entrance there is a bronze statue of a bull locked in a death struggle with a bear. Neither adversary appears to have the upperhand. Each has his opponent completely at his mercy. The structure, designed by George B. Post, architect of Saint Patrick's Cathedral and the Vanderbilt residence, portrays the "Yin" and "Yang" of American economic life.[31]

Wall Street architecture also represents the "dynamo" imagery of Henry Adams in that it exemplifies change and progress. Yet as seen against the sky with its impressive gothic arches, it seems to serve the Virgin by representing something stable, permanent, and virtuous. Most of all, the imagery serves to promote the more lofty and imperious

characteristics of Wall Street. Other media portray the Street in quite a different light.

The tone and character of Wall Street also emerge through the press. Until the 1830's newspapers in America were concerned almost entirely with business and political news, with Wall Street frequently and prominently mentioned. They appealed largely to the privileged classes. It was only when Benjamin Henry Day in 1833 published the first edition of The New York Sun, thus creating the penny press that would dominate U.S. journalism throughout the rest of the 19th century, that Wall Street appeared regularly before a mass reading audience. All of America would now be privy to its affairs. In The Sun, Day expanded the definition of news to include crime and violence, feature stories, and entertainment items. With its cost only one cent and sales impressive, The Sun was followed by the New York Herald, the New York Tribune, and The New York Times.

At the New York Herald, in the mid-1830's, James Gordon Bennet, owner and editor, was among the first publishers who criticized Wall Street finance. He lashed out at the "avarice and greed" he observed.[32] His voice led others to become openly antagonistic in their castigation of Street activity and behavior. In time, it became obvious that a counter-attack was necessary to

neutralize growing public resentment, especially in the age of the great Robber Barons.

On July 8, 1889, The Wall Street Journal began publication. The Journal was an outgrowth of a daily financial news summary distributed by Dow Jones & Company, organized in 1882 by New York economists and financial reporters Charles Henry Dow and Edward D. Jones. Dow had been a partner in the Wall Street brokerage firm of Goodbody, Glyn & Dow. By 1980, the Journal had become the best selling daily newspaper in the United States with a circulation about 1.9 million copies.

In the United States today there are about 1700 daily newspapers that print a total of 60 million copies, and almost every copy is ready by at least two persons. Some 6800 weekly newspapers are also published, with a combined circulation of approximately 40 million. Newspaper publishers in the U.S. estimate that nearly eight out of ten adult Americans read a newspaper every day.[33] Always prominent among the pages are stories about Wall Street. In addition, there are newspapers such as Barrons that provide more specialized and limited coverage for serious and motivated investors.

Magazines have also depicted Wall Street as a symbol of our culture. Striving ever to maintain the "edge," there is an "official" magazine of the Street, The Exchange, that unashamedly promotes the idea that stock

purchasing is good, right, democratic, and absolutely essential if America is to lead the world. The frontpiece proclaims, "Dedicated to the end that the contribution of this business to the national life may be better understood and appreciated."[34] This monthly is published by the New York Stock Exchange, and Volume One appeared in late 1939.

Countless magazine articles have appeared in numerous publications spanning the medium from the Atlantic Monthly to Penthouse, to Dell's comic book character "Investment Man." Then there are the specialty magazines like Forbes, Business Week, and Fortune that extol the magnificent success of wise or lucky investors, and maintain the perception of Wall Street's ability to lead each of us to the promised land of economic independence. Broad and bold captions read as if Wall Street was the center of the universe or home of some prescient entity: "Wall Street Favors NAFTA;" "Wall Street Nixes Health Care;" "Investors Shudder as Wall Street Quivers;" or, "America Awaits Wall Street's Mood."[35]

The symbol is also actively merchandised by the army of Wall Street missionaries, brokers and traders throughout the country working for firms headquartered there. While these missionaries do not go door-to-door, the most visible among them frequently publish their own interpretation of doctrine and prophecies in newsletters and info-sheets. They entice us to follow them based upon their proximity to

"knowledge" about the Street and the optimism of their own prognostications. Millions of Americans subscribe to the likes of the Kiplinger Report, Moody's Investor, or, hundreds of local offerings like the Green Mountain Investor (of Vermont).

These missionaries also carry the gospel of Wall Street to thousands of local investor clubs throughout America. Weekly or bimonthly meetings focus on prime opportunities, recent activity that might affect personal portfolios, and hot tips members have acquired at their workplaces, social clubs, and elsewhere. The investor club meeting might discuss, for example, whether Digital Equipment Corporation has bottomed out. Is it planning to reduces sales staff even further? Are there plans for asset liquidation? Is there a possible buyout? How will Wall Street respond? How does it all affect my ownership of shares? All of these considerations influence the timing of purchases and sales of Digital stock by thousands of American (and foreign) investors. Investment Clubs ensure that members will get the (inside) information first.

The intrusion of Wall Street into our lives and homes has not escaped the attention of a number of American authors. Many writers, however, have been even more concerned with the intrusion of Wall Street upon our national character. To many authors, Wall Street is seen

as a place where the eternal struggle between good and evil is fought. The Street is where men and women lose their souls in search of salvation through money. Wall Street is a type of paradise filled with enough fruits of the tree to satisfy all humankind's needs. Yet, there is a knowledge forbidden to mere mortals in this world, knowledge not of good and evil, but of speculation and high finance. Against a Puritan background suspicious of money and commerce, Wall Street becomes another battlefield for man's soul. The stock market, not Satan, is the agent of his fall.

Authors such as Sinclair Lewis in Babbitt, for example, are critical of the small-town American businessman who conforms blindly to the materialistic social and ethical standards of his environment. There is a perceived lack of spiritual and ethical values in American life due to the over-powering immorality of high finance. Theodore Dreiser in The Financier (1912) and The Titan (1914) also offers a harsh but not altogether critical portrait of finance capitalism. In An American Tragedy, he laments the efforts of a weak (and therefore unqualified) young man to rise from pious poverty into glamorous, and immoral society.

Tom Wolfe in Bonfire of the Vanities (1987) inspects the "wall" in Wall Street by placing his principal character, stockbroker Sherman McCoy, in the midst of a

nearby urban "jungle" in which there is no difference between law and politics. There, at the "wall," right and wrong, good and evil, are determined, not according to abstract philosophical or religious principles, but by historically conditioned responses to privilege or poverty. On both sides of the "wall," Americans develop very different skills and strategies aimed at securing the full measure of the American Dream. Wolfe also uses Wall Street to contrast appearance and reality. After all, if the apartment is luxurious and on the right block, if the limousine is richly appointed, and if companions are enchanting, one can create a safe cocoon of one's own making. This becomes a safe-haven within the real socio-economic jungle one has helped to create for the rest of society with the gross maldistribution of wealth.

In 1994, author Joseph Heller presented an updated Catch-22 in Closing Time that includes a virtue-less Yossarian journeying through Wall Street as companion broker to the multi-billionaire, and always unethical, Milo Minderbinder, whose most attractive stock offering represents the selling of a "defensive second-strike offensive attack bomber."

In American popular literature, Wall Street frequently symbolizes the loss of innocence and the flight from the garden. Bestsellers include Liar's Poker: Rising through the Wreckage on Wall Street by Michael M. Lewis,

Confessions of a Stockbroker by Brutus (pen name), The Wall Street Gang by Richard Ney, and Wall Street Wives by Anne-Ellen Winkler, whose principal character Ariane Wakefield is profiled thusly:

> She's bored with playing the pretty, young wife of a powerful Wall Street dynamo. She's tired of being ignored by her husband, whose real passion is money and whose ambitions--and greed--know no bounds.[36]

There is an ancient morality play here--the eternal struggle between good and evil. Once again, Wall Street is portrayed as the place where the real action in America is happening, there the stakes are high, the rewards are high, and the price of success is very expensive. The cost is ultimately one's eternal soul.

In addition to the print media, other technological innovations have brought Wall Street to every household in America. The telegraph, ticker-tape, radio, computer, and satellite communications have all contributed to an unprecedented transmission of information about Wall Street. Unfortunately, the information is not accompanied by knowledge; it is mechanization and quantification linking, in the end, the global community without providing an understanding of what is really happening and why. Nevertheless, the perceived need for more "information" has become a business unto itself.

In 1832 Samuel F.B. Morse developed the first practical telegraph; he and associates Ezra Cornell and

O.S. Wood opened a small office near Wall Street to demonstrate the device for 25 cents per showing. Their intention was to attract brokers and bankers, but for ten years their device drew little attention. Eventually, in 1844, Wall Street funded the Magnetic Telegraph Company to operate a line from New York to Philadelphia. Capitalized at $15,000 with one-half of the stock taken up by Morse and his associates, the company provided the latest technological means to transmit Wall Street to the rest of America. Not surprisingly, the first customers of the telegraph were stock brokers.[37]

In 1856, Western Union started operating, and by 1860 Wall Street was connected to every major American city and subsequently controlled stock prices in them all. Financial news columnists included updated stock quotations in daily papers, qualitatively much like those found in newspapers today. The telegraph made Wall Street the pivot of the business world in America. With the fusion of the Street and leading-edge technology, the latter quickly became a servant to the former.

By the 1860s, speed of information was becoming more critical. Brokers equipped with antelope legs and race horse lung capacity had had a preferred status on Wall Street. They would jot down prices in the trading crowds and run with them to their office for the benefit of customers. Soon, however, new inventions would make even

the fastest human obsolete. In 1867, E.A. Calahan, an electric battery expert for a telegraph company, developed the first stock ticker and immediately found capitalization as the Gold and Stock Telegraph Company. Demonstrations of the "ticker" machine converted skeptical brokers, and, within a year, the ticker became indispensable. Just before Christmas in 1867, the first commercial unit was installed in the office of David Groesbeck and Company on Wall Street.[38] Information, without knowledge, flowed more swiftly than ever before.

Each broker who installed a ticker had to provide his own electrical source using a battery consisting of four glass jars filled with sulfuric acid, zinc, and carbon. The jars had to be refilled twice a week with the chemicals, which were transported to each broker's office early in the morning before the market opened. The acid frequently spilled ruining clothes, carpets, furniture, and flesh. Despite such losses, the ticker changed investment criteria throughout America, now increasingly based upon the strength of financial news about a company or the economy. This dramatically changed the price action of stocks and disconnected success in investment from the successful operation of a company.

The first ticker printed a stock's full name and price in a straight line. A better mechanism appeared in 1873, printing name and price on two lines from a single type

"wheel." Other new machines quickly surfaced. Competition sent the ticker's rental cost from twenty-five dollars a month down to ten dollars. Then it proceeded to leap back and forth between those two prices until the Stock Exchange discovered a potential source of revenue and took control of its quotations. The stock exchange bought out the Commercial Telegram Company, a competitor of the Gold and Stock Company, in 1890, called it the New York Quotation Company, and undertook the exclusive distribution of prices to members throughout the United States.[39] Meanwhile, Western Union acquired half of the Gold and Stock Telegraph Company's holdings. Since then Western Union has served the entire country and continues to do so.

To assist in providing the speediest transmission possible, the Exchange's Department of Floor Procedure develops the working combinations of abbreviations so that no stock is a duplicate of another. This task requires (1) a symbol which, if possible, will be associated readily with the stock; (2) one employing the fewest possible letters with a single one for especially active stocks; (3) letters unlike one another in shape, to avoid confusion in hastily-written notes and records of purchases and sales by brokers; and, (4) ones not easily confused for others over the telephone and other electronic media.

One might conclude that the essential function of the ticker is to exert a democratic influence over trading.

With the ticker, the rich man who elects to add to his stock holdings can obtain no price advantage at a given moment over the small investor. He is, theoretically, only another buyer among many buyers, large and small. His idea about prices vies with the ideas of other investors, frequently including those living n many separate states and countries. All of their ideas meet on Wall Street, and the ticker prints the consensus price.

The ticker has, moreover, played its part in shaping the course of history. The sensitive securities markets, served by the volatile ticker, have forecast elections. In periods of national doubt, the ticker is normally watched closely as an indicator of public mood and opinion. It is the pulse of business in America, a guide to investors, and a political signpost. Ticker tapes, both printed and electronic, are the tentacles of Wall Street. Millions of bits of information flow every moment into the stream of American consciousness, potentially overwhelming most Americans with what it all means. And so, in the American garden, the ticker-tape infuses our conscious and unconscious minds with information, not knowledge--an intrusion into a world already sufficiently filled with actions and events absent meaning. Its span of influence continues to grow. The electronic ticker today carries prices instantaneously to thousands of brokerage firms, business offices, and private homes throughout the country,

to millions of households watching CNN, and to computer network down-links to private investors. The electronic ticker also reveals price activity to over 100 foreign exchanges instantaneously.

The first commercial radio advertisement in August 1922 on WEAF (now WNBC) promoted speculative ventures. The Radio Corporation of America (RCA), in cooperation with the American Telephone & Telegraph Company, established the first commercial radio network that soon included a forum for news, financial information, and stock quotations. Radio communicated news much faster than newspapers. More listeners were privy to information distilled from ticker-tapes with financial analysis from writers and commentators. Today, there are more than 900 radio stations on the air, evenly divided between FM and AM bands. Heard more than 13,000 times per day throughout America are the words, "On Wall Street today."

With the introduction of television at the 1939 World's Fair, Wall Street was depicted in terms of get-rich-quick schemes that never materialized. From Gunther Toody and Francis Muldoon, who foolishly invest the Patrolmen's Fund in "Car 54, Where are You?," to Ralph Kramden, who loses what little money he has in an investor scam on the "Honeymooners," to insider trading on "The Bold and the Beautiful", to the timely redemption of actress Melissa Gilbert as a painfully successful Wall Street

attorney in the 1994 series "Sweet Justice," the television portrayal is consistent. Wall Street is where you might temporarily win, but in the end you ultimately lose. The Street is where innocence, among other things, is lost. On the other hand, television staples like "Wall Street Week" with Louis Rukeyser (on Public Television since 1971) have always promoted the Street as an unequal but essential element of the American landscape, where hyphenated Americans do not exist, and where wise investors track the commodification of American culture with great excitement and pride. Guest financial gurus prophecy investor returns as more cultural icons like the Boston Celtics, MGM films, or Motown records go public on the exchange--for sale to the highest bidder.

Another consistent theme emerges when one looks at the representations of Wall Street on film. Movies like "Trading Places," "Working Girl," "Wall Street," "Bonfire of the Vanities," and "Other People's Money" portray a place where wholesome characters are lost amidst unwholesome sophistication. The soul is traded for wordly pleasure (albeit temporary), and from the depths of the inevitable hell that follows simple honesty finally prevails and salvation is achieved (at least for the lead characters). Good invariably triumphs over evil, and evil is the culture that is Wall Street. Those who refuse to abandon its siren call, are lost forever. Through the

medium of film and television, Americans can vicariously reject Wall Street without examining their values without indicting themselves as co-conspirators. So, viewer comments predictably include, in tandem, "They're all a bunch of greedy crooks," and, "I'd give anything to own a care like that!"

Through all of these media, Wall Street symbolizes our free-market culture, and to a increasing degree, our national character. It coincides with our free-market values and free-market ethics (or lack thereof), and enters the lives of ordinary Americans every day through a variety of means to include radio, television, newspapers, magazines, newsletters, computers, popular literature, and movies. The representation is pervasive and mixed. Yes, Wall Street success (and failure) appears to be directly linked to our own national success. Its failures are in some ways a mirror of our society. It appears that we have no choice but to accept its intrusion into our lives. We seemingly must accept Wall Street's culture in order to achieve the American Dream and gain our measure of individual self-respect measured in "success." Achieving the Dream carries a very high price in the loss of personal freedom and innocence to Wall Street's power, influence, and economic agenda. That surrender is frequently depicted in our culture as the loss of one's soul or "character." Severe though the pitfalls of an association with Wall

Street may appear, the Street cleverly disguises any serious shortcomings by draping itself in the American Dream.

Bullish on the American Dream

The history of the United States is synonymous with the dream of riches. Wall Street has consistently symbolized unwavering support for the pursuit of the American Dream. That Dream entitles each of us to pursue our own self-interest with minimal interference. There is no pretense. Wall Street does not champion truth, justice, virtue, or, an equitable distribution of the nation's wealth. Perhaps that is because the chasm between our national "dream" and the philosophical constructs of a "good society", or, the "good man," cannot easily be bridged. For over two hundred years, the Street has chosen to fuel the Dream: to finance Lady Columbia's trek across this land, and now, her journey around the world. This includes canal building, railroads, banking, textiles, steel, oil, automobiles, communications, electronics, computers, defense industries, biotechnology, aerospace, and the global "free-market" economy.

It has been said that "Capital is the lifeblood of a capitalist economy; it must be both accumulated and mobilized."[40] Allocation of capital is among the most important decisions to be made in any economy; it plays a

critical role in determining future output. The flexibility and speed of response of the mechanism of capital allocation "affects directly the adaptability of the productive mechanism, and thereby bears on the long-run prospects of the entire economy."[41] Without question, the Street is key to the mobilization of economic forces in America. Wall Street fuels our Dream.

The Street's activity is perceived as a daily barometer of abundance in the American mind. The existence of a market in which securities can be bought and sold at a fair price is what encourages broad public participation in the ownership of business, a hallmark of this nation's economic strength. It is fundamental to a company's ability to raise capital by offering shares to the public or issuing new debt. This capital makes possible the building of new factories and the production of goods and services that create jobs. Wall Street now serves more than 1800 companies that list more than 80 billion shares of stock, valued at nearly $4 trillion. Not surprisingly, the "Fortune 500" companies listed on Wall Street represent $2.4 trillion, or 62% of its total value.[42]

The Street has always been able to profit from the stubborn determination of Americans to improve their earthly condition. The profit formula represents a simple answer to the problem that there are unlimited wants and

desires and limited resources to meet them. Our market system, which allocates and distributes those scarce resources, is constructed with enough self-serving opportunities to raise the perceived, if not the real, value of goods and services that Americans desire. The more successfully Wall Street creates the perception of increased value for any particular service or product, the more valuable it becomes. Even without ever producing an additional widget, or making a single improvement in organization, operations, working conditions, service, corporate values, or social benefit, value can increase dramatically. "Value" and "worth," are strictly illusory terms upon which real money--billions of dollars, marks, francs, pounds, and yen--are traded daily.

Throughout our history, as David Potter has noted, "The only real access to the value of national resources was through large-scale concentration of capital and labor."[43] It is this specific endeavor, the formation of capital, that allows the subsequent funding of labor, and the acquisition of necessary land and materials. Wall Street takes the American Dream and energizes it with capital. It also commodifies it into a vast array of products and services that are immensely desirable and rarely necessary. Billions of dollars invested from Everywhere, U.S.A. are collected by brokers and then redistributed to selected enterprises belonging to closed

membership exchanges like the New York or American stock exchanges. The accumulation of capital may fuel expansion in operations. Or, the capital may fund a factory move to Mexico. More capital might even provide the golden parachutes sought by corporate executives prior to filing bankruptcy. And finally, Wall Street capital might even be used by individuals, banks, and corporations to invest in high-yielding foreign stocks. More and more investments never create an additional job in America or require much labor at all. Instead they constitute the ultimate American Dream, if you will, of wealth gained without work.

In theory, by allocating capital to promising enterprises sited upon our economic dreamscape, Wall Street also serves as society's link with the future. Race, religion, and ethnicity have not been effective organizing principles for achieving freedom and abundance. They are too restrictive and bounded by the limits of membership and doctrine. School, family, and community also have not been effective in delivering widespread prosperity. They are too "values" oriented to permit the maximization of opportunities to gain profit. They also promote ideals that frequently interfere with the more pragmatic "streetwise" views used in the business world. The self-serving American has come to seek the dream of freedom and abundance through the embrace and guidance of Wall Street.

For many, it is the place where real faith in the American Dream resides.

Interestingly, Wall Street has not been hampered in its cause by any lingering indictment by history because it has a "continuous present." This means that the totality of Wall Street, past and present, is viewed by the society in the immediacy of today's stock report, or, in the sound byte announcing that "winners beat out losers today, two to one." There is no lingering populist outcry against robber barons, scoundrels, or even "inside traders." This anomaly of a "continuous present" allows Wall Street to perpetuate its role as principal spokesperson and defender of the American Dream without having to carry the baggage of past sins and failures. Following tonight's six-o'clock news report, we might vilify Wall Street greed as another broker is convicted of defrauding investors of millions of dollars, only to forgive this and every other transgression before placing a new purchase order with our broker in the morning.

One example of Wall Street's resolve in promoting the American Dream occurred early in its history. When George Washington sided with Alexander Hamilton in deciding that the new central government would fund all of the outstanding Revolutionary War debts of the states, Wall Street transformed this gesture of good faith into the first great insider trading swindle, the first of the many

subsequent opportunities for the pursuit of self-interest. In 1789, after Hamilton had become Secretary of the Treasury, he issued a "Report for Redemption." By year's end, in anticipation that a Hamilton-sponsored bill would be pushed through Congress to redeem at full value the scrip paid to Revolutionary War soldiers, at least three well financed insider syndicates began operating on Wall Street. They bought up soldiers' scrip for pennies on the dollar in anticipation of the full redemption to come. One syndicate was headed by Robert Morris, a signer of the Declaration of Independence, a governor-to-be of New York, and a close associate of Hamilton. A member of another syndicate was Connecticut's Jeremiah Wadsworth, a member of Congress who also had Hamilton's confidence. Wadsworth even sailed to the southern states with two boatloads of agents and money; they paid virtually nothing to former soldiers for all the scrip they could obtain.[44]

Hamilton's redemption plan got through Congress, but not without help from Thomas Jefferson. The future president demanded in return that Hamilton support him in relocating the capital to Philadelphia for ten years, and then farther south to Washington. Hamilton was so committed to his friends on Wall Street that the deal was consummated.

Hamilton's redemption plan resulted in the first issue of securities traded publicly on Wall Street--a series of

government bonds valued at $80 million dollars--to redeem the scrip. The redemption enabled speculators to make huge profits from every part of the deal. First, they purchased scrip for pennies on the dollar and then redeemed them at full value. Second, they earned brokerage commissions by selling the bonds from their Wall Street offices. Finally, they profited greatly from the interest paid by the government on the bonds which they had purchased for themselves. Many observers chastised the investors as "scoundrels" and Wall Street as a "den of thieves." Despite the uproar, the federal government responded to Wall Street's bond market efficiency by requesting the further capitalization of canals throughout the new nation. Every sin committed in the handling of redemption securities had already been forgiven.

The first navigation canal in the United States was built around the rapids of the Connecticut River at South Hadley, Massachusetts in 1793.[45] It had two levels connected by an incline over which boats were transported in tanks filled with water and dragged by cables operated by waterpower. These canals were the earliest highways to the interior of America. Although foreign trade played an important role in the early development of the United States, as the country began to push westward, businessmen turned their attention away from foreign trade toward exploiting the potential of the huge domestic market. The

Erie Canal, started in 1817, marked the beginning of an era of canal building that produced an aggregate of more than 4500 miles of canals, mostly in the middle Atlantic and Central region. Canals were largely responsible for opening the American Midwest to settlement and for the migration of thousands of Americans in pursuit of their "dream." So it was, once again, that Wall Street financed the search for the Promised Land.

With even greater enthusiasm than shown for canal building, Wall Street's capitalizations of railroads and the Westward Movement are well documented. Railroads were a novelty in 1846 and an accomplishment by 1876. By the end of the century trains were the indispensable and omnipresent element of national growth and cohesion. It was, of course, a vast undertaking requiring huge sums of money to finance. This was Wall Street's specialty, and the Street did not fail to answer the call for money, and ever more money.

The capitalization, and subsequent completion of 19th century American railroads was another in a series of examples of how the few could prosper handsomely at the expense of other, much larger, segments of the society: immigrants, the poor, Native Americans, and the dispossessed. Railroads were another reminder of how effective Wall Street could be in raising capital. Its success was also a reminder Wall Street's power and

influence, serving as intermediary between government largesse (loans and land), major stockholders (capital), robber barons (major profiteers), and smaller investors whose individual self-interest could easily be transformed into a get-rich-quick mania. While thousands of Americans were patriotically fueling the movement west with their dollars, tens of thousands of other Americans wondered how some could have so much, and they, so little. The answer, for many, was to be found in the American Dream itself.

Aggressive pursuit of the dream requires taking a big chance and risking all if necessary. This might include leaving home, ruthlessly pursuing one's own self-interest, and finally, separating with greater geographic distance from the masses who did not incur similar risks or gain similar profits. The end result was a home of your own on 60, 100, or 5,000 acres of land--there to enjoy your newly acquired "freedom" from want, and freedom from others, thanks to the railroad.

Wall Street was also bullish on textiles and other manufacturing enterprises. Attempts to develop a domestic textile industry antedated the Revolutionary War. Societies for the encouragement of industry were formed in New York even prior to the ratification of the Constitution, while the legislatures of several states proceeded to exempt manufacturing establishments from taxes.[46] Nevertheless, early attempts at textile

manufacturing failed due to insufficient capital. That situation was remedied when Francis Cabot Lowell set out to raise on Wall Street what was for the time the prodigious sum of $400,000 to be taken in shares, and of which $100,000 would be called at first. The business on Wall Street took two days. Two-thirds of the capital was eventually invested in machinery and real estate, while the remainder was used to initiate operations.[47] This was the financial base for the extremely successful Lowell Textile Industries, a model among 19th century manufacturers and today a National Park in Lowell, Massachusetts.

Wall Street gives unequivocal support to the American Dream by funding the continued expansion of economic growth itself: by providing the wherewithal for mega-mergers in banking, communications, electronics, computers, aerospace, health care, sports, food, cinema and music. The effect, in the end, is that the culture itself is offered for sale to the highest bidder while the masses watch puzzled and helpless. People wonder, for example, what effect new ownership of a major movie studio by foreign might have on future cinema in this country. They wonder whether the consolidation of city newspaper, radio, and television outlets under mega-corporate ownership will represent the loss of critical public discourse. And, they wonder whether new corporate marriages like the one between Chrysler and Toyota, forged specifically to build smaller

car models in Mexico, will mean the loss of more American jobs in what was the preeminent industry in the United States. Wall Street does not discriminate. It will take anyone's money in almost any transaction. The culture, like the Dream, is for sale, and rarely is there a shortage of buyers.

Not without a keen sense of the need to protect its own interest in the American Dream, Wall Street has often cloaked itself with the American flag in super-patriotic support of anti-Communism, anti-Socialism, and war. To be sure, the economic system of Karl Marx is antithetical to the interests of Wall Street, and not surprisingly, rejected outright by most Americans. The idea of the abandonment of private property in favor of public ownership, the departure from self-interest as a driving force in favor of community interests, the rejection of unequal distribution of wealth in favor of the more equal distribution , and the replacement of economic elitism with more local, democratic, and participative control poses a significant threat to the status quo.

Throughout the war on real and perceived "Communists," waged by Senator Joseph McCarthy and others, Wall Street was extremely vocal in its support of this fanatical crusade to protect freedom, democracy, and the American Way. In its official publication The Exchange, a host of writers penned their "shock" at the threat to America posed

by Communism and Socialism. Articles by contributors like Irving S. Olds, Chairman of the Board of United States Steel Corporation, were entitled, "Our Privileged Millions." The following excerpt is from his 1951 offering:

> Today there are millions of people who have swallowed that malicious hoax, hook, line and sinker--people who sincerely believe that the great industrial enterprises of America are owned and controlled by a handful of wealthy men; and that these privileged few wrack up, among themselves, the 'fabulous' profits of 'giant' corporations. Economically and politically this widely-entertained misconception possesses all the explosive potentialities of a hydrogen bomb.... In short, stock ownership is one of the most completely democratic institutions to be found anywhere.[48]

The counter-attack against the perceived threat posed by "communism" was well orchestrated and relentless. For Wall Street in particular, being "Red" would mean being "Dead."

Similarly, Wall Street has been bullish on war as a means to preserve the Dream. In times of war, the federal government looks to Wall Street to generate the huge sums of money needed to fund prolonged combat. Everything ranging from the industrial transition from civilian to defense products to the increase in military personnel requires capitalization since there are no contingencies in the Federal budget for "War." Corporations also do not set aside billions of dollars to be able to transform themselves quickly from producers of consumer products to the implements of war. Typically the Street responds to

the demand for capital with a most efficient "War Bond" sales program that enlists the support of movie stars, civic leaders, and, of course, every truly patriotic American. Production possibility curves soar as new frontiers are established in raising money for the transition to war industries. Employment opportunities swell, the price for materials explodes, and the relationship between Wall Street and every patriotic American is sealed by the "bonds" that connect them. (It may be worth noting here that, always the pragmatic institution, Wall Street raised capital for the wars of Joseph Stalin, Adolf Hitler, and more recently, Saddam Hussein). Simply put, war, the rebuilding after war, and the preparation for the next war, constitute good business on Wall Street.

In the end, however, as Howard Mumford Jones remarked in 1944, personal freedom is defeated in the swell of business activity occupying the society:

> After pondering what I have seen of your vast manufacturing and trading establishments, the rush of traffic in your streetcars and elevated railways, your gigantic hotels and Fifth Avenue palaces, I was suddenly reminded of the Italian republics of the middle ages and I recalled the fact, while there was growing up in them great commercial activity, a development of the arts which made them the envy of Europe, and a building of princely mansions which contrive to be the admiration of travelers, their people were gradually losing their freedom.[49]

Could unqualified support of the American Dream similarly coincide with the loss of personal freedom in our

society? The unrestrained and widespread pursuit and accumulation of conspicuous individual wealth as promoted by Wall Street is a recent socio-economic development in the history of humankind. The acquisition of such wealth by the few requires conspiratorial support from major judicial, political, economic, religious, social, and educational institutions. Given the limited resources that exist in any society, the grossly disproportionate and legally protected gains of the few must take precedence over the equal interest of the majority who are no longer free to acquire similar wealth. Nevertheless, the majority in our society are encouraged to continue the pursuit since there is no social sanction to do otherwise. Society frowns upon individuals who do not work or receive welfare. At the same time, it is oblivious to the much more costly "corporate" welfare that is sanctioned by law.

Society deplores street crime but at the same time is seemingly indifferent to the much more costly white collar crime. While the underground economy may seem awash in illegal drug sales (and so that is where we focus our police activity), in fact the single most profitable underground activity is the sale of pirated computer chips. We do not see white, suburban, hi-tech salespeople thrown to the ground with pistols pointed to their heads and stun guns poised for action as plastic bags filled with computer chips are retrieved. Their freedom to profit in such a

manner is generally secure. So, who is free to profit? Schools and the military encourage us to "be all we can be" as measured by "success": position, title, personal achievement, neighborhood, automobile, and accumulated wealth. We tell our young, "the sky is the limit." That simply is not true for most Americans. The "sky" is usually owned and occupied by someone else, and though it too is up for sale, the price is out of reach for most Americans. Any suggestion, however, that the "Dream" is actually unattainable for a growing number of people is viewed as un-American and un-patriotic. Wall Street promotes the Dream because without it the Street itself cannot survive. Without the Street, our national economic system cannot survive.

In any case, people continue to speculate and invest in America when risk includes the chance of significant return. Historically, those who do not have the "freedom" really to participate in the economic process eventually seek change, and frequently change through armed revolution. Revolution and mobocracy are anathema to Wall Street and modern America. To counter any possible threat of significant economic change, our institutions energetically support the pursuit of the American Dream that just so happens to be the fountainhead of Wall Street's agenda. And, while individuals may frequently have misgivings about Wall Street, its "agenda" is fused

with our agenda, with our aspirations, and with America's larger mission in the global marketplace. We are all figuratively bound together with a thin ticker-tape that connects us to our past, present, and future. Wall Street truly symbolizes, first and foremost, who we are, and what we have become.

Notes

Chapter Four

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CHAPTER 5

THE LANGUAGE BROKERS

"All words are pegs to hang ideas on."

-- Henry Ward Beecher[1]

Shaping a Preferred Discourse

Human beings live at the mercy of the particular language which has become the medium of expression of their society. Language predisposes us to see the world in a certain way. It molds our minds, determining how we think about the world and how we openly express our values. It is, therefore, a very important element in any culture. The relation of culture, language, and economic activity to one another involves not mutual exclusiveness but, rather, reciprocal influence and interpenetration, sometimes harmonious, sometimes conflictual. Economic practices are imbedded in culture. Thus language and Wall Street can be seen as the effects of certain cultural configurations and the causes of others. There often appears to be a nonvicious circularity between the preconditions for market activity and the consequences of that activity, as if markets, like powerful disturbances in the atmosphere, can in some degree be self-reinforcing, helping to create the very sorts of people, language, and ways of life that they need in order to function effectively.

To speak of "the language of the market," then, is not to assume that culture is merely a reflection of autonomous

economic factors, or to suppose that market language is always associated with the same cultural forms, independent of time, place, tradition, or human volition. There is no single language of the market. But, on the other hand, not all languages are equally compatible with the needs of a market economy. To speak of the language implications of Wall Street is to assume that markets, precisely because they are aspects of culture, have cultural concomitants, and that we are capable of identifying at least some of them. Accordingly, we observe that the language of Wall Street is both synergistic with, and broadly symbolic of, American culture.

On one level, Wall Street language is a practical assortment of simple words, expressions, and gestures to convey "excitement," "surprise," "emphasis," and "concern," without the complexity and academic prerequisites of intellectual discourse. This is in perfect keeping with America's disdain for intellectualism as chronicled by historian Richard Hofstadter and others. As Mark Twain noted in a speech at the annual dinner of the Associated Press in New York City on September 18, 1906:

> An average English word is four letters and a half. By hard, honest labor, I've dug all the large words out of my vocabulary and shaved it down till the average is three and a half....I never write "metropolis" for seven cents, because I can get the same money for "city." I never write "policeman," because I can get the same price for "cops." I never write "valetudinarian" at all, for not even hunger and wretchedness can humble me to the point where I will do a word like

> that for seven cents; I wouldn't do it for fifteen.[2]

Similarly, this attitude toward simplicity is reflected in the most widely read financial daily in America, The Wall Street Journal. In the 1930's, publisher Kenneth Hogate introduced the most popular section of the newspaper, "What's News." The section is designed so that it can be read in six to seven minutes, without pictures and with wording that nearly everyone can understand.[3]

For many Americans, intellectual discourse is dull, pretentious, and elitist. Intent on engaging the interest of those same Americans, Wall Street language is deceptively simple, direct, provocative, and influential. As Oliver Wendall Holmes, Jr. observed decades ago, "A word is not a crystal, transparent and unchanging, it is the skin of a living thought and may vary greatly in color and content according to the circumstances and time in which it is used."[4] The "transparency" referred to by Justice Holmes is certainly not one of the strengths of Wall Street language. On the other hand, simplicity, practicality, flexibility, and emotion are critical characteristics because in a "dull" uneventful market, Wall Street prices begin to fall. In a confused market, additional investments are withheld. It is important, therefore, to keep the Street seething and buzzing with language that elicits a level of popular excitement and participation while ensuring that real

knowledge and understanding are withheld. Wall Street knowledge is not intended for the general audience, but it is for sale at the right price. The selection of appropriate language, both words and gestures, to achieve that distinction is, therefore, essential.

The distinctive non-oral communication of hand signals constitutes a fascinating part of Wall Street language. Now more integrated into trading at the American Stock Exchange and at commodity exchanges throughout the country and the world, hand signs originated in the days of the curbstone market. Traders on the Street relied on clerks leaning out of windows or sitting on ledges of nearby buildings to relay orders that had been received. Because the clerks could not always be heard above the noise, they devised simple hand signals to convey information to the traders, who wore colorful jackets and hats so that their clerks could distinguish them in the crowd. Henry Fowler commented in 1873 about the hand signals:

> A crook of the finger, a slight nod of the head, or a wink of the eye,...settles the business done between buyer and seller. This language of signs is as distinct and definite a part of Wall Street lingo as that of words and figures.[5]

Unscrupulous traders found that the crooks of the fingers and nods of heads invited sign stealing. If a cheating trader intercepted a signal and hurried to buy the order first, he could make a certain profit by selling it immediately to the trader for whom the signal was meant.

Therefore, stealing of signs became a crime on the curb, and anyone guilty of stealing found himself ostracized--temporarily!

The commodity exchanges also adopted hand signals. For example, in the pits at the Chicago Board of Exchange (CBOE) traders who signal price and quantity have a lexicon of amusing hand signals that stand for brokerage names. Expert in such signals are the two-dollar brokers who carry out business for more than one firm and so need to indicate to clerks which firm they are making a trade for.

This language without words derives most of its signals from the wordplay. For example, to indicate Paine Webber, the broker nubs the back of his neck as it he had a pain there. A trade for E.F. Hutton requires making a little hut by putting together the fingers of both hands, and for Charles Schwab, making a swabbing motion as if cleaning a windshield. A simple "W" with the fingers means Dean Witter. [6] When the two-dollar broker mimes piercing one hand with a finger of the other hand, the clerk reads "Merrill Lynch Pierce." A shooting motion with the fingers means Shatkin, because it sounds like "shotgun," and pointing to one's head means A.G. Edwards, because "head" rhymes with "ed." The broker conveys N.K. & Co. with a knocking motion, derived from the company's initials, and Shearson Lehman with a cutting motion like a scissors, playing on the word "shears." The Jewish stereotype of a

large nose furnishes the signal for Goldberg Brothers, whose Jewish-sounding name prompts the trader to point to his nose. Traders point to chests to signal Drexel Burnham, because, they say, the women working for Drexel are so buxom. Collectively, the hand signals are a very practical means of communication, at times revealing much more than the intended message. Outsiders rarely understand what is actually being signaled.

The verbal and written language of choice on Wall Street is slang, and, therefore, altogether American. Ambrose Bierce defined "slang" in the Devil's Dictionary as "The grunt of the human hog (Pignoramus intolerabilis) with an audible memory."[7] Wall Street slang, however, is much more complex in purpose, cause, and effect. The simplicity and frequent banality of its construction is deceptive. It speaks most clearly to the hearts, minds, and ambitions of mainstream America. It is dynamic and often emotive, frequently resting upon the meaning or interpretation given by the user to create a desired response. It also paints pictures through metaphors, adding a sense of solidarity to underdeveloped meanings. "Stock", for example, is derived from the Anglo-Saxon "stoc," which meant both a tree trunk and a stick. Wood had to be stored for the winter, often in a tree trunk, and in time anything stored came to be known as "stock"--cattle, merchandise in a ship, or shares in a corporation.[8] "Bond" is simply a variation of the Middle-

English word "band" meaning a fastening. He who issues a bond is "bound" to pay it back to its holder.[9] Both terms are now metaphors of ownership and debt respectively.

Interestingly, the term "bond" is an example of the changing nature of Wall Street language. During the earliest days of the Street, the term "stock" had been substituted for the term "bond" because of the lingering Puritan rejection of "debt" in the enterprises of honorable men. As Benjamin Franklin observed, "Rather go to Bed supperless than rise in debt," and, "The second Vice is Lying, the first is running in Debt."[10] Franklin's sentiments were echoed later by Ralph Waldo Emerson who wrote, "A man in debt is so far a slave."[11] Given this hostility to debt and while the slave auctions were conducted on Wall Street, a "bond" expressed the relationship between owner and human property. Following the Civil War, the term "bond" finally became fashionable as a preferred investment choice whenever interest rates increased as the result of government's attempt to raise funds. In subsequent years, of course, millions of Americans would do their patriotic wartime duty "buying bonds" and the term was thereafter associated with an act of patriotism! In 1994, United States bond sales were at record levels as the federal government ensured a steady supply of monies to fund the national debt of $4.7 trillion. "Bonds" have never been more revered!

Similarly, the etymology of the term "broker" is also representative of the construction and re-construction of Wall Street terminology. The word comes from the Old French for the person who broaches a cask to draw off the liquid. The broker at first was a retailer of wine; later, in the sixteenth century, one who dealt in second-hand goods.[12] Today the term commands a professional level of respect and compensation referring to those registered with the Securities and Exchange Commission to buy and sell securities.

Two frequently used terms are examples of metaphors depicting the overall state of the market. Today's "bears" can trace their name to the days of England's notorious "South Sea Bubble," which ruined thousands when it burst in 1720. Gamblers would sell bear skins before the bears themselves had been trapped. Like the current crop of traders, they hoped a falling market would bring profits. The "bulls" can blame their name on the male bovine's habit of tossing things into the air with a sudden upward movement of its horns.[13] The bull market is one in which prices and sales rise.

On still a different level, Wall Street slang interprets major benchmarks in our economic history and thereby represents the totality of a generation with a simple expression. The "McKinley Market," for example, was inspired by the reelection of the popular president in November 1900. In 1901, the bull market already underway

caught the fancy of many small speculators, who saw a chance to get rich quickly. On April 30, 1901, Wall Street had its first three-million share day. The "Coolidge Boom" began just after the election of Calvin Coolidge in November 1924, and continued until he left office--a significant portion of the Great Bull Market of the 1920s. During the boom speculators caught "Radio Fever" when the stock of RCA, nicknamed Radio, experienced an enormous run-up over several years. After the Coolidge Boom came the "Hoover Bull Market," beginning in 1928. According to The Literary Digest:

> The Hoover Market got off to a flying start on the very day after election, for as one financial writer observes, within twenty-four hours of the election the words Hoover Market had been substituted for Coolidge Market in the language of Wall Street, and predictions were being made of prosperity and an era of speculation as great under the new Administration as in that of the old.[14]

Such was the enthusiasm on Wall Street that the Monday after the election the NYSE had its biggest day in volume up to that time, with rising prices. A cartoon titled "The Golden Stairs" that appeared with an article in The Literary Digest shows a ticker-tape machine labeled "Stock Market," dancing up stairs labeled "GOP Victory."[15] The spirit of excitement did not foresee the Crash of 1929 or the years of depression ahead. (A similar GOP victory in November 1994 caused a much more subdued response on Wall Street).

Another event, named after President Eisenhower, took place in 1955 when news about the President's illness caused

the "Heart Attack Market." Eisenhower's heart attack on Saturday, September 24th, prompted a sell-off in the market the following Monday. The Dow dropped 31.89 points, the biggest drop since the beginning of the Great Depression in 1929. The Eisenhower era also included the "Sputnik Market" in the last quarter of 1957. After the Russians launched the satellite Sputnik I into outer space on October 4, 1957, the stock market became enamored of missile stocks. While the rest of the market was generally declining, stock in any corporation connected to missiles climbed in price. Between October and the following January, Douglas Aircraft stock rose 26%, General Dynamics 39%, and Lockheed Aircraft 35%.

When John F. Kennedy was elected in 1960, the country celebrated financially. The market began to rise steadily, and volume continually increased in a "Kennedy Bull Market." The next year was yet another time when it seemed as though everyone was getting into the market. More shares were traded on the New York Stock Exchange than in any year since 1929--and Wall Street praised President Kennedy. But by the next year the honeymoon was over, and the market collapsed, reaching its low point on the "Blue Tuesday" of June 26, 1962 as the Dow Jones Industrial Average hit 535.76, down over two hundred points.[16]

On the Friday that President Kennedy was assassinated, November 22, 1963, the stock market reacted with temporary panic. It recovered the following day as optimism about a

Johnson administration and news about the resolution of a financial crisis at Ira Happiest & Company inspired the single largest one-day leap in the Dow up to that time, 32.03 points. By 1963 Wall Street was talking about the "Johnson Bull Market," which reached its peak in 1966, with the Dow cresting at 1001, its highest point of the decade. In each instance, Wall Street's terminology characterizes an entire period in two or three words. History is condensed into whether it was a good time for Wall Street and the nation in general.

At another level, Wall Street language symbolizes America's frenzied and chaotic search for the American Dream. There is no strict construction of the language because it must have the flexibility to provide a suitable protection from premature discovery of subterfuge, chicanery, and opportunism. While there is no certainty about the economic outcomes to which the language relates, there is also no assurance about measuring the full content of its message, or, of discovering the personal motivation or objective behind the choice of words, expressions, or gestures. There is simply no "proper" way to express such a complex interplay of psychological, sociological, economic, and historical forces. Slang appears to be the most widely accepted form of popular expression that fulfills Wall Street's objectives. Such relatively new financial instruments as "zero coupon bonds," "government-security money

funds," "universal and variable investment policies," "hedge funds," and "GNMA investment funds," gain popular appeal as "hot new opportunities" on Wall Street.[17] Their exact meaning, for most Americans, remains unclear and elusive.

Some Wall Street slang gradually becomes institutionalized and influential through a process of social filtration leading ultimately to acceptance or rejection. The ability of the Street itself to modify, delete, and add terms is important since it enables Wall Street to be identified with present usage, and not with failures associated with the past. If the word "Dow" were mentioned to most college students today, no doubt they would perk up for news about Wall Street activity. In the late 1960s, the same word was commonly associated with napalm, and so it was removed from Wall Street's vocabulary. Since that time, the term "Dow" has once again gained respectability and use as a major stock index. The transition in meaning from benign to malicious and back to benign again suggests a society with a relatively short attention span and a language consciously shaped to the business of today.

Most of Wall Street slang is introduced on the Street itself, and then selected expressions ultimately find their way to Main Street to become general cultural expressions. When, for example, Wall Street first spoke of a "hostile takeover," a merger resisted by an acquired company, it introduced a new buzzword that bombarded the consciousness

of mainstream America through books, magazines, newspapers, movies, and even music and art. "Tender offer," "front-end load," "back-end load," "leveraged buyout," and "junk bond," are terms similarly intended for mass consumption. They are engineered like sound bites to herald the arrival of new Wall Street opportunities. At the same time, serious discourse, "insider" information to which the public is not privy until the gleam has left the opportunity and the term is transferred from privileged use to the public domain, is withheld.

Familiarity with the latest expressions identifies those "in the know" while it mystifies and excludes outsiders. Consider mundane everyday tasks like washing and laundering. Wall Streeters not powerful enough to rig the market can manipulate stock on a smaller scale through "wash sales," a term dating back to 1848. In "washing" a stock, two or more speculators buy and sell the same stock simultaneously in order to stir up interest in it. The seller and buyer, working together, do not exchange money, but the trades are recorded at increasing prices. Stock can be "washed down" to attract shorts as well as "washed up." These sham trades are known as the "laundry business." To be a "launderer," means to be one who engages in stock exchange washing. "Laundering money," now means the

practice of channeling illegally obtained funds through several financial institutions to make them appear legitimate.

Also present in the language of Wall Street are revealing portraits of social and cultural life in America. One common theme is related to America's attraction to physical conquest. In the marketplace investors "hammer", "jackscrew", "dump stocks", and try to "saddle" it. Always trying to make a "killing" in the market, they "pound" stocks and "slaughter" them. Finally, traders do their "scalping" on the exchange floors. The market, however, responds in kind. It inflicts Wall Streeters with its peculiar illnesses: "tickerosis," "new-issue fever," "merger mania." It "blows out" speculators, "wipes them out," "burns them," and "kills" them with "cemetery-spreads." After a disastrous day on Wall Street traders talk about the "blood on the floor" left by a merciless market, which brought about the "October Massacres" of 1978 and 1979, and, of course, the devastating "Crash of 1929."

There is, nonetheless, something cleansing and purifying about losing in the markets. The victim of financial loss "takes a bath," "takes a cleaning," goes "through the financial wringer," or gets "taken to the cleaners." He or she is "cleaned out," or "wiped out," apparently because all of the unclean money has been removed. The worst beating is typically reserved for the investor, the "lambs," the "little guys," turned into "lame ducks" and "dead ducks" by

big operators. Brokers joke about sending customers away as "barefoot pilgrims." They mutter about customers whom they would like to "churn" and "burn." Security and Exchange Commission workers refer to brokerage houses as "funeral parlors," where brokers dispose of the financially dead.[18]

The language of Wall Street also reflects the sexism too frequently evident in the society. Writing in 1957, Ira Glick elaborated on Wall Street:

> The market is endowed with feminine qualities so that it is the woman; and the trader, dealing with and in the market and manipulating it by buying and selling, is the male. The market is a very active woman, unpredictable, potentially treacherous, distributing and bestowing her favors capriciously.[19]

Almost thirty years later, Sonny Kleinfield found the same attitude and expressed it with verve and vulgarity: "For many traders the market is a bitch, a cunt, a whore, and old lady. If you fight it or go up against it, chances are you'll be screwed by it or maybe fucked over."[20] Traders "straddle" the market, executing "spreads," which are positions that have two "legs." They pursue "in-and-out trading," or execute market orders to "touch but not penetrate." In the options market, Wall Streeters go "naked," which is the opposite of "covered." Traders can manipulate individual stocks as well as the whole market in ways that sound sexual by "goosing" them, "riding" them, and quickly "pulling out" of them.

Another relationship exists between Wall Street language and the value placed upon "appearances." What's in a word, or, a name? On Wall Street, the right name for a company as well as the right slang for a stock can produce the sweet smell of financial success. In 1960, Jack Dreyfus of the Dreyfus Fund explained it this way:

> Take a nice little company that's been making shoelaces for 40 years and sells at a respectable six times earning ratio. Change the name from Shoelaces, Inc. to Electronics and Silicon Furth-Burners. In today's market, the words 'electronics' and 'silicon' are worth 15 times earnings. However, the real play comes from the word "furth-burners," which no one understands. A word that no one understands entitles you to double your entire score.[21]

A character in George Goodman's 1959 novel <u>The Wheeler Dealers</u> muses:

> You tell people this stock is solid, it's got assets good as Fort Knox, its market price is less than its assets alone, they'll give you a big yawn. But you change the name from Universal Widget to Universal Automated Jet Rocket Fuel Missile Computers, it'll go to 100 tomorrow morning. That's the language of romance. You get romance in there, you don't have to have earnings or dividends or assets or a company even--the romance alone'll make 'em buy it.[22]

Wall Street language also represents our social and cultural celebration of war. Today the "takeover" wars convey the clearest picture of the grand battles waged on Wall Street. "Raiders" and "white knights" come to metaphoric blows over "sleeping beauties" while "killer bees" and "hired guns" try to "bulletproof" the targets by devising "shark repellents." Takeover artists such as

"Ichan the Terrible" attack with "Saturday Night Specials," while defenders concoct "poison pills" or plan "scorched earth strategies."

This Wall Street slang is transmitted to the society through a variety of influential media. In America, there are a number of publications primarily concerned with Wall Street activity, as distinct from general local business news. While the two are obviously related, Wall Street may react badly when the economy as a whole reacts well and vice versa. "Experts" provide these publications with "inside" information not known to the editors of daily newspapers. The most sought-after Wall Street bulletins are usually headed "Strictly Confidential" or "For Internal Use Only." The source of this "sensitive information" is frequently the writer's own fertile brain.[23] The significance of these publications is that they allegedly provide a competitive "edge" to those on the "inside" compared to those on the "outside." In addition, they provide a sense that exclusive access is being granted to language and information which ordinarily belongs only to the very successful. There are thousands of subscribers who base transactions on the words of these tip sheets and financial oracles.

The public's deferential attitude toward Wall Street language is the product of an invisible and anonymous form of human engineering that shapes and dominates its imagination. Through proprietary ownership of the stock of

publishing houses, newspapers, magazines, television networks, and electronic means of information storage. Wall Street is able to exert considerable control over their policies and administrative procedures. It is through this dynamic that the engineered language of Wall Street is effectively transmitted to America. One example will illustrate this dynamic--Dow Jones.

Housed on the 14th floor of the New York Stock Exchange, the News Bureau is the largest single unit in the Exchange's Department of Public Information and Press Relations. The personnel that staff the News Bureau are among the most brilliant on the Street. They interpret personal prejudices and myths as critical market data and then express their position in very precise, non-commital language.[24] Their prescriptions are electronically fed to major publishing centers to include the most widely read daily newspaper in America--The Wall Street Journal. Dow Jones publishes The Wall Street Journal, the only national paper of comparable impact in the business community. It also publishes the National Observer, Barron's, Financial Weekly, and controls Dow Publishing.[25] Moreover, it owns a number of national computer networks that transmit data to screens around the country and the globe.

Its collective influence is immeasurable. A manufacturing president on his way to lunch in New York glances at the Dow Jones's summary. One item catches his eye. He

calls a senior vice-president. Another twenty-thousand shares of company stock were bought this morning, up two points. Both men realize someone is trying to acquire controlling interest in their company: change of ownership, change of direction, their jobs and thousands of others at stake. The men realize they have a battle on their hands. In Philadelphia, a businesswoman stops in at her stockbroker's office and finds that the Dow Jones market average is up another two points after weeks of sustained improvement. She smiles. The apparent state of the economy justifies an afternoon commitment of an additional five-hundred thousand dollars for plant and equipment. In Pittsburgh, a steel company labor relations manager, reading The Wall Street Journal, finds a report on a National Labor Relations Board decision of the day before which will be useful at the afternoon meeting with union officials representing the company's five-hundred steelworkers.

According to Charles H. Dow, founder of The Wall Street Journal, Wall Street represents the sum total of what everybody feels, knows, dreams, and fears distilled into the "bloodless verdict" of the marketplace.[26] Today, The Wall Street Journal is powerful because people believe what it reports and because it has attracted, by its news content, the type of readers who are the leaders of the nation--corporate executives, politicians, labor leaders, professionals, and spokespersons for various groups. The median

income of a Journal reader in 1994 was $54,000. Fully half of the total readership was made up of managerial or professional members.[27] Still, plenty of lower income people read it as well along with thousands of college students, who, as a Journal ad states, are "people who want to get ahead." Frequently in college courses in economics, business, and ethics, The Wall Street Journal is required reading.

While The New York Times and The Wall Street Journal are competitors in some respects, The Times is basically a New York paper and The Journal a national one. The Times does not reach the full range of American readership which The Journal does. It does not and cannot carry the same weight on economic and business news. Consequently, business publicity in The Wall Street Journal can make or break a company. A corporation's image in the public eye on such matters as pollution, social welfare and hiring practices is of growing importance. So, it is extremely important that Dow remain conscious of its sponsorship and readership, and of the language used to portray them.

It was Clarence Barron who said, "Knowledge is power--also profit. Learn to read, how to interpret, how to weigh the news."[28] Few Americans appreciate just how desperately the Street longs for them to acquire a taste for the "language of power." Accordingly, long ago Wall Street made the decision to introduce them to this new language.

Publications like The Exchange brought out a number of articles beginning in the 1950s to tutor the common person in the language of Wall Street. Education took the form of a series of articles such as "Investors' Primer," "Understanding the Exchange," "Investors' Notebook," and "The Public Be Served."[29] Also, publication houses were fed the full glossary of current Street terminology like "LBOs" (leveraged buyouts, the taking of a company using borrowed funds, usually secured by the assets of the target company), "open-end investment companies" (an investment company that redeems its shares, and that usually offers new shares to the public on an ongoing basis), and "passthroughs" (a tax term for the losses generated by a limited partnership and passed through to the limited partners, who use it to shelter income created by passive investments). The message was quite clear: acquire the language or be left behind.

Wall Street is frequently the language of brash emotion in action. Market performance really has nothing to do with actual housing starts, money supply, auto sales, or interest rates. The people who are the most successful investors are those who are good at predicting human behavior. We are always on the hunt for the magical they who know all, see all. Brokers cannot make commissions without making the client hungry for their product. The advantage they possess is that they know far more about investors than investors know about them. Consequently, the language used by brokers

is engineered to maintain that advantage. A brokerage house report from Salomon Brothers to investors dated October 17, 1986 was titled, "Fixed-Income Investment Opportunities: Creating High-Yielding Synthetic Commercial Mortgage-Backed Floating-Rates Notes Through Interest Rate Swaps."[30] In 1994 Adjustable Rate Mortgages (ARMs), whose interest rates are tied to a floating index such as United States Treasury bills, were being offered by brokers with COFI arms (Costs of Funds Index ARMs) as investment complements, and the LIBOR (London Interbank Offered Rate) was offered as an alternate benchmark for interest calculation. Such expressions are designed much more to excite and entice the investor than to inform.

The language used on Wall Street frequently disguises the lack of deep analysis. So much is really predicated on the "hunch," the "gut feeling," or the "change in the wind," that a language consisting principally of slang necessarily offers metaphors for opportunity without informing the investor of the risks. As John Kenneth Gailbraith has noted: "The machinery by which Wall Street separates opportunity from responsibility is ingenious, precise, and almost beautiful."[31] In 1929, for example, the term "margin" embodied the separation of opportunity and responsibility. Investors could "own" stocks without paying for them in full. Today margin accounts allow customers to buy securities with money borrowed from the broker (National

Association of Securities Dealers [NASD] requirement). The purpose of "margins" is to accommodate the speculator and facilitate speculation. But that purpose cannot be openly admitted. If Wall Street confessed this purpose, many thousands of investors would fret over the stability of their investments placed with large brokerage houses. Non-investors might condemn the practice as an evil enticement and demand that "margins" be eliminated. Thus the term, "margin" has all but disappeared from general usage on Wall Street. It is impossible to determine whether the omission of truth is as damaging as the commission of lies. In any case, there is certainly no shortage of media with which to convey the "truth" about Wall Street.

Because the television networks are controlled by the stockbrokers and investment bankers who sit on their Boards of Directors, they begin with a bias toward favorable Street activity. The board of directors at CBS, for example, is chaired by Thomas Wyman, who also sits on the boards of Chase Manhattan Bank and the New York Stock Exchange.[32] Network programs now list Wall Street brokerage firms, mutual funds, and financial tip sheets among their sponsors. In 1994 firms like Merrill Lynch, Prudential-Bache, and Kidder Peabody spent $139 million on television and other media advertising.[33] And, this advertising pays handsomely. Net income for Merrill Lynch in 1993 was $1.359 billion. For Lehman brothers it was $786 million. Total profits for

the top ten firms were at a record $2.35 billion.[34] This is indeed a language of success!

Private publications also join in using Wall Street language to maintain the interest of subscribers. The Chartist, for example, has a 10-year return of 469% specializing in "traders portfolio."[35] Zweig Performance Ratings Report boasts of a ten-year return of 328% while specializing in "swap bonds." And finally, Value Line Investment Survey, with a ten-year return of 303%, holds subscribers in tow with "options on index futures." The exact meaning of these preferred instruments is not disguised for the reader; rather, strictly speaking, they do not exist. What the terms do convey, however, is the knock of opportunity and just enough vagary to entice investors. This is not to suggest that all investors are ignorant, but rather that the language offered them is intentionally designed to suggest "new and improved" and "get it now or get left behind!"

Wall Street ensures its continued influence upon our culture through language and thereby shapes an important reference point by which we view and understand our world. Many segments of our society and important institutions have incorporated the Street's language and agenda into their activities. Acculturation begins with our youth. In 1989 the University of Hawaii Center for Economic Education sponsored the Second Annual Hawaiian Stock Market Game. The Game is intended to acquaint students with the workings and

language of the stock market. The Grand Prize is cash provided by J.B. Havre Securities. Damien High School students won two games and were declared the winners.[36]

In 1990, the seventh-graders at St. Agnes School in Arlington, Massachusetts, were profiled in Reader's Digest.[37] Unlike other junior-high students around the country who had come to master the personal computer, these students had achieved a different notoriety. The St. Agnes students had been formed into "investment teams" by social studies teacher Joan Morrissey and achieved a sixty-nine percent return on investment over a two-year period. The various teams adopted names such as "The Wizards of Wall Street," "The Money Machine," and "Stocks R Us," and first learned the "language of the Street." The students learned to read a financial newspaper. They came up with a list of potentially attractive companies, and then researched each one, checking earnings and relative strength. Then they reviewed the data and decided which stocks to choose. They had to explain to their fellow classmates each company's economic role. They also drew pictures, which reinforced the idea that you should never invest in any idea you can't illustrate with a crayon!

Included in the students' portfolio of stock choices were Pentech, Walt Disney, Wal-Mart and Raytheon. The entire class was introduced to Raytheon during the Gulf War, when the students sent letters to Major Robert Swisher in

Saudi Arabia. He described how a Scud missile hit within a few miles of his camp. When the students learned that Raytheon made the Patriot missile (designed to intercept the Scud), they could not wait to research the stock. "It was a good feeling," Morrissey said, "knowing we had an interest in the weapon that was helping keep Major Swisher alive."[38] Toward the end of a class presentation, the Saint Agnes youngsters offered a recital of the following, memorized, and in chorus:

> * A good company usually increases its dividend every year.
> * The stock market really isn't a gamble, as long as you pick good companies that you know a lot about and think they will do well, and not just because of the stock price.
> * Research the company before you put your money into it.
> * Diversify into several stocks, because out of every five you pick, one will be great, one will be really bad, and three will be okay.
> * Just because a stock goes down doesn't mean that it can't go lower.
> * Over the long term, it's better to buy stocks in small companies.
> * We believe that the United States is a nation of hard-working and inventive people, who will continue to bring prosperity to all of us shareholders in the years to come.[39]

Building financial awareness through language acquisition is the theme in a number of personal computer programs. For preschoolers these include "Magic-Money Machine," "The Money Factory," and "The Money Book and Bank." For youngsters ages five to twelve there are "Made for Trade," "The Game of Life," and "The Allowance Game."

For those over the age of twelve there are a number of games aimed specifically at market activity: "Pit," "Stick the IRS." "Stocks and Bonds: The Stock Market Game," and "You Just Became a Millionaire."[40]

Barron's also offers books for the young investor which include Terri Thompson's Biz Kids Guide to Success and Linda Nenzies' A Teen's Guide to Business and Investment. Guides such as these prepare students for the next benchmark in their market education--competition. Students at Marquette High School in Milwaukee, for example, played the "Stock Market Game," an educational competition sponsored by the Securities Industry Association (SIA). A Marquette trio beat 2,300 other Wisconsin teams in 1993 and won a trip to New York City where they toured the exchanges and hobnobbed with market specialists.[41] Hundreds of other student investors from around the country were also able to experience firsthand the thrill of standing victorious on Wall Street as they prepared for the real game of American life ahead.

The Dividends of Obfuscation

There are a number of benefits that attend Wall Street's ability to create language and obfuscate meaning. The very power of "creation" suggests a god-like capability rarely given to mortals. Attending the birth of new language are the most "scientifically" oriented members of

Wall Street--the analysts. Their language is intended to create a public sensation while reserving the right of "understanding" to the few. Dow-published analytical journals are clogged with topics alien to most Americans. Titles include "A Performance Interpretation of Multivariate Tests of Asset Set Intersection, Spanning, and Mean-Variance Efficiency." The article begins, "The nonlinear moment restrictions in H_0 are linearized by a Taylor series expansion about consistent estimators of the unknown parameters of investment."[42] Each analytical model may well evolve into an expression that represents a new economic opportunity that the public can understand on one level, namely, making money. Birth may be given to yet another generation of slang like "junk bond," "muni" or "narrow derivative."

The Securities Industry Association estimated that firms doing business on Wall Street would earn about $8.8 billion in pretax profits in 1995, a forty-two percent jump from the 1992 record of $6.2 billion.[43] Wall Street itself has an institutional work force that tops 50,000, including support staff. This translates into approximately six sellers ready to serve every major buyer thereby generating greater profits.

In the past, a good company had considerable equity and scant debt. Early public disfavor with debt inhibited energetic trading. Thomas Jefferson was among those who

opposed debt: "I sincerely believe...that banking establishments are more dangerous than standing armies, and that the principle of spending money to be paid by posterity, under the name of funding, is but swindling futurity on a large scale."[44] Alexander Hamilton was one of the first on Wall Street to express a different view when he wrote: "...debt, if it is not excessive, will be to us a national blessing."[45] President Andrew Jackson would take Hamilton's words to task in a letter dated July 4, 1824: "If debt is considered a national blessing, then we can get on by borrowing and lending. But as I believe it is a national curse, my vow will be to pay all debt."[46] In contrast, by the 1980s leveraged buyouts totalled $235 billion in debt value involving 2800 companies with 1713 traded on Wall Street. In the decade of Michael Miliken and Japan, Inc., going deeply in debt became a sign of corporate virility.[47] The immediate benefits are obvious. At an official count made in July, 1994, the Battery Garage near Wall Street averaged 1500 Jaguars and Porshes daily, a far larger number than the next three makes combined and a new record for luxury automobiles.[48]

Another benefit of obfuscation is the ability of Wall Street to transform failure into success with a particular term or phrase. Infrequently considered, this power is disguised in terminology such as "restructuring," "reorganization," or "reengineering." While failure is rarely

commercially profitable on Main Street, this is not so on Wall Street. For most Americans, failure represents loss, embarrassment, regression. The language of failure is clear--bankrupt, dead-beat, loser. On Wall Street, however, "failure" actually means "success." Wall Street's new attitude is that failure is a growth business. Investment houses and Wall Street law firms make huge fees for their efforts saving "lame dogs" from the "gas house." For example, as the Hillsborough Holdings Corporation prepared its filing for bankruptcy in 1989, it became the darling of Wall Street. A parade of investment bankers had discovered the fact that the highly leveraged company was planning to file for protection from creditors and so they peddled their skills at "reorganization" and "financial forensics."[49]

Language can also contribute to Wall Street's more formal institutional image. The Street uses more scholarly language from academia whenever it must resort to rebuttal or self-defense. For example, an anemic market is attributed to the "business cycle," or, perhaps, to the simple operation of the "Laws of Supply and Demand." These "laws," of course, are hardly universal. They are merely principles which describe a theory. They do not apply in all cases by any means. Wall Street's defense, however, is neatly explained in terms that effectively transfer responsibility to some other institution or influence like

the Federal Reserve, or, to Washington's monetary, fiscal, market, or wage-price economic policies. The blame is always placed upon something else or someone else. Wall Street, to be sure, reflects America's fascination with "victimization" as a modern substitute for "responsibility." In short, the best way to ensure a "high visibility, low negativity" profile is to find the opportunity for success everywhere and effectively transfer elsewhere responsibility for failure to produce it. This insulation from accountability for important aspects of the nation's health results in the perception of a force that cannot fail but for the failings of others, e.g. government, foreign currencies, consumer confidence.

In addition to obfuscation, considerable benefit is also derived from straightforward lying. In 1991, Robert McCartney wrote an article in The Honolulu-Advertiser entitled "Wall Street Lives by the Lie."[50] He noted, "there are lies and damned lies. Then there are Wall Street lies." McCartney suggested that Wall Street lying is unique in that it is pervasive and routine. There is considerable evidence to support his claim. In a report to Congress in 1991, the Federal Home Loan Mortgage Corporation testified that two-thirds of Wall Street firms with which it regularly had done business admitted that they had lied to the agency in order to increase their chances of buying as many of the agency's securities as they wanted.

Among the witnesses testifying was veteran securities executive Robert Andres, who had held several senior positions in a 17-year career at Merrill Lynch & Company. Andres offered the following observation: "lying is part of the playing field. It's ingrained in the way the Street operates."[51] Author James B. Stewart agrees with the extent of lying-for-profit in his 1991 book Den of Thieves.[52] In nearly 500 pages he chronicles dozens of major transactions in which lying and malfeasance on Wall Street played a significant part. Benjamin J. Stein is more focused in A License to Steal in which he tracks several alleged Wall Street conspiracies to "bilk the nation" of billions of dollars by lying to investors.[53] Wall Street's willingness to use deceit as a business practice and to cut corners in the interest of profit promotes a market culture that tolerates borderline behavior, and thus increases the likelihood that laws and livelihoods will be broken. In 1955, for example, General Electric announced that its scientists had created exact duplicates of the diamond. The market became entranced at once, despite the public acknowledgement that these diamonds were not suitable for sale as gems and that they could not be manufactured cheaply enough for industrial use. Within twenty-four hours the shares of General Electric rose 4 1/2 points. This increased the total market value of all General Electric shares by almost $400

million, approximately twice the value of all worldwide diamond sales at that time, and six times the value of all industrial diamond sales.[54] The entire price rise was accomplished during the first five minutes of trading the day following the announcement. Clearly the rise was not due to the worth of the discovery to the company, but rather to the castle building opportunities presented to investors.

Eugene V. Debs wrote that "the truth has always been dangerous to the rule of the rogue, the exploiter, the robber. So the truth must be suppressed."[55] Most Wall Street firms still are partnerships or privately held corporations owned by relatively few people. This means that there is no requirement for public accounting, as in the case of stockholder-owned corporations. Income, costs, profits, the use of customers' funds, are secrets. On June 24, 1971, on the floor of the United States Senate, Senator Wayne Metcalf asked "Who Owns America?" He referred to a list of corporate code names used to shield investment interests. For example, "Aftco, Byeco, Cadco, Bebco, Ertco, Fivco, Floco, Forco, Gepco, Ninco, Octco, Oneco, Quinco, Sevco, Sixco, Tenco, Treco, Twoco, each of these names is a front name--used by the Prudential Insurance Company of America to hide its investment activities."[56]

Another example of the internal benefits of Wall Street's ability to disguise its activities is the profit-

able and discreet role it is able to play in the financing of major historical dramas. Early in this century, Wall Street firms including Guaranty Trust were involved with Pancho Villa in Mexico. Similarly, a syndicate from the Street also financed the 1912 revolution by forces led by Sun Yat-sen in China. Charles B. Hill, a Wall Street attorney, negotiated with Sun Yat-sen on behalf of the syndicate, setting terms and conditions for future payment. Hill was a director of Westinghouse. In later years, a colleague, Charles R. Crane, another Wall Street attorney, arranged for the capitalization of the Russian (Bolshevik) Revolution.[57]

In the 1930s, the Standard Oil group of companies, in which the Rockefeller family owned a one-quarter (and controlling) interest, was of critical assistance in helping Adolph Hitler prepare for World War II. This assistance in military preparation came about because Germany's relatively insignificant supplies of crude petroleum were quite insufficient for modern mechanized warfare. In 1934, about 85% of German finished petroleum products were imported. The solution presented to the Germans was the manufacture of synthetic gasoline from its plentiful domestic coal supplies. It was the hydrogenation process of producing synthetic gasoline and iso-octane properties in gasoline that enabled Germany to go to war in 1940. This hydrogenation process was developed by the

Standard Oil laboratories in the United States in partnership with I.G. Farben. The funding was provided through Wall Street's unusually low-key issue of more public shares in Standard Oil.[58] The militarization of Germany proved an unexpected benefit to Wall Street, still enjoying the high yielding interest rates from loans arranged through Wall Street bankers in support of the Dawes and Young Plans for German war reparations in 1922 (stemming from World War I).[59] The sheer volume of bureaucratic language surrounding those Plans provided ample refuge for discreet investors who reaped huge profits, generally without the knowledge of their fellow American citizens.

In 1936 Wall Street also funded the activities of General Francisco Franco, nationalist leader fighting against defenders of the recently established republic in Spain. Nineteen million tons of oil were furnished by the Texas Oil Company. At the same time, Ford, General Motors, and Studebaker were providing the General's trucks and other vehicles, thanks to the sale of additional auto industry stocks on Wall Street.[60] In each case, the Street benefited from actions largely withheld from public scrutiny.

It is easy to castigate Wall Street on any number of grounds. But it has proved exceedingly difficult to find a palatable and workable substitute with a language that satisfies the needs of a market-driven society. David

Riesman remarked in 1952 that the market was one of the social inventions that constitutes the "glory of modern large-scale democratically-tending society," precisely because it allows us "to put forward in a given situation only part of ourselves...while retaining the privilege of private conscience and of veto."[61] Wall Street language tends to support his view because it creates, however imperfectly, a space in which people who are radically different from one another attempt to communicate freely without having to sacrifice precious elements of their identity to one another, or, to the Street.

A contrary point of view would argue that rather than preserving "part of ourselves" and our "right of veto" and "autonomy," Wall Street's language contributes instead to the kind of "enforced privatization", a barrier to true autonomy that Reisman writes about in The Lonely Crowd.[62] Does the convenience of a common Wall Street language bring us closer to one another or contribute to our isolation? Are our values and identity as human beings ("investors") shaped by the language of Wall Street? Is it a language that moves us more toward "sameness?" In How Institutions Think Mary Douglas remarks in a chapter entitled "Institutions Confer Identity":

> First, for discourse to be possible at all, the basic categories have to be agreed on. Nothing else but institutions can define sameness through language. There is the temptation to sit back and let founding analogies of the surrounding society take over.[63]

This may be the most important role played by the language of obfuscation. Perhaps because Wall Street's language affords us a sense of commonality, we are inclined to give an important part of ourselves to its values and agenda while simultaneously becoming more insulated from alternate discourse. The language is really quite seductive. Not surprisingly, therefore, it is in stocks that we increasingly place our trust.

Notes

Chapter Five

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[63] Mary Douglas, How Institutions Think (Syracuse: Syracuse UP, 1986) 55.

CHAPTER 6

IN STOCKS WE TRUST

> If you weren't making $250,000 a year within five years, then you were either grossly stupid or grossly lazy. That was the word. By age thirty, $500,000--and that sum had the taint of the mediocre. By age forty you were either making a million a year or you were timid and incompetent. *Make it now!*
>
> -- Tom Wolfe[1]

Haven in a Leveraged World

Contentment has never been deemed compatible with American life. Discontent with the present continually sets in motion a restless people scrambling to better themselves. Happiness is forever pursued and rarely attained. As author Lewis Lapham has observed in Money and Class in America, "Never in the history of the world have so many people been so rich; never in the history of the world have so many of those same people felt themselves so poor."[2] Part of this contradiction is embedded in the culture symbolized by Wall Street. America has repeatedly produced voices that demand, somewhat impossibly, that we grant each other a full measure of prosperity and self-actualization against a backdrop of apocalyptic fear and anxiety.

The experience of Americans in the nineteenth and early twentieth centuries was, to a far greater extent than in Europe, framed by expectations of personal gain and loss. Those who attempted to escape such cultural pressures were impelled to make claims for the individual that greatly

exaggerated his power to disengage himself from his milieu. As Quentin Anderson has noted in "A Culture of One's Own:"

> Europeans, for whom the rising ascendancy of commerce was a far more visible spectacle--since it appeared against the background of established classes, institutions, and traditions--contributed brilliant analyses of a phenomenon they faced more directly. Americans, however, produced no Balzac or Zola, and proponents of revolutionary social change were few and occupied peripheral positions. This failure attests to an immersion in commerce so complete as to make it difficult indeed to imagine a comprehensive change in the social structure; the idea of an escape seemed open only to individuals.[3]

The "commercial republic" James Madison had described in "The Federalist Papers" had been realized in America by the early nineteenth century. Alexis de Tocqueville observed that the individual American in pursuit of identity and a settled sense of things had to turn to material acquisition for the only assurance the society offered.[4] The United States, which gave so many a high degree of personal freedom, lacked many of the socially framed goals present in societies in which family, tradition, and institutional complexity defined the individual's wants and choices. It is also clear that the new nation afforded fewer defenses against the ascendancy of the most impersonal forms of social relationship: those created by monetary distinctions and by acquisition and exchange in general. Neither a shared sense of the national interest nor orga-

nized religion proved able, except in wartime, to stand up to the pervasive influence of values based on money.

Three 19th century voices attempted, however, to draw Americans away from their preoccupation with money and acquisition. Emerson, Thoreau, and Whitman offered a form of individualism that firmly subordinated all activities involving others (including commerce) to the exercise of the visionary powers of the self. Whatever called for the participation of others diminished those powers; the reciprocity demanded in everyday life, in joint endeavors, in sexual and verbal and monetary exchanges, fatally pinned the individual to a multiplicity of roles. These three men were asserting that the American Revolution had not touched the broader relations associated with money and commerce. It was not society, commerce, or profit that furnished the motives that animated them; it was, as they saw it, their very nature as human beings that led them to focus on the larger object, the self, to which those immersed in commerce and society were blind.

One clue to the nature of what provoked such assertions of the powers of the self is to be found in that aspect of culture whose effect most Americans denied, the fact that they had fewer defenses than any Western people against the imaginative domination of acquisition, possession, the reduction of all questions to those of exchange values. How else, one might ask, could the task of taking possession of

a thinly populated continent have been undertaken except by a citizenry impelled by economic motives? Our newness, the fact that our civic order conferred rights that few others enjoyed, was necessarily complemented by an unprecedented vulnerability to the relatively impersonal dominion of standards derived from the hope of personal gain.

It appears that a revulsion against Wall Street and all that it represented was widespread as measured by the slow pace of Wall Street activity prior to 1840. Nevertheless, in the three decades preceding the Civil War, the depth of the nation's immersion in the impersonal processes of exchange became apparent to keen observers as something more fundamental than the momentary ascendancy of a set of greedy "speculators" on Wall Street--the most common view of the cause of the panic of 1837. What counted most heavily to Emerson, Thoreau and Whitman was the erosion of the powers of the individual. Democracy and egalitarianism offered an almost unprecedented degree of individual freedom, yet the commercial character of the new republic, as represented by the activities on Wall Street, sharply limited the variety of recognized ways in which that freedom could be employed.

Emerson was not seeking a symmetry between the announced design of the new commercial nation and the selfhood he wished to achieve. Rather, he saw the nation's sole justification as its provision of circumstances that would

enable him to achieve that selfhood, to compass the widest possible view of existence. In 1856 he wrote:

> You must pay for conformity. All goes well as long as you run with conformists. But you, who are honest men in other particulars, know that there is alive somewhere a man whose honesty reaches to this point also, that he shall not kneel to false gods, and, on the day when you meet him, you sink into the class of counterfeits.[5]

In his Journal, Thoreau indicated the value of self as distinct from commerce:

> One moment of life costs many hours, hours not of business but of preparation and invitation. Yet the man who does not betake himself at once and desperately to sawing is called a loafer, although he may be knocking at the doors of heaven all the while, which shall surely be opened to him.[6]

In his first two editions of Leaves of Grass (1855, 1856) Whitman celebrated American institutions but always with the assumption that they would take on the supreme virtue they lacked when we have become exemplars of his "new man." In 1871 he wrote:

> Individuality, the pride and centripetal isolation of a human being in himself--personalism....It forms, or is to form, the compensating balance-wheel of the successful working machinery of aggregate America.[7]

Wall Street appeared to be the counterpoint to this individuality, demanding conformity to its values and norms in exchange for prosperity. Herman Melville's "Bartleby the Scrivener" portrayed the difficulty of mid-nineteenth century Wall Street to adapt and accept any variation from the conformist "self" it prescribed.

After the Civil War, the claims for the emancipation of the "self" separate from commerce made by Emerson, Thoreau, and Whitman proved impossible to maintain against decades of vigorous economic growth. Still, there were voices attempting to resist the values of commerce. Historian Francis Parkman, for example, called for an alliance of the educated, the cultivated, and all those who "find their exercise in the higher fields of thought and action" to beat back the menace of "greedy and irresponsible crowds," the "barbarism...ready to overwhelm us."[8] In Europe Karl Marx insisted that visionary capitalism is not an escape from the world in which our relations with others are ever more impoverished by an invasive money context. According to Marx, if we wish to see our world differently, we must find ways of enhancing the character and quality of our relations with human others outside, and within, the sphere of commerce."[9] Yet the lure of capitalism increased as Alan Trachtenberg has observed in The Incorporation of America:

> In the 1880's, as much as 40 percent of the population of rural townships seemed to disappear. Images of bustling, frenetic cities arose against a background of abandoned farmhouses and deserted villages....[10]

In early 20th century America, wartime upheavals and the Depression identified a number of social shortcomings related to a market economy which seemed to limit the capacity of all citizens to achieve self-actualization. Millions of Americans, believing they could not trust Wall

Street, invested in local banks, life insurance companies and government war bonds. These investments, of course, were then re-invested without fanfare in Wall Street in aggregate sums by those more "reliable" sources. In 1944, Franklin Roosevelt enunciated a second "Bill of Rights" promising security to all by which he meant jobs, adequate earnings, decent prices for farmers, and profits for business, along with homes, medical care, education, and universal protection against the vicissitudes of old age, accidents, and unemployment. These government entitlements thrust upon Americans a shared responsibility for one another through the vast power of the polity. This differed from an earlier emphasis on individualism and self-aggrandizement. Lillian and Oscar Handlin observe of this period: "A new spirit of inclusiveness encouraged diverse groups to square themselves with the requirements of the larger society."[11]

In the 1950s and 1960s a number of significant changes began to alter New Deal values. The new view gradually abandoned the commonweal in favor of the self once again. This change was fueled by rapidly increasing per capita incomes and subsequent mass consumption encouraged by incessant multi-media advertising and by ever more elaborate ways of satisfying individual tastes. The post-war prosperity fostered greater social mobility, accompanied by a shift in values away from prudent frugality and community toward

free-spending and individual satisfaction. A increasingly sensate culture seemingly elevated "feelings" and "emotions" above "rationality." The transition in values was somewhat awkward because of lingering contradictions between perceived political egalitarianism and the inequality of fortunes in the market economy which operated with a different set of values. The contradictions were obvious in 1968 when riots and fires broke out in the inner-city of Detroit as whites-only members of the Bloomfield (Michigan) Country Club watched with alarm from television sets mounted on their golf carts a safe distance away.[12]

In the 1970s some tuned out reality with the help of the Walkman and plugged into a private world of music that obliterated the surrounding disparities. Others took to jogging to relieve the stress of more greatly extended and less satisfying lives. Social dislocation, encouraged by the decay of many northern industrial cities (like Flint, Michigan), weakened old community ties and left individuals more adrift than before. Many began to ask what was so great about the "Great Society." Growing numbers of Americans would decide that the federal government's New Deal and Great Society promises to reduce inequalities (such President Johnson's war on poverty) were unrealizable.

In the 1980s many Americans believed that their future had otherwise been jeopardized by governmental failures.

The Great Society objective of equality of outcome, as distinct from equality of opportunity, was increasingly declared a failure by critics who included President Ronald Reagan. Increased empowerment for historically deprived groups ultimately proved anti-individualistic and unacceptable to many mainstream white males especially (who voiced their disapproval in record numbers in the 1994 elections). Other government "failures" became targets of individual and community frustration. Public education was viewed by many as a failure. Government seemed unable to provide for personal safety and security on the streets of America. During the eighties, 206,440 murders and 14.1 million violent crimes were committed in the United States.[13] Comic writer and film director Woody Allen summed up his view of the decade in his "Speech to the Graduates:"

> More than any other time in history, mankind faces a crossroads. One path leads to despair and utter hopelessness. The other, to total extinction. Let us pray that we have the wisdom to choose correctly.[14]

In addition to the perception of government failure, other institutions were also mired in difficulties that challenged their credibility. Some mainstream churches were spending millions in the defense of clergy accused of aberrant sexual behavior. Families were being destroyed, some said, by the feminist movement, dead-beat dads, kids having kids, kids at home without mom or dad, or overly generous welfare payments. The perception grew that

individual freedom and the quality of life were being diminished and threatened by the very institutions entrusted with well being.

Even with the ascendance of the United States as the world's only superpower by the beginning of the 1990s, accompanied by a growing economy and rising life expectancy, the bitter struggle for preservation of the "self" in the midst of uncertainty divides the citizenry. A giant anxiety-producing and media-managed industry feeds the sense of unease and alarm by insistent warnings against dangers from eating too much meat or apples sprayed with pesticide, from unsafe drinking water or radon contaminated basements, from schools that discriminate or playground death traps, from toys that maim, or, from cosmetics tested on sacrificed animals. Danger, we are told, is everywhere.

Faith in government as a solution has declined, ironically, as more people have become more dependent upon it. The structures of civility, on which everyone's freedom ultimately depends, continue to weaken. The relentless intrusion of violence into many aspects of American life has affected our capacity and willingness to act in the very communities in which we live, and where now many fear for their lives. As a consequence, we identify ourselves less with our communities and more with those who share common, impersonal, ambiguous, and detached values, such as those offered by Wall Street.

Perhaps coincidentally, there also appears to be a failure in personal accountability, a characteristic favorable to Wall Street. No one in contemporary America bears responsibility it seems--not for being fat, or for being a criminal, not for taking drugs, alcoholism, child molestation, deficiencies in physical strength or intellect. Husbands who abuse their wives blame feminism, which assaults their self-esteem, while murderers claim that childhood mistreatment or having eaten too many Twinkies made them strike out. Or else they point their finger at television, a favorite scapegoat for a number of pathologies for which no one assumes responsibility. Women who end husbands' lives blame the effects of PMS. The blame falls not on evil or sin, but on external forces that make individuals act as they do or else on defective genes which are beyond rational control.

An increasingly sensate culture elevates vague feelings and emotions over rationality as a guide to action and profoundly influences judgments. Bulimia and anorexia, for example, tragically illustrate an irrational response to the overabundance of food. People no longer eat to live; rather, growing numbers eat to die. The very inability to decide on appropriate quantities of food reveals something about the moral compass ostensibly guiding our lives. To many Americans, everything seems out of control, crazy, and ominous. For others, the status quo appears under attack

and a "bunker" mentality prevails. Collectively, these people search for an alternative institution to those that have failed them. They look for a beacon that promises a safe harbor for freedom--especially the freedom of choice--where to live, what to buy, with whom to associate, what to worry about, whether to work or play, and an alternative to the deluge of media-fed chaos surrounding them.

Playing the Game

Against this backdrop of uncertainty, chaos, and the perception of growing social disorder, Wall Street has moved to the foreground to become a major thoroughfare to freedom and the promises of Eden. It is a sad fact of modern American life that millions of women and men are reaching out their hands for hope and reassurance, and that no one is there to take them in part because people often fear the human being next to them. But as Americans are becoming more isolated, they are also paying more attention to their money. A recent study by the New York Stock Exchange shows that a record 50.4 million Americans now own common stock or equity-oriented mutual funds. This figure is up over 10 million from just two years previous, and almost 75% of the newcomers have never owned stock in the past. Over 20% of the population is now in the stock market, compared with under 12% less than ten years ago. 57% of all these new owners of securities are female.[15]

That so many select Wall Street as a haven for their dreams and a diversion from the realities of life is partly because of Wall Street's success at myth-making and the diversionary benefits of games in our lives. Perhaps Americans are uneasily aware that they are truly free only in their imaginations, and thus they willingly submit to the Wall Street myths of imaginary freedom, independence, and power. Players on Wall Street have many different motivations for becoming involved. Some play the market because they seek the dividend income obtainable from the ownership of stocks. Others find excitement in the volatility of the market, are willing to take great risks, and seek capital gains from an increase in the price of stocks. Wall Street provides a basis for playing many different games and for the involvement of many different types of players.

The primary legitimating myth of the stock market is that Wall Street is essential to capital formation and necessary for an expansion of the American economy. According to the myth, that marketplace provides an efficient mechanism for the exchange of stock securities that directly benefits private investors and indirectly benefits nearly all segments of the economy. For example, workers benefit from increases in employment opportunities, and governments at all levels benefit through the increased tax revenues that become available from an expanding economy.

In reality, the issue of new stock to raise funds for business expansion is only a small part of the total transactions of the financial markets of the United States. Most of the money invested on Wall Street involves simply an exchange of existing securities that adds little or nothing to the availability of funds for stimulating new industries, or for contributing to economic expansion. Indeed, the primary activity of Wall Street is that of buying and selling these existing securities, and this relates mostly to profits and losses for individual investors.

To encourage more players in the game, Wall Street creates and perpetuates a number of myths. The myths are oriented toward winning public support for the stock market game and in casting the Street as the highway to success by searching for underlying regularities in a volatile market. In attempts to align personal investments with price movements on Wall Street there are two major dimensions of myth making involved. One is a quest for symbolic meaning and a coherent understanding of events under conditions of uncertainty; the second is a quest for symbolic control and mastery through the use of magical practices.

Changing information is essential to bringing new life constantly into the game. For example, newspapers, business publications, and corporation reports are among the many sources of information that are consulted by investors. The importance of information is reflected in the fact that

nearly all serious investors take a look at The Wall Street Journal on a daily basis. Others subscribe to a variety of publications from investment advisory services. Yet others employ computers and statistical methods for processing available information to enhance their skills as players in Wall Street's game.

The quest for symbolic mastery and control of the one game millions of Americans can play every day is reflected in the variety of techniques and strategies used to predict market trends and changes. The many techniques for making specific stock selections are essentially magical practices. Rational knowledge becomes a basis for decision making and action, but in the final analysis all forms of knowledge are limited. Specific companies may face serious and unanticipated problems, given industries may suddenly rise or fall in popularity, and major political events anywhere in the world can have ripple effects on the financial markets of the United States.

The Wall Street game differs from most other games in that the many players seldom enter directly into each other's field of vision. It is a form of interaction that takes place through buying and selling in a safe, impersonal marketplace, rather than through specific individuals who take each other into account and modify their behavior accordingly. Insofar as the players operate within legal parameters, the rule of irrelevance applies to the invest-

ment strategies that are worked out and to the basis for decisions to buy or sell. As long as they have surplus to invest, the personal and social qualities of individuals have no direct bearing on their eligibility for playing the game.

Wall Street as a game is a participatory activity in which some combination of skill and chance determines the outcome. Those who play the game concede that winning or losing is in part determined by the skills of the players and in part by chance, luck, and fortuitous circumstances. The skill component of investing is reflected in the search for identifiable formulas for winning at the game. Yet, in the final analysis, winning or losing is in large measure a chance occurrence. No one believes this more than the growing number of "astrology traders."

For some Wall Street traders, the way to Eden is not through the game, *per se*, but rather through astrology.[16] At a time when the markets and the language of the markets have become even more unfathomable, astrology is gaining popularity as a forecasting tool, one with special appeal to those anticipating the impending financial "judgment day." Some trappings of respectability have already arrived. There is a widely read market-astrology newsletter, "Crawford Perspectives," edited by a veteran market technician and astrologer, Arch Crawford. There is also the "Astrologer's Fund." Henry Weingarten is the fund manager

and is unwaveringly pessimistic with his message, "We are not in control of our own destiny."[17] Mr. Crawford agrees that the planetary situation is poor indeed for Wall Street: "Saturn stationary retrograde square to solar eclipse...may touch off tight money restrictions. Restrictions. Depressive feelings. DOWN!"[18] Jack Shuman, a futures trader, uses a combination of orthodox technical analysis, astrology, and a "Hindu forecasting technique."[19] In each case, regardless of the "magic" used, the objective is the same, namely, to secure any "heavenly" advantage on the road to Eden and win the game.

Although the profit potentials on this road are enormous, there are also many pitfalls for individual investors. There is always the possibility that an investor may buy a good stock but pay too much for it. There is also the possibility of buying a stock that appears to be at a good price but in a company that is on its way to bankruptcy. Further, there are numerous variables affecting price movements that have nothing to do with the fundamentals of the American economy or the intrinsic characteristics of individual stocks. For example, news events that tap into latent fears and anxieties of the investment community are frequently reflected in a sharp drop in stock market prices. The emergence of political turmoil and instability any place in the world can have a ripple effect on the stock market that cannot be anticipated by the

individual investor. Under conditions of uncertainty, the confidence of investors in Wall Street becomes an important factor affecting their actions.

The recurrent scandals on Wall Street suggest that winning or losing may involve much more than either skill or luck for some players of the game. The scandals among security dealers are many and varied, ranging from selling non-existent securities to illegally funneling millions of dollars into insolvent investment firms, and trading on the basis of insider information. News reports about such scandals confirm widely held negative stereotypes about "the higher immoralities" in the political and business spheres.[20] The scandals are taken as evidence that Wall Street is corrupt and that financial success is dependent upon some combination of force and fraud in achieving desired ends or outcomes.

Serious investors, however, are likely to regard the scandals on Wall Street as an anomaly, rather than as typical of the way the system works. Trust in financial institutions and confidence in the fairness of the Wall Street game are essential ingredients for the vast majority of participants. As Erving Goffman has noted, games are played through the acceptance of some predetermined set of rules that are binding on the players.[21] The participants must adhere to the rules if the game is to proceed in an orderly fashion. For this reason, investors must necessar-

ily assume that the Wall Street game is fair and that they are playing against something other than a stacked deck. In fact, despite the accusations of greed and many subsequent convictions, public approval of Wall Street remains high. Louis Rukeyser reported in 1989 that only 20% of Americans polled (a cross-section of 1,045 people) said that Wall Street was less ethical than the norm, and 66% said that their interactions with Wall Street were unaffected by any scandals.[22]

The inherent uncertainty of Wall Street becomes a primary characteristic of the game itself, rather than a function of the rules by which the game is to be played. Through emphasis upon some combination of skill and luck, the outcomes of the game have meanings for participants that go far beyond profit or loss. The game serves to establish a sense of the self by criteria that are set apart from those applied to the everyday world of work. The legitimate winners at the game have objective criteria for verifying their inherent qualities and attributes independently of the social judgments that are made of them in their everyday lives by their peers and significant others. The importance of profits as the prize of the game is generally understood and valued within our consumer-oriented society.

The game-like quality of Wall Street, however, suggests that much more is involved than just money making and greed although at the surface level money making is a justifica-

tion that can readily be understood by most people in our society. The motivation for Wall Street involvement may be looked upon as analogous to the meaning of work in contemporary culture. Surveys have consistently indicated that most people respond to the question of "why they work" by saying obviously for the money. But, when asked if they would continue working if the money were no longer needed, as a result of an unexpected inheritance or winning a state lottery, for instance, most people say they would still work anyway.[23]

This also may be the case with Wall Street. For many investors, the game becomes an end itself rather than the accumulation of wealth to permit early retirement and devoting the rest of one's life to leisure pursuits of one's choice. Instead, the game has its own intrinsic rewards independent of any conscious plan for the uses to which the winnings are to be put. An interesting feature of the game is that some investors refer to their profits as "funny money." It is "funny money" primarily in the sense that nothing is being produced, no commodities or services exchanged; there is no actual work involved in the usual sense of the term. The actual "work" is the time spent in acquiring the necessary information and analysis; then little more is required than a phone call to a broker and a subsequent transfer of funds and securities.

One rule of Wall Street holds that if the market is in a strong uptrend, investors are likely to make a profit, regardless of the specific stocks that are selected. Thus, according to "the random walk theory", one could use a dart board and still make a great deal of money in a strong bull market. The central idea seems to be "Buy Low and Sell High," build a cash position until the market has bottomed out. While such a formula has an intuitive appeal, it also has its limitations. There is no identifiable zero point when low is low and high is high. The statistical problem is that of identifying an equilibrium point in what is essentially a fluctuating market. It is only by means of retrospective judgment, after winning or losing, that an investor can assert with confidence that the price of a stock was low or high at some earlier point in time.

Because of the difficulties in predicting market trends, many investors place emphasis upon the differential movements of specific industry groups. Some industries lose their favor with investors over time and other groups become the basis of investor enthusiasm. Some investors note the rapid depletion of non-renewable resources and build their portfolios around energy related issues. Others concentrate on natural resources and invest in lumber and coal. Some wish to invest only in morally pure stocks, such as the "Timothy Fund"[24] alleges itself to do, and thus avoid companies heavily involved in national defense or in

pharmaceutical companies selling pregnancy avoidance products. Yet others note the growing sophistication of modern technology and concentrate their attention on what has come to be called "high tech" stocks.

In recognizing the price movement by industry groups, investors attempt to make predictions about the kinds of companies that will become increasingly important with the future development of the economy. Firms once located at the center of economic development subsequently become relegated to marginal or peripheral positions. The "blue chips" of today are likely to stagnate by tomorrow. Other firms are at the forefront of economic development as the result of innovative new products or services. The investor's dilemma is that companies currently in favor are likely to be over-priced, while many of the emerging growth companies have yet to be discovered. Some investors build their portfolios through focusing on innovative companies and attempting to identify the small growth companies of today that will become the IBMs of tomorrow.

Other investors are not so much concerned with overall movements of industry groups as with the performance of individual stocks. The inherent characteristics of a company and its performance in recent years become a basis for making a selection. The following are frequently drawn upon as criteria in selecting stocks for purchase:

* strong research and development programs

* firms with rising earnings momentum
* firms with cash heavy concerns
* steady annual earnings growth
* firms that are take-over candidates
* steady increase in annual sales
* under-valued stocks
* blue chip stocks
* stocks with a low price-earnings ratio
* stocks selling below liquidation value
* stocks with superior appreciation potential
* firms with a special niche in an industry

These criteria hold that the inherent characteristic of a stock will serve as an advanced indicator of its potential in the market.

At the same time, among those who focus on individual stock selection, there are widely variant assumptions about the basis for making a market decision. One assumption holds that the collective wisdom of the market is based on all the information available about any given stock at any given time. The actual market is an efficient market as a result of the decisions that are made by many buyers and sellers. If this is the case, one of the more relevant items of information in reading a newspaper is the list of stocks that have reached new highs over the past 52 weeks. Here the assumption is that the stocks achieving new highs

are moving out of a previous trading range and that the prices are likely to go higher.

Another approach to investing draws upon the alternative assumption that information tends to be processed inappropriately by investors in making stock market decisions. The price movement of stocks over time tends to move toward being "over-valued" or "under-valued." For example, the market tends to over-react to temporary problems in a particular company, or the latest earning report revealed a profit level below that which was expected. Those making these assumptions are prone to look at the list of stocks that have reached new lows over the past 52 weeks. This list may be screened for special situations and candidates for a turnaround at some time in the near future.

Finally, as a strategy for playing the Wall Street game, most astute investors recommend diversification of a portfolio. There are many unpredictable conditions that can adversely affect any given stock. For this reason, diversification serves as a means for reducing the risk of a portfolio as a whole. It is not winning or losing on a given stock that constitutes the prize of the game. Instead, winning or losing, in the final analysis, is based on the overall rate of return on investments. It is for this reason that many investment advisors recommend "going for a series of base hits rather than a home run."

Investment advisory services are usually based on analyses of the history of the stock market and a projection of recent trends into the future. Statistical analyses and trendline projections are used as magical formulas for forecasting future events. The symbolism of both "fundamental" and "technical" analyses is drawn upon to predict the future of the market. In each case, the use of statistical techniques and empirical methods confers "expertise" upon the investment advisory services and offers to potential investors a sophisticated analysis of what the market has done in its recent past. As with astrology, by making a large number of predictions it is probable that one of them will turn out to be correct. However, over long periods of time, success or failure from decisions based on advisory services is likely to be little better or worse than the general performance of the market.

Both the logic and emotion of Wall Street's professional investors resemble shamanistic practices in primitive societies. The shaman as a social type is an individual who possesses unusual wisdom about the dynamic interplay of mysterious forces and events. The research of anthropologists suggests that the shaman stands apart from ordinary people in his or her capacity to deal with complexity. Thus, the shaman is capable of imposing order upon chaos, of having intuitive insight into the future course of events, and of having strong convictions about the appropriate line

of action to follow. Confidence and certainty are exuded in the shaman's demeanor, reflecting the very ingredients that are necessary for winning and retaining the clients who draw upon his or her services.[25]

Public television programs on financial investments frequently have invited guests who manifest the above characteristics. The selected guests on "Wall Street Week" and "The Nightly Business Report" are usually men or women from brokerage firms or investment advisory services who are presumed to be exceptionally knowledgeable about Wall Street dynamics. While some of them have become celebrities in the world of investments, cynical viewers refer to them as "the gurus of Wall Street," as "the sunshine boys," or as "pundits." Such designations are based on their demeanor, their sense of confidence and certainty, and their overall optimism about the future of the American prospect. Their presentations of self, their impression management, and their optimistic predictions help shape the context for luring additional investors to Wall Street and increasing the profitability of investment advisory services.

Optimism about a long-range uptrend on Wall Street is an essential ingredient for active participation by investors. However, sharp fluctuations in the market occur on an hourly, daily, weekly, quarterly, or annual basis. For this reason, forecasting general trends on Wall Street becomes one of the major investor concerns. Prior to the stock

market crash on October 19, 1987, some of the leading investment advisory services were recommending that their clients remain fully invested in common stocks. Others suggested that the upward momentum of the market was of such a robust character that the Dow Jones Industrial Average would reach 3600 before it ran its course.[26] Such optimism taps into the hopes, aspirations, and greed of the many people who are deeply involved in Wall Street's game.

Errors in prediction frequently occur and the consequences are just as frequently enormous. For example, in the first six months of 1984, the market value of all stocks sold on the New York Exchange dropped by more than $125 billion dollars, suggesting that greed had exceeded caution in investor sentiment. The crisis in market uncertainty peaked in the crash of October, 1987. On "Black Monday," the Dow Jones Industrial Average dropped 508 points, and the aggregate paper losses in Wall Street's game exceeded a trillion dollars, about one-fourth of the gross national product or almost one-half of the national debt. The shock and disbelief were so extensive that a great deal of reflection was required in board rooms, in the financial community, and in the nation-at-large.

Rather than discrediting the shamans of Wall Street, the opposite occurred. Their opinions were widely sought, and they responded with a convenient set of ready-made explanations. Offering accounts on why the crash occurred

became a temporary variation on the main game. An opportunity was provided for the shamans to reflect on the perceived defects of the American economy and of government policies. Plausible explanations were sought, not so much from within Wall Street itself as in external factors that have a negative effect on the business climate and investor sentiment. In making their pronouncements, some Wall Street shamans focused on federal spending, noted the accelerating magnitude of the national debt, and observed that future generations would have to pay for present irresponsibilities. Others concentrated on the unfavorable balance of trade, observed that the United States had become "the world's largest debtor nation," and noted that Americans were consuming significantly more than they produced. Yet others claimed that tax cuts, the increased concentrations of wealth in the hands of few Americans, and the surplus dollars in the hands of foreigners were primarily responsible for running the market up to unrealistic levels.

Such explanations temporarily brought to the surface sources of uneasiness about what was happening in the society at large. When Wall Street is in a euphoric phase, such concerns recede into the background, but when a crisis occurs they are brought out into the open and become a basis for discussion and deliberation. According to professional economists within the academy, such explanations are in error or at best are tenuous.[27] Wall Street follows its own

momentum. The day-to-day fluctuations in market prices are determined by the relative number of buyers and sellers, and this frequently bears little connection with the underlying fundamentals of the American economy. The trade deficit, government spending, the national debt, and tax cuts were not new developments, and there is little reason to believe that any of them was causally connected with the precipitous market crash.

While explanations of what had happened were of general interest, the primary concerns were directed toward "what is going to happen next?" To what extent is the Wall Street crash an advance indicator of another "great depression"? How will the crash affect consumer confidence and Christmas purchases? Will Americans put off buying new homes and other costly items? Will unemployment levels increase? Will the banking system become more unstable? Will older Americans postpone retirement? Will pension plans become insolvent? Will Americans start saving more for the hard times that are to come?

The scope and urgency of the above questions suggest that the worries of Wall Street expressed the worries of many Americans who were not directly involved in the Wall Street game. Through calling into question everyday assumptions about business-as-usual, doubts about the future of the American economy took on new and special meanings. People became uncertain about the soundness of the banking

system, inflation rates, the future of the American dollar, interest rates, and the general soundness of their individual lives.

During the next several weeks, most national news magazines and newspapers had feature articles comparing "the crash of '29" with "the crash of '87". Attention was temporarily focused on history as a basis for understanding recent events. The crash of 1929 had a major impact on the American conscience and was an important part of the historical memories of those who had lived through the hard times of "the Great Depression" and the uncertainty of the post-war years. Does history repeat itself? Are sharp swings in the business cycle inevitable? Could a major depression occur again? Answers to these questions were sought as dusty copies of John Kenneth Galbraith's classic book The Great Crash 1929 rapidly disappeared from the shelves of bookstores throughout the nation, and renewed interest was taken in Ravi Batra's dubious analysis The Great Depression of 1990. Popular interest in the business cycle and cyclical theories of social change had once again emerged.[28]

Both President Ronald Reagan and the shamans of Wall Street quickly responded with disclaimers and reassurances. The President appointed a commission to investigate the internal features of the market itself that had led to its precipitous decline, and he attempted to reassure the nation

that "our economy is basically sound." Some skeptics remembered that President Hoover had offered a similar reassurance in 1929. Wall Street shamans recommended to their clients that the difficulties offered unprecedented opportunities for bargain hunting and the chance of a lifetime for future profits in Wall Street's game. Some shamans recommended that their clients hold on to their stocks for "a turnaround situation." After all, the trillion dollar loss on October 19th was primarily "a paper loss" that reduced the value of securities to a level of about what they were a year earlier. Paper losses become "real losses" to an investor only if the securities are sold. The drop in prices was simply regarded as creating a new buying opportunity. If stocks were of good value when the Dow Jones Industrial Average was at 2700, they would be of even greater value when the Dow Jones Industrial Average dropped to less than 1800.

The symbolic ramifications of this activity, however, go far beyond the game itself. Wall Street, in many respects, is a master symbol of American capitalism, and by association a symbol of American values. Thus, it taps into the many contradictions and multiple realities of American life. The "bulls of Wall Street" symbolize hopes, aspirations, and greed; "the bears" give concrete referents to the emotions of fear, to the risks of failure, and to the frustrations of human effort. Those "bullish on America"

psychologically link the future of the nation with such economic goals as continuing economic growth, expanding the output of goods and services, and increasing the purchasing power of the American consumer. Others take a more cautious stand, perceive boundaries and limits to economic growth, and link the future of the nation with solving basic social problems and improving the quality of life for all Americans. These are the believers in Eden.

During periods of economic expansion, there tends to be a high level of optimism about the future. Firms increase their expenditures for plant and equipment and expand production. With increased income and levels of confidence about the future, families and individuals expand their purchases of goods and services. In effect, under such conditions it is widely assumed that all identifiable problems are solvable, either through capitalistic know-how and management styles or through technological solutions that can be developed through a reallocation of resources. These are assumptions that the pessimists about the future do not hold. During periods of economic contraction, an increasing number of Americans become pessimistic about the future. Firms cut production and lay off employees, and individuals and families consume less. Under these conditions, the capacity of the society to solve its major problems is called into question. Government officials are viewed as ineffective in carrying out their custodial

functions, and the economic system is seen as unresponsive to personal needs and interests. In difficult times, many Americans seek to cushion themselves against reality by becoming better players at Wall Street's game. In good times these same players validate both their strategy and decisions with even greater successes.

Ways to become a better player at the Wall Street game include playing in nation-wide games such as CNBC/USA Today National Investment Challenge. Participants get $500,000 in play money to invest. The four-year old contest lets amateur investors match wits to see who can score the heftiest gain in three months. It is launched anew each quarter, with a $99 entry fee. Sponsors CNBC and USA Today give the Challenge financial support and publicity. The job of executing trades and tracking portfolios is handled by Replica Corp., a Dedham, Massachusetts based company that runs such simulations.[29] The winner in each of two categories--stocks and options--gets a real-life prize of $10,000, with lesser prizes for runners-up. Replica runs a similar contest for college and high-school students, sponsored by AT&T. More serious players prefer the United States Investing Championship. Competitors submit brokerage statements every two months in any of five investment categories and see who winds up on top after a year. Norman Zadeh, a California-based money-management consultant runs the 13-year-old tournament, which has a $350 entry fee.[30]

The only honor is a mention of the winners in the financial press--and the profit from their success.

Wall Street provides a sense of exclusivity, security, and satisfaction in a variety of ways. For example, a new breed of psychologist is now teaching how to be a winner on Wall Street. The therapeutic setting typically contains an executive couch, plush carpet, oak panelling, discreet lighting, plaques and awards, gold pen, and engraved paperweights, all for $250 an hour. Since Wall Street is where appearance and reality are hopelessly and profitably confused, where winks and nods send millions of dollars hurtling at one intangible and away from another, it is easy to appreciate the delicate human condition that thrives in such an environment. Peddlers of this new psychology have changed their strategy regarding clients, offering macho coaching rather than touchy-feely therapy, goal-oriented counseling instead of long-term analysis. Executive psychology is, in essence, the triumphant marriage of positive thinking and management science that attempts to give Wall Streeters confidence and reassurance in their rationalizations about the game.

What is clear is that both the patterns of economic and cultural drift that develop within any given society are shaped by the aggregate consequences of the decisions that are made by individual men and women. Under conditions of crisis, "objective" economic forces lose some of their

objectivity, and what was formerly thought of as "solid facts" are now regarded as somewhat softer in texture. The conditions of economic activity, like other forms of culture, are shaped by the games that people decide to play, by the formulas that are selected for asserting control over desired outcomes, and by the realities that are constructed through the myth-making process. Ultimately, the game of Wall Street is the game of America--risk, chance, adventure, search for a better life, perpetual discontent--all contributing significantly to our cultural identity and national discourse.

Greed is Good

To win at Wall Street's game, one must consent, if only implicitly, to what Wall Street represents. In Oliver Stone's movie, "Wall Street,"[31] actor Michael Douglas (portraying Gordon Geckko) delivers a rousing speech before skeptical shareholders while attempting a hostile takeover of their struggling firm. Dismissing the "feel good" style and bloat of bureaucratic mismanagement, Geckko converts wary stock owners to his side by railing against inefficiency and complacency, and promising increased profitability instead. He insists that "Greed is Right, Greed is Good." Greed is what made American great. Greed is the remedy for our ailing nation. Geckko argues that there is absolutely "no nobility in poverty." One is either "a

player or nothing," adding "if you're not inside, you're outside." The challenge of the game is overwhelming to young stockbroker Bud Fox (portrayed by actor Charlie Sheen), who proceeds to lose his soul in exchange for financial wealth and temporary happiness, only to find redemption in the end with a complete betrayal of all that he has come to represent, namely, the values of Wall Street. Young Bud Fox stands in sharp contrast to the character of his father (portrayed by actor Martin Sheen), who through hard work, honesty and sincerity accumulates little wealth but whose place in heaven seems assured because he represents the traditional values of Main Street and not Wall Street. Bud Fox represents a modern-day prodigal son, who returns to his father after escaping the grasp of Mammon.

Also overwhelmed with greed is fictional character Sherman McCoy (portrayed by actor Tom Hanks), who responds to his son's question about his father's work on Wall Street in "Bonfire of the Vanities": "A bond is a slice of cake. You didn't make it, but when you hand a slice to someone, some of it falls off, little crumbs, golden crumbs...picking them up, that's what daddy does."[32] Like Bud Fox, Sherman first loses his soul and then finds redemption in the end by repudiating the bankrupt values he had come to espouse. In contrast to these fictional characters, real life Michael Milken provides an example of the overwhelming power of greed...and of ultimate redemption.

In 1991 Michael Milken was sitting in a California prison camp having paid over a billion dollars in fines. His junk-bond network fueled corporate mergers and acquisitions by the score in the 1980s until he pleaded guilty to securities-law violations in 1990. For some time, he had been the symbol of greed and excess. Two years later he was teaching in the California state university system and spreading his money-making strategy: "If you can't find a Nobel laureate, just find somebody majoring in chemistry and you'll be able to get a couple hundred million dollars."[33] Today, having been diagnosed with metastasized prostate cancer, Milken, 48, has started his own biotech company, Cancer BioScience Corporation, in Lexington, Massachusetts with part of an estimated remaining net worth of a half-billion dollars.[34] Respected Harvard researcher Lan Bo Chen is its scientific head.

Milken has also established a foundation called "CapCure" that has already funneled millions of dollars to cancer researchers. President Clinton, Senator Bob Dole, Larry King, Bill Cosby, Calvin Klein, Carl Icahn, and fellow academics (Milken is also serving on the faculty of the University of California at Irvine) have all lauded his efforts. All the while, Milken has become a devotee of Eastern medicine, including meditation and special nutrition, and continues to perform his court-ordered community service. His footprints are everywhere now in biotech, from

scientific meetings to venture-capital firms to cutting-edge gene-therapy companies to Ivy League laboratories--not easy for a man whose probation terms require him to get permission to leave California. Ironically, Milken's life would seem to personify Edward Abbey's observation that "Growth for the sake of growth, is the ideology of the cancer cell."[35]

Is greed endemic to America? What aspects of our culture support the proposition that greed is acceptable? Where are the critics of greed? To be sure, it is not difficult to find disciples of greed. William Lawrence, Episcopal bishop of Massachusetts, wrote at the turn of this century:

> I have been clear, I trust, in my opinion that material prosperity is in the long run favorable to morality. In the investment of wealth in honest enterprise and business, lies our path of character. Two positive principles lead us out on our path. The first is that man, when he is strong, will conquer Nature, open up her resources, and harness them to his service. This is his play, his exercise, his divine mission. "Man," says Emerson, "is born to be rich." He is thoroughly related, and is tempted out by his appetites and fancies to the conquest of this and that piece of Nature, until he finds his well-being in the use of the planet, and of more planets than his own. Wealth requires, besides the crust of bread and the roof, the freedom of the city, the freedom of the earth. Man draws to himself material wealth as surely, as naturally, and as necessarily as the oak draws the elements into itself from the earth.[36]

Particularly in the 20th century, the desire for unlimited wealth and acquisition has been legitimized by such powerful forces as church leaders and televangelists

and by our government, which has equated practices like the purchase of bonds with time-honored patriotism (the more bonds you buy the more patriotism you demonstrate). It extols the virtues of free and open markets at the cost of a declining standard of living for most of its citizenry. In the early 1960s, a number of popular writers like Ayn Rand and Nathaniel Brandon, promoted the morality of unbridled selfishness. Rand's book, The Virtue of Selfishness[37] was a bestseller for months. Brandon generated a number of articles with titles like "Isn't Everyone Selfish?' and "The Psychology of Pleasure."[38] He wrote, for example:

> A genuine selfishness--that is: a genuine concern with discovering what is to one's self-interest, an acceptance of the responsibility of achieving it, a refusal ever to betray it by acting on the blind whim, mood, impulse or feeling of the moment, an uncompromising loyalty to one's judgment, convictions and values--represents a profound moral achievement. Those who assert that "everyone is selfish" commonly intend their statement as an expression of cynicism and contempt. But the truth is that their statement pays mankind a compliment it does not deserve."[39]

The other principle is that, in the long run, it is only to the man of morality that wealth comes. According to Brandon:

> We believe in the harmony of God's Universe. Only by working along the lines of right thinking and right living can the secrets and wealth of Nature be revealed. We, like the Psalmist, occasionally see the wicked prosper, but only occasionally. Godliness is in league with riches. In other words, to seek for and earn wealth is a sign of a natural, vigorous, and strong character. The search for material wealth is therefore as natural and necessary to the man as is the pushing out of its roots for more moisture and food to the oak.

> This is man's play, his exercise, the expression of his powers, his personality. You can no more suppress it than you can suppress the tide of the ocean.[40]

Neither is Wall Street able to suppress its most notorious form of greed--"insider trading." This illegal practice clearly connects Wall Street to Main Street (unlike the artificial separation of values made in movies like "Wall Street"). For example, on August 30, 1994 Harry C. Johnson announced that he would sell [Red Eagle Resources Corp.] the Oklahoma City oil and gas producer he had founded in 1977, to competitor Lomak Petroleum Inc. for $38.3 million. On Wall Street Red Eagle's stock shot up 16%, to $5.50, the day before the $7.94-a-share deal was made public. And trading volume in the stock on August 29--16,500 shares--was more than triple the norm.[41] Insider trading provided a return of several millions of dollars overnight to premature investors.

This relatively minor example is overshadowed by the insider activity of the 1980s that resulted in investment bankers in handcuffs, arbitragers in hot water: a beardless Ivan F. Boesky, a defiant Michael R. Milken, and an uncontrite Dennis B. Levine, to name just a few. The motive crossing into the current decade is the same, greed. One of the biggest contrasts from the 1980s is that insider trading has gone Middle American. Corporate executives, their friends and relatives, their lawyers and their consultants, are involved more than ever.

Government numbers only hint at the pervasiveness of insider trading. In the fiscal year that ended on September 30, 1994, the Securities and Exchange Commission brought a record 45 insider-trader cases, up from 34 the year before and breaking the all-time record of 43 brought in 1989.[42] A Business Week analysis of the 100 largest deals of 1994 revealed that one out of every three of the merger deals or tender offers was preceded by stock-price increases or abnormal volume that could not be satisfactorily explained by publicly available information. Some of the deals were preceded by suspiciously heavy trading, others by unexplained price increases--and some by both price and volume surges. Several 1994 examples will illustrate the point, and, the profitability.

On the day before American Home Products launched its hostile $9.3 billion takeover of American Cyanamid, target stocks rose from 60 5/8 to 63 in heavy trading just prior to the $95-a-share bid. A relatively minor one-thousand share transaction would have earned an "insider" approximately $32,000 in one day. Another example is the rise of shares of shares of Intuit from 40 3/4 to 42 on October 7, in heavy volume, for no apparent reason,[43] even before a trade publication, InfoWorld, reported the impending October 13 purchase of Intuit by Microsoft. Intuit shareholders were being offered ten times earnings and a 100% increase in share price. While the deal could not be consummated

without final SEC approval, insiders stood to make a fortune. And finally, on May 23, Sandoz launched a share bid for Gerber Products. Volume was huge in Gerber stocks as early as May 6 when over a million shares were traded. When Sandoz finally offered $53-a-share, insiders had more than doubled their money in two weeks.[44]

Insider trading has long raised troubling questions about the fairness of Wall Street. When the SEC is successful in nabbing an "insider," the penalties are usually pecuniary in nature, without any admission on the part of the violator that any wrongdoing was done. Consider the example of Oded Aboodi, an informal financial advisor to Time Warner Inc. He was caught selling 20,000 Time Warner common shares and buying preferred shares in 1991 before the company announced a poorly received shareholder stock-rights plan. In so doing, Aboodi avoided $413,700 in losses. Reaching an agreement with the SEC, Aboodi agreed to pay $913,000 in penalties and interest without admitting or denying wrongdoing.[45] On Main Street, U.S.A., Eugene and Bruce E. Dines also fell victim to greed. In November 1992 a Minnesota bank made a bid for Colorado National Bankshares Inc.. Just three weeks before the deal was negotiated, 30,000 shares were bought by 71-year old Eugene Dines. Eugene's brother, Bruce, was a Colorado Bankshares director. The SEC accused Bruce Dines of breaching his fiduciary duty by tipping his brother off to the deal. Without admitting

or denying guilt, the Dines brothers agreed to pay a total of $655,000 in civil penalties.[46]

Where is the social revulsion in response to the immorality of such behavior? Certainly with the "fall" of communism, the critique of capitalism prominently offered by Karl Marx has been muted. The analysis he provided in Capital describing how "profit" is accumulated through the exploitation of labor, still has merit but not much audience. Is it merely a coincidence that while the wealthiest Americans realized a 112% income growth (after adjustments for inflation) during the 1980s, middle-class Americans experienced a 20% reduction in real wages?[47] Is it also a coincidence that with the rise of immense profits to the few in the "ME" generation, organized labor has declined both in membership and as a percentage of the total national workforce, that real hourly wages have declined to a twenty-year low (in 1994) while investments have set new records in total dollars, numbers of investors, and in returns to investors? More and more, the domestic laborer is becoming marginalized in the game of Wall Street. Today, profit is much more easily and comfortably attained through the medium of Wall Street transactions, rather than through domestic labor and manufacturing. Modern greed requires little in the way of labor to achieve desired outcomes.

Yet greed clearly is not good for everyone. Psychologists use the term "the emotional fallout of success" to

describe symptoms that include depression, night terrors, impotence, grandiose delusions, eating disorders, panic attacks, and drug and alcohol abuse. The caseload at Pace Health Services (located near Wall Street) increased by 25% in 1994 with many clients suffering from hypertension and stress-related disorders.[48] Cool Mental Health Service providers (also located near Wall Street) cite a significant increase in cases of identity crisis among those who measure their self-worth by their net worth.[49] Greed may be good, but it is also emotionally and physically exhausting.

A provocative new investment idea has emerged on Wall Street designed to make the pursuit of profit more healthy and satisfying. On the bandwagon, trumpeting its virtues, are dozens of academics, financial experts, and legal advisors. It is called "relationship investing,"[50] and it is already changing the way Wall Street operates. Simplified, this concept means the promotion of close "relationships", between investor and broker, stockholder and corporate management, based upon a shared commonality, namely, the maximization of profit (with greater empathy and understanding). Now greed can not only be good, it can also be less stressful and, therefore, more healthy. New investment funds have emerged specifically reflecting this new trend. "Allied Partners," and "Corporate Partners"[51] are two new upstarts trying to make the trip to Eden a financially, and psychologically, pleasing one. Included in

the concept are related terms like "Nontakeover takeovers," "creative tension," and "quiet muscle." The business of "relationship investing" is booming.

Making greed work for oneself on Wall Street has also become a publishing market niche for numerous popular authors that include Andy Tobias, Charles Givens, Louis Rukeyser, and many others. They draw us toward Eden with promises of greater freedom, independence, respect, power, and security in exchange for our willingness to play Wall Street's game without serious work, and without regard to the consequences of investment actions upon anyone, or anything, else. Their bookcovers frequently depict the Eden they sell: author stands with a much younger beautiful woman (wife?) beside a Rolls Royce parked in front of the mansion in the Hamptons, with yacht moored at the ocean front, just beyond the spacious swimming pool and tennis courts. The author is awash in smiles. To many Americans, this greed is irrefutably good.

The Exchange (official publication of Wall Street) understands this dynamic and over the last several decades has encouraged much broader participation by middle America in Wall Street with a number of promotions sent over the electronic wires to thousands of daily newspapers that gratefully print the feed from the big city. A direct connection is made between investing and "Buying Shares in America."[52] Other articles such as "Husband-Wife Investment

Adventure"[53], "Small Investors Build Big Business", "The Investor Is in the Saddle!"[54], "An Open Invitation to 100,000,000 Women", and Wall Street as "Distributors of the Nation's Wealth."[55] These articles are designed specifically to increase the number of smaller players in the game, thereby giving the bigger players more sway. With more players, the investment pot becomes larger with more funds raising stock values, encouraging even greater participation in what gradually becomes "mainstream" greed in America. The hope is no longer placed in government, public school, community, family, or, even our closest neighbor. To many people, they all represent both failure and a threat to personal success, freedom and security. The hope in achieving these ends is tied to financial freedom--the kind that Wall Street represents. And so, increasingly, it is in stocks, and not people, that we trust.

Notes

Chapter Six

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CHAPTER 7

THE COMMODIFICATION OF AMERICAN CULTURE

"The image has no hold upon us until we assent to it."

--Floyd W. Matson[1]

Wall Street to Main Street

Taken in the cultural and economic context intended here, commodification means the process by which elements of American culture become objectified as articles of commerce, increasingly identified in terms of their relative economic use and exchange value to the society. It also implies the elevation of economic matters over political and social ones. The importance of growing commodification in our culture is that it tends to limit severely the ways in which we view and then interpret all that supports and gives meaning to our existence by becoming mere extensions of marketplace values and economic agenda. Wall Street is an important player in the commodification of our culture, both as an agent of change, and as a record of changes in national attitude and mood manifest in the culture. This chapter will examine the social and psychological bases supporting commodification, the nature of our assent to this slow and steady transformation of our culture, how Wall Street contributes to this process, and finally, how Wall Street quantitatively and mechanistically measures the changes.

Commodification applies to many aspects of our culture, including the visual arts, fashion, music, film, television, sports, entertainment, religion, technology, education, and labor (human capital). Quite literally, almost every American is touched by the financing and other economic activities conducted on Wall Street. Nowhere is this more apparent than in the culture itself. According to Francis Sutton in The American Business Creed, Wall Street's fundamental assumption is that its activity is the central core of the entire American system, around which the rest of the society is built. It views society in terms of a single, consistent, highly integrated pattern discernable through scientific market analysis. "The economic engine is the prime mover of the social and cultural vehicle."[2] Central to Wall Street's ideology, then, is the tight interdependence of market, technology, society and culture.

The complex environment in which commodification occurs includes an economic system which supports it and individuals who increasingly identify with economic rather than social roles. In previous societies, economic activities were always constrained by a broader set of guidelines and policies, implicit and explicit, spiritual and secular, but always subordinating the individual quest for acquisition to larger social goals and values. This relationship has shifted in the modern era. Now, as the noted social and economic historian Karl Polanyi argues in The Great Trans-

formation, "instead of economy being embedded in social relations, social relations are embedded in the economic system."[3] According to Paul Wachtel in The Poverty of Affluence:

> By the nineteenth century the legitimizing of the unconstrained pursuit of private gain had reached proportions that completely reversed traditional views of the rules and ideas by which life was to be conducted.[4]

As part of this transformation, a new, quantifiable conception of the individual developed as well. Over time, people came less to be perceived in terms of their social context and more as autonomous economic actors who make independent decisions regarding personal gain and loss. Today this view pervades not only economic activity but personal life as well. If the gains of marriage, for example, do not exceed the drawbacks (or costs), we are far more likely than people in any prior era to go our separate ways. Marriage for us is not primarily a matter of fulfilling a social role but rather a contract between two people, to be terminated or "exchanged" when it no longer brings its expected rewards. In exchange relationships like these, parties seek mutual benefits through incurring or repaying obligations, frequently in a measured way, for example, a "fifty-fifty" sharing of responsibilities. In traditional communal relationships, the basis of benefit was concern for the other's welfare. Today we are much more likely to be measured and appraised in terms of our net assets or annual

salary than in our degree of benevolence and virtue. Contemporary society, from the exchange perspective, becomes simply the sum of many disparate individual decisions lacking the cohesion and "critical mass" with which to challenge the commodification of the culture. This market "isolation" of the individual enhances the ability of Wall Street to inundate us with signs, images, and stimulations that convince us that its power is positive and in our best interest.

The concept of disparate individual choice is evident in much of contemporary psychological thinking. B.F. Skinner's theories of reinforcement are variations of it, as are other learning theory accounts of instrumental behavior.[5] So too are the more rationalistic "exchange theories" of social psychology which look at how our behavior is determined by the expectations of gain or loss in an interaction.[6] According to these theories, understanding the separate decisions of individuals faced with varying consequences for different courses of action is--as it was for the classical economists--the methodological keystone. In a commodified culture individuals separately responding to the possibilities of gain or loss occupy center stage. To make their decisions they must effectively seek to find valuation in what is to be weighed. How Wall Street assists them is by helping to define the value of almost everything in our culture to include newspapers,

movie studios, professional sports teams, symphony orchestras, technological breakthroughs, publishing; the list goes on and on. It performs this function with unprecedented access to unbelievable amounts of information and data which it converts into "values".

Also contributing to our assent to commodification is the "pleasure principle". According to Sigmund Freud the pleasure principle is, in effect, a biologically rooted version of this basic economistic paradigm: each individual seeks to maximize pleasure and minimize pain by reducing the tension of drives whenever they build up.[7] Other people, in this view, are conceived of as "objects" of the drive, resources as it were for the improvement of the individual's mental economy, rather than as participants in a shared pattern of interaction. At the center of Freud's analysis is always the single individual seeking his individual gratification. Thus as Wall Street is able to saturate our material and popular culture with images of freedom and security against a backdrop of individual fear and disillusionment increasingly associated with society. Because of the perceived burdens heaped upon us by an inept and distant government, the commodification of our culture is welcomed as a reliable benchmark giving certain "value" to our existence.

What individuals want is more complex for Freud than for Wall Street. We want numerous things at once, many of

them in conflict with each other. The choices we make are compromises that tend not to embody fully any of our particular desires; the motivational structure behind them is not revealed in any simple one-to-one way by the manifest choices themselves. And, of course, Freud did not believe that we make most of our choices either consciously or rationally. Self-deception is critical in Freud's theorizing. And so it is today in the growing commodification of our culture.

One important self-deception rampant in the culture today is that we are better off fighting for our survival alone rather than in communitarian contexts. This view encourages growing commodification by separating us from the values of alternative institutions and may be found in a social analysis of our growing alienation and sense of powerlessness which again leaves us in search of pleasurable and quantifiable alternatives in the marketplace. Every year, Louis Harris and Associates compiles its "Alienation Index" measuring popular feelings of powerlessness, frustration, and economic inequity. It has climbed sharply in recent years. The following table will illustrate this point.

Table 1
Alienation Index[8]

Do you tend to feel:	Percent answering "yes"			
	'72	'85	'92	'94
The rich get richer and the poor get poorer?	67%	79%	83%	87%
What you think doesn't count very much anymore?	50	62	62	69
Most people with power try to take advantage of people like yourself?	43	65	71	75
The people running the country don't really care what happens to you?	46	65	71	76
You're left out of things going on around you?	25	48	48	52

This greater sense of individual alienation and powerlessness in society coupled with the desire for personal safety, security and value helps to explain our submission to growing commodification, namely, the parallel growth of narcissism. To begin with, a distinction must be made between two different uses of the term "narcissism." One, well represented by Peter Marin's influential essay "The New Narcissism,"[9] uses the term primarily as a moral category, a critique of what is essentially selfishness. The second, finding its most influential expression in a slightly later work, Christopher Lasch's The Culture of Narcissim,[10] combines moralistic denunciation with psychoanalytic dissection. This second version of the critique of

narcissism is more complex and in some ways richer, but it is also far more problematic for American society.

Marin's use of "narcissism" is relatively straightforward. He employs this psychologically tinged term rather than the more common moral category "selfishness" to indicate the linking of certain morally questionable behaviors to a psychological rational. He decries the ways in which selfishness and moral blindness now assert themselves in the larger culture as enlightenment and a deification of the isolated self. Marin's concern is thus focused very sharply on the moral issue of selfishness versus concern for others. Ironically, much of what now fosters amoral disregard for the needs of others started with a moral impulse, as part of the general questioning of societal demands and assumptions sparked by events like the Vietnam War, the civil rights struggle, and current attempts to dismantle the "welfare state."

Christopher Lasch's conception of narcissism is more problematic. His argument is clearly stated:

> After the political turmoil of the sixties, Americans have retreated to purely personal preoccupations. Having no hope of improving their lives in any of the ways that matter, people have convinced themselves that what matters is psychic self-improvement: getting in touch with their feelings, eating health food, taking lessons in ballet or belly-dancing, immersing themselves in the wisdom of the East, jogging, learning how to "relate," overcoming the "fear of pleasure." Harmless in themselves, these pursuits, elevated to a program and wrapped in the rhetoric of authenticity and awareness, signify a retreat from politics and a repudiation of the recent past.[11]

Lasch sees these trends as part of a far broader pattern of corruption and decay--one practically coterminous with our entire culture. In discussing, for example, Edwin Schur's contention that the self preoccupation of middle-class Americans is "criminal" given the plight of their less affluent brethren, Lasch suggests that this self-preoccupation "arises not from complacency but from desperation."[12] Elsewhere he asserts, "People today hunger...for the feeling, the momentary illusion of personal well-being, health, and psychic security."[13] If even the illusion of well-being is so hard to come by today, how can we blame those who do not have the wherewithal to attend to the needs of others? In Lasch's account they seem to have little choice: "Our society elicits and reinforces narcissistic traits in everyone."[14]

Now just what are those narcissistic traits elicited in "everyone?" The character traits of pathological narcissism, Lasch tells us, appear "in less extreme form" throughout our culture. He includes here "dependence on the vicarious warmth provided by others combined with fear of dependence, a sense of inner emptiness, boundless repressed rage, and unsatisfied oral cravings." Also included are "the secondary characteristics of narcissism: pseudo self-insight, calculating seductiveness, nervous self-deprecatory humor." Moreover, there are

> ...connections between the narcissistic personality type and certain characteristic patterns of contemporary culture, such as the intense fear of old age and death, altered sense of time, fascination with celebrity, fear of competition, decline of the play spirit, deteriorating relations between men and women.[15]

So perhaps what helps to propel the commodification of culture is an increasing alienation of the individual from other human beings, a preoccupation with the self, and a new orientation to the more impersonal world of objectification and exchange. The disorganization of the self, worries about guilt, and the loss of identity which the breaking of a long-held and very close bond among people may bring are associated with this change. There is also the comforting notion that although alienation is not typically construed as "positive," it does include eventual "reconciliation" and "salvation" in our culture. This viewpoint is central in Christianity. According to Saint Paul, there is necessarily a general malaise in the human experience because mankind is alienated from the source of all truth and values. He describes the plight of fallen man in terms of what a modern psychiatrist would recognize as "alienation:" "And you, who were once estranged and hostile in mind, doing evil deeds, he has now reconciled in his body as of flesh by his death..."(Colossians 1:21). This statement demonstrates that alienation and reconciliation are always linked to salvation as a final reconciliation with God or with life.

The belief that alienation is part of the human condition has endured. Romanticism viewed man as "alienated" from nature. William Wordsworth's The Prelude,[16] for example, tells the story of a boy, nurtured by the divine Spirit of nature, subsequently alienated from it by the temptations and corruptions of civilization, and finally reconciled to the divine. The gloom of the Christian doctrine of "original sin" is greatly lightened by the idea that this condition is a kind of nightmare from which those who receive grace are rescued. It is the dark before the light. We likely still possess the paradoxical sense of optimism that accompanied the idea of alienation in Christianity because we anticipate salvation (increasingly from the marketplace) in the end. At the same time, alienation and desperation make us vulnerable to any number of snake-oil remedies, and our preoccupation with self may distract us from subtle changes occurring within the society itself and observable in the culture.

Finally, some contend that commodification occurs because we are unable to separate market generated "images" and "values" from reality. This view is consistent with the post-modernist interpretation expressed by Jean Baudrillard, a French social theorist who has made some very interesting observations about commodification. He believes that modern-day commodification entails the active manipulation of signs in our culture, so that in society the production

of the sign and the commodity have come together to produce the "commodity-sign." An endless duplication of signs, images, and simulations, purveyed by the media, in the end effaces all distinction between image and reality. The overproduction of such signs, images, and simulations has the effect of causing a "loss of stable meaning" in society which we frequently are unable to discern.[17]

One example of "signs" is Wall Street advertising. The images are clear: early or well-financed retirement, ample funds for childrens' educations, travel, very comfortable and safe lifestyles, disaster preparedness. Because they are on television and radio, in newspapers, magazines, pamphlets, and other media throughout the country, we are overwhelmed with simulations that speak directly to our insecurities. Since there rarely are any immediate or valid arguments against what the media sources would have us believe in these instances, we acquiesce. This view supports the argument made by David A. Smith that the market system is able to accommodate and neutralize trends that emerge to oppose the system itself.[18] Television, for example, presents a number of reality-based programs depicting the disintegration of the social fabric while proposing Wall Street solutions during commercials in the form of investment opportunities which lead directly to freedom, independence and security. This clever interplay of fact and fiction results in the desire for more reassur-

ing signs and images from Wall Street. Thus we begin to associate "promise" with Wall Street and "disintegration" with everything else. Consequently, Wall Street control of significant aspects of our culture appears benign and beneficial.

As president of the American Sociological Association, Amitai Etzioni is leading a communitarian movement to replace the narcissistic "I" with "We" in America and put a halt to this commodification. "People feel alienation, that we are atomized, all living separately without enough common bonds. This creates a void that is filled with selfish alternatives."[19] His analysis of our condition follows:

> In the 1960s we went way too far with psychological self-interest. Then in the 1980s it was greed. One was Freud run amok; the other, Adam Smith. I am suggesting a third way that reminds us we are all brothers and sisters, but we can't wait for government to take care of us. We all must sacrifice, take care of our responsibilities, share.[20]

To many on Wall Street, this talk of the need for more "community" is vaporous. Many would point out that for $19.95 a month everyone with a home or office computer can become member of a "virtual" community by way of America Online, Compuserve, Prodigy. If you really want to be a more active participant in this community, you simply pay additional monthly surcharges and become part of a larger whole such as the global Internet community. Admission and participation are specifically measured in dollars and cents. You can shop for everything on your computer, cast

your political ballot in a growing number of communities, schedule your airline flight, get tickets for a concert, read movie and television reviews, scan newspapers and periodicals, connect to your local public library for books, find an interesting "personal" ad, buy and sell stocks, participate in consumer surveys, listen to music, watch videos, do your banking; the list goes on. Today the "we" community Etzioni pursues is more likely to be found in your individual PC Pentium P5-133, drive C:\, file Wrld\Com. Com. Wall Street paved this information "superhighway" or "infobahn" with billions of investor dollars and its future direction has already been decided. This will be explored further in Chapter 9.

Long-Arm of the Deal

Despite the fact that nobody lives on Wall Street itself, or even near enough to walk to work, the Street's influence extends to every corner of America. One of the ways it contributes to commodification is by pooling Street money with pension funds and those other institutions with deep pockets to contorl major (and minor) enterprises employing thousands of people who manufacture goods and provide services in every American sector. Prudential-Bache, for example, now owns 49% of Dr. Pepper/Seven-Up (Pneumo-Abex). Merrill Lynch controls Borg-Warner and Supermarkets General. Shearson Lehman Hutton owns Chief

Auto Parts.[21] Kohlberg Kravis Roberts and Company alone purchased 40 companies at a cost of $70 billion.[22] The complete list of Wall Street's ownership of America is long and revealing.

Until now, Wall Street investment bankers have mainly played the role of well-paid facilitators, assisting corporate clients in financings and mergers. Today they are becoming the nation's "power investors." They are able both to mobilize huge sums of money and take command of companies, big and small. This trend has its roots in the era of J.P. Morgan, when a fusion of finance and commerce helped lay the foundation of industrial America. The resurgence of this phenomenon will have a major impact on our society and culture. The potential for change is great. Early leveraged buyouts (LBOs) by Wall Street firms were done on a fairly small scale. With the addition of aggressive fund-raising, investment bankers and their backers hid as much as $20 billion in their pockets for equity investments in 1995.[23] Leveraged in traditional ten-to-one buyout fashion, that equity base can support up to $200 billion of debt. That is enough to buy a dozen Texacos or hundreds of smaller companies in the "Dr. Pepper" class.

The appeal of this activity stems from the dynamics that are unleashed when a public company in America, or a conglomerate's neglected division, is reestablished as a private company. The capital structure of the concern is

typically "rejiggered" so that the equity portion shrinks from about 50% to a closely held 5% or 10%, while debt is piled high. For investors, that means they can acquire a large company for next to nothing. For managers, however, the debt load compels them to generate cash using "slash and burn" methods including downsizing and restructuring. At the same time that debt is loaded on, managers are given equity or large cash bonuses for improving operations. Power investors sit on the boards of directors and might well become involved in day-to-day operations as a "hobby." Small improvements in operating performance can dramatically increase the value of a minuscule equity base. On the eventual resale or recapitalization of a company or a division, power investors can score handsome capital gains.

As this critical mass of power investing forms, a whole new and much more intrusive market is emerging alongside the traditional stock market. The sheer number of investors, lawyers, and accountants now in place to support these buyouts is likely to make the buying and selling of companies and pieces of culture (such as entertainment) almost as easy as trading individual shares. For every deal that is consummated, "hundreds have been analyzed and discarded."[24]

To help make the shift from deal-maker to owner, Wall Street firms such as Merrill Lynch and Shearson Lehman invite retired executives of large companies to join boards and advise them on the ongoing operations of a company.

Frequently common services are centralized such as data processing, accounting, insurance, and purchasing. In such arrangements, clients often become competitors, and corporate "missions" are drastically altered.

In almost every sector of American enterprise, Wall Street's mark is evident. Late in 1994 Castle Harlan, Inc., a relatively small investment company, financed a $40 million buyout of "Strawberries," a national retail music chain. The effect of the buyout would be to raise the total number of stores to 250, up from 150 and change the mix of music offered for sale.[25]

In the production of films, Wall Street is directly involved in terms of providing the capital and deciding whether a particular film is a $40 million effort or $100 million blockbuster. Film Investment and Loan Management Services, Inc., for example, guides film producers in finding investment houses to finance their work. Often included in the agreement are approval rights by the financiers of the final product before release.[26] In music Forbes FYI Music Investment Group, Inc. leads the record producers of "blue chip" performers to financing on Wall Street. Investors are invited to submit comments on first-cut recordings prior to release.[27] Single-handedly Wall Street wizards are able to alter substantially our culture. In 1994 Leon Black's (former Drexel Burnham employee) $19 million investment changed the fashion direction of Perry

Ellis and John Henry men's clothing.[28] He also altered the product lines of over 100 mall-based gift and optical shops with his purchase of the controlling interest in Cole National Corporation.[29] In the same year, Black purchased over 100 other firms. Ann Taylor's women's apparel had already been purchased in 1991, and in order to cut costs immediately outside designers were eliminated from the pool of creative talent used in the preparation of designs.[30]

Religion has not been ignored in the growth of Wall Street "acquisitions." John Templeton, founder of Templeton Growth Fund, contributed more than $10 million in 1994 alone in an attempt to alter the spiritual direction of churches and end what he felt was causing a loss of "clientele" in the "houses of the Lord."[31] Earlier, in 1982, he endowed the "Templeton Prize for Progress in Religion" to encourage research in religion. In 1994 the award was worth $1 million and was won by author Michael Novak, former Forbes columnist.[32]

During the 1980s both the American economy and the culture itself were restructured by a wave of Wall Street financed mergers and acquisitions. Approximately 24,000 firms acquired others or merged with each other, in an exchange of $1.3 trillion in assets and an estimated loss of over one million jobs in the United States.[33] Obviously the financing of such tremendous economic activity results in

geographic displacement and untold changes to products, services, household budgets, and relationships.

The ability of Wall Street to influence not only our corporations, but our culture, is nothing new. Show business and Wall Street, for example, have long had an intriguing affinity for each other. Al Jolson, star of the first talkies, was enamored of the Street. Comedian Eddie Cantor invested everything in Wall Street and lost that much in the Great Crash of 1929. The famous movie director Frank Capra (Mr. Smith Goes to Washington, It Happened One Night) sold Wall Street mining stock door-to-door before dedicating himself to movies. He reportedly maintained a direct telephone line to Wall Street from his film sets to track his investments.[34] Richard Ney, husband of Greer Garson and her co-star in Mrs. Miniver, authored several books on Wall Street with titles such as The Wall Street Gang.[35] In a 1981 interview, actor John Wayne was asked, "How do you feel about the state of the motion-picture business today?" The "Duke's" response was telling: "I'm glad I won't be around much longer to see what they do with it. The men who control the big studios today are Wall Street manipulators and bankers. They know nothing about our business. They're in it for the buck."[36]

Product identification makes use of Wall Street's stature. "Preferred Stock" cologne is advertised for the "successful man in life."[37] "Wall Street" (the game) has

become a Parker-Bradley staple. McGraw-Hill advertises its books against a dark background with an orange and white street sign, "Wall Street." Its ad reads, "At McGraw-Hill, being first is almost second nature."[38]

Art works have also gone "public" with the help of Wall Street. "Fine Art Acquisitions, Ltd." is in the business of acquiring and distributing fine prints and art deco sculpture replicas.[39] Purchasers of extremely expensive paintings by Van Gogh, Monet, Manet, and others are often referred by Sotheby's in New York to Wall Street investment banks for financing before the auctions begin. In many instances the worth of major art works is determined by investment houses on Wall Street.

Personal services of all sorts have also been indelibly connected to Wall Street. Just a few years ago the historic "Mustang Ranch" (brothel) of Nevada was on the verge of bankruptcy. Wall Street investors went to work and arranged for the purchase of the bordello through a $23.3 million stock offering at $20./share. The firm handling the sale was American Wallstreet Securities, Inc., and investment bankers expected to "capitalize" on the expertise of employees to reinvigorate business.[40]

It is even necessary for hospitals to maintain Wall Street accreditation (credit rating) to ensure access to capital for new equipment and facilities. Failure to

maintain an adequate rating results in exorbitant interest rates when borrowing money.[41]

In sports, professional teams are constantly interacting with Wall Street for a variety of reasons. The "Boston Celtics," for example, is publicly traded on Wall Street under the symbol "CEL." Forty percent of the team is publicly owned and all public shares are designated "non-voting" shares.[42] Gross national sports budgets in 1994 were estimated at nearly $100 billion.[43] In 1995 major league baseball players and owners threatened to forego another season because their primary interest is now in earnings, not averages. As team ownerships change, Wall Street stands prepared to finance the deals.

Science is also significantly influenced by Wall Street. The extent to which funding is generated to support genetics, cold fusion, high temperature superconductivity, robotics, neural networks, biotechnology, depends on Wall Street's fascination with their prospects. Most private firms so engaged go public through Wall Street long before they ever generate a single marketable or effective product.[44] Consequently, the Street's "attitude" toward a particular undertaking is extremely important and can play a fundamental role in "guiding" research and product development. In 1994 Wall Street firms hired a number of renowned physicists, thus recognizing their analytic and scientific skills and rewarding them far more generously than the

academic world in their new role as science opportunity "derivatives geeks."[45]

Food is also largely controlled from Wall Street by investment bankers' funding futures investors at commodity exchanges such as the Chicago Board of Exchange (CBE). In commodity markets throughout the country, whether dealing in soybeans, pork bellies, broccoli, corn, or wheat, the money used to purchase futures contracts frequently comes from Wall Street investment firms. The price of the foods we purchase and the quantity of our supply are essentially determined by the terms of the large futures contracts funded through Wall Street.[46]

Wall Street is also connected to the environment. Merrill Lynch has created an investment trust (Eco-Logical Trust) out of what it calls environmentally responsible companies. Merrill Lynch prints its market literature for this particular trust on recycled paper in green, biodegradable ink. It is obviously capitalizing on investor demands to make money while showing concern for the environment. The investment firm paid four environmental groups $35,000 to recommend 100 companies they considered environmentally responsible. Only 29 companies were selected.[47] Despite the lack of candidates, Merrill Lynch donates fifty cents to the "Environmental Federation of America" for every block of 100 shares purchased.[48]

The links to education are easily exposed through an examination of the amounts of endowment and pension monies invested through Wall Street. While the total amount is in the billions of dollars, some individual college and university accounts are in excess of $100 million.[49] Wall Street banks are also courted when costly university projects are in need of major-league financing.

The connections to media also are extensive. When Metromedia was financed in 1984, it included film, radio, television, satellite, cable, newspaper, magazine, publishing, and cellular outlets. When Wall Street's Chemical Bank funded the purchase, it retained seats on all boards of directors to ensure that future business decisions would be consistent with investment security.[50]

The links to the military-industrial complex are also significant. Through the financial miracle of "securitization" (Street language), hundreds of billions of dollars worth of home mortgages, truck and computer leases, car loans, and credit card receivables have been pooled and used as collateral for asset-based securities. In 1994 this concept was applied to the United States Army, which had signed an agreement with Bear, Stearns, & Company and Chase Manhattan Corporation to track down and refinance $1 billion in equipment leases.[51] At the time the leased equipment was spread over twenty command jurisdictions on bases in the U.S. and overseas, and the Army did not know exactly how

much was leased or where. In 1995 it was paying about $250 million a year for leased equipment with additional interest rates of 18% or more. It hoped to refinance its leases on Wall Street by essentially replacing retail leases with money raised wholesale in the capital markets. The money raised at, say, 10% would be used to pay off old leases costing, say, 18%. Wall Street already was handling the securities raised for other federal agencies, such as housing finance and farm credit units, in similar refinancing structures. So it appears that even the military is under Wall Street's influence.

Because of this close relationship to the American experience, Wall Street is an excellent place to examine the larger culture and even our national mood. It is unique as a place where specific, detailed and voluminous data exist. But the main difficulty in assessing indicators of mood other than market prices has been the woeful lack of precise numerical data. Suppose we had trustworthy numbers on sporting-event attendance, on notes and note changes in popular melodies and the lyrical content of popular songs, on the story content in popular books, on the angularity vs. roundness of automobile styling, on the construction of various architectural styles. Then suppose all of these data were weighted according to volume of sales. If that were the case, we could read charts of the public mood and

track changes in the culture the same way we read charts of aggregate market prices. Such data have not been available --until now. Wall Street collects data that reveal many facets of our popular culture and thus our collective mood. It does so on a micro basis by way of individual investor surveys, as well as individual corporate performance reports that reveal our economic wants (a "want" is defined as something we both desire and for which we can pay). Large Wall Street firms receive weekly reports on consumer related data based upon information gained from each "1-800" call made in America. Every such call is routed through data banks which digitally identify the name, address, age, occupation, and spending habits for each caller. In this way, once again, the culture may be both objectified and quantified. Such voluminous data allow Wall Street to employ simple inductive reasoning which leads to macro conclusions about the relationship between trends in "culture" and the market and vice versa.

This intricate web directly involves 52 million Americans, 10,000 institutions, and hundreds of millions of investors connected through insurance companies, pension funds, and mutual funds.[52] Indirectly the number includes most Americans as consumers at banks and lending institutions. Not surprisingly, therefore, market prices can reflect the mood of the Street investment community and, by extension, the larger society. Trends in music, movies,

fashion, literature, television, popular philosophy, sports, dance, automobile style, mores, sexual identity, family life, campus activity (or inactivity), politics and poetry all reflect the prevailing mood of the society and frequently are symbolized by Wall Street activity. Television and movies, for example, tend to reveal broader, more gradual changes in public sentiment. By contrast, shorter swings in the way people feel can be discerned in fashion since clothes style can be adopted or discarded quickly, or popular music, where current hit songs rush up and down the "top forty" charts.

In fashion, for example, a correlation might be posited between the trends of hemlines and stock prices. Skirt heights rose to miniskirt brevity in the 1920s and 1960s peaking with stock prices both times. Higher hemlines became fashionable once again in the early 1990s as the stock market registered record activity and gains remained until February 24, 1995 when the Dow Jones Industrial Average topped 4,000 for the first time in history. Floor-length fashions appeared in the 1930s and 1970s (the maxi), bottoming with stock prices. It is not unreasonable to hypothesize that a rise in both hemlines and stock prices reflects a general increase in the daring and liveliness on Main Street, translating into increased business on Wall Street. A decline in both may indicate a decline in both confidence and daring.

Because skirt lengths have limits (the floor and upper thigh, respectively), the reaching of a limit would imply that a maximum of positive or negative mood had been achieved. The same is true of fashion colors. Bright colors have been associated with Wall Street record-setting, and dull, dark colors with bottoms. It is no coincidence that the smaller the skirt or swimsuit, the brighter the color(s) and the more likely the prospect of a bull-market; floor-length fashions, in turn, are more often associated with dull, dark colors such as brown, black, and gray, and bear markets. All fashion elements reflect the prevailing popular mood of Main Street and correspond surprisingly well with Wall Street activity. Tie width, heel height, pants leg style, and flamboyance or conservatism in men's fashions vary according to how people feel. And the same variations in feeling that are expressed in fashion determine trends on Wall Street.

Author Tom Wolfe recognizes the symbolic connection between fashion and Wall Street in Bonfire of the Vanities. Indeed, the very first glimpse we have of Sherman McCoy wrestling with his reluctant daschund is through a specific observation of his L.L. Bean style casual clothes (plaid shirt, khaki trousers, and boat shoes). A contrast is close at hand, for when Sherman finally escapes his co-op on the pretext of walking his dog so that he can telephone his

mistress, he wears a raincoat befitting a Master of the Universe making a self-consciously casual fashion statement:

> It was a worn but formidable rubberized British riding mac, full of flaps, straps, and buckles. He had bought it at Knoud on Madison Avenue. Once he had considered its aged look as just the thing, after the fashion of the Boston Cracked shoe look. Now he wondered.[53]

His doubt is immediately justified when he rides the elevator to street level with his neighbor, Pollard Browning, president of the co-op board, an old schoolmate, and perhaps the only man to make McCoy feel inferior. This feeling is heightened when Sherman notes this "true Knickerbocker's" appearance:

> He was only forty but looked fifty for the past twenty years. His hair was combed back smoothly over his round skull. He wore an immaculate navy suit, a white shirt, a shepherd's check necktie, and no raincoat. He faced the elevator door, took another look at Sherman, said nothing, and turned back.[54]

McCoy's attention to his appearance and that of others is unwavering, and it is ironic that when he is most fearful, he cannot help but be concerned about making the right impression. As he prepares to meet the detectives investigating the hit-and-run accident, he agonizes:

> How should he look? Should he put his jacket and tie back on? He had on a white shirt, the pants of a gray nailhead worsted suit and a pair of black cap-toed shoes. With the tie and jacket on, he would look terribly Wall Street, terribly conservative. They might resent that.... He put on the tie and pulled it up into a tight knot.... He put on the jacket and buttoned it. He lifted his chin and squared his shoulders. Wall Street. He went into the bathroom and brushed his hair

> back. He lifted his chin again. Be strong. A Master of the Universe.[55]

In addition to fashion, art can also be used to forecast national mood and thus activity on Wall Street. In popular art, for example, the late 1960s produced Peter Max, who specialized in adorning consumer goods with bright primary colors, and Andy Warhol, who rose to fame turning out colorful trash-art. Art expressing a light, right, positive mood is dominant when Wall Street is in a bull market and these characteristics go to extremes at market tops; art expressing a heavy, dark negative mood is in vogue when Wall Street is suffering a bear market and such art reaches extremes at market bottoms. The depression era art of Edward Hopper illustrates this point.

In a similar way, American movies appear to be linked with trends on Wall Street. In the early 1930s, as the Dow Jones Industrials collapsed, horror movies descended upon the American scene. For some ten years after that, a period stretching slightly past the market of 1942, horror films featured Frankenstein monsters, vampires, werewolves, and scores of walking dead mummies. As the bull market roused Wall Street in the early 1940s, Hollywood abandoned foreboding themes by laughing at them. When Abbott and Costello met Frankenstein, horror as symbolic of a pathetic Wall Street went away.

The next twenty-five years treated moviegoers to a varied fare as horror themes were muted. All the while, the

bull market on Wall Street rolled on. Immediately following the speculative bull market peak in December 1968, however, the cinematic mood changed with the change in mood on Wall Street. In 1970 the flesh-eating zombies of Night of the Living Dead began packing people into theaters. When one examines the "Dow" at that time, the crash in mood which inspired that movie and the desire to see it becomes clear. Then, in 1974, as the dark mood deepened on Main Street and Wall Street, The Texas Chainsaw Massacre premiered and explicit gore was introduced as a horror movie staple.

For its part, pop music has been strikingly in tune with Wall Street. The ups and downs of the career of leading youth-oriented pop musicians have eerily paralleled the peaks and troughs of Wall Street. At turns in market prices the dominant popular singers and groups have faded quickly into obscurity, to be replaced by styles that reflected the new emerging mood.

The 1920s bull market featured jazz and ultimately hyper-fast dance music. The 1930s bear years brought hard-time laments with more mellow ballroom dance music. With the mid 1930s bull market came free-wheeling swing music, and the lively jitterbug dance style was introduced. The year 1937 ushered in the Andrews Sisters, who enjoyed their greatest success during the 1937-1942 years of market correction. The early to mid-1940s featured uptempo big band music, which held sway until Wall Street peaked in

1946. A late-1940s market correction then unfolded, and mellow love song crooners, both male and female, became stylish. Even jazz experienced a dramatic slowdown as "cool jazz" took over in 1949, a major low for Wall Street.[56]

The post-war bull market's initial advance from 1949 through 1953 was accompanied by the appearance of new grassroots-style band music on the record charts. During that span, forty-nine Country and Western music titles sold over a million copies each and "race" music sold strongly enough to require its own sales charts in the industry's trade magazines.[57] By 1954 the emerging excitement of an improving public mood, as reflected by the rising stock market, could no longer be contained. The folk band styles of music began to emerge, and high-energy rock 'n' roll exploded on the scene.

Certainly Elvis reigned during a time of daring and youthful energy on Wall Street. Within a few years, the trendsetters were jitterbugging like crazy to work off their collective emotional high. The energetic, positive sentiment proved only a warm-up for the euphoric joy expressed by the melodic, harmonic music of the "British Invasion" and American fun bands like the Beach Boys. These groups dominated the charts during the final phase of advance on Wall Street from 1962 to 1966. Suddenly, in 1966, the Rolling Stones outdid the Beatles in Top 10 hits, with themes of drugs, mental breakdown, crying and deaths; the

Stones' final hit of the year was in October. The crash in market prices occurring on Wall Street from January to October 1966 accurately reflected Main Street's mood. The Dow Jones Industrial Average plummeted by twenty-five percent in that year dropping from a high of 995.15 to 744.32.[58]

The public was now looking for something else in more "worldly" lyrics and musical accompaniment increasingly involving "distortion" or noise. Coincidentally, the name for rhythmic popular music changed, from "rock and roll" to just plain "rock," a name that correctly suggested the hardness of the new musical style. "Blues" music, which had fallen from popularity in the early 1950s, resurfaced as a dominant style. The mood mixture in popular music between 1966 and 1969 remarkably reflected both bull market and bear market moods that were raging on Wall Street. Some market indexes were heading for new highs, but the Dow Industrials, which had achieved their high in January 1966, were already declining. In 1967 the DJIA topped at 943.08 while in 1969 the low was 769.93.[59] Meanwhile, rock music became consciously artistic and flowered in terms of innovation, creativity, subtlety and complexity.

The peace-love sentiments of the psychedelic era coincided with the last hurrah in the stock market, which peaked in a speculative frenzy on Wall Street with new all-time highs in the "Value Line" index. In 1972 the DJIA

surpassed one thousand with a high of 1036.27 in December of that year.[59] A string of "Bubble Gum" hits made the charts, a sickly-sweet extreme if ever there was one. At the same time, the pop music groups and stars who had shaped the crest phase abruptly fell from favor. As the negative mood developed, slow ballad artists began gaining in popularity. The ballad buyers felt depressed, while members of an even younger generation felt angry. Background music for the bear market, which dated from 1966 and accelerated in 1969, increasingly was supplied by bands whose accent was on the negative, stressing themes of war, hate, impersonal sex, and the devil. Heavy metal bands, which had originally been satisfied to present merely a noisy, foreboding sound, adopted a calculated theatrical approach to their recordings and performances in 1974 and 1975 and suggested darkness, sexual ambiguity, and general nastiness. The DJIA followed suit dropping to a decade low 577.60 in December 1974.[61]

The most extreme musical development of the mid-1970's was punk rock. The lyrics of these compositions often resembled T.S. Eliot's classic poem "The Waste Land." The attendant music was anti-musical, i.e. non-melodic, relying on one or two chords and two or three melody notes, screaming vocals, little or no vocal harmony, dissonance, and noise. Punk musicians made it a point as artists to be non-musical minimalists and to create ugliness. Wall Street

languished at the same time with a number of Dow Jones Industrial Averages of less than one-thousand.

Strangely in the late 1970's, new American heroes began to appear in what to the post-Vietnam generation was the most unlikely place: business. When Steve Jobs and Steve Wozniak built a personal computer in 1977 in the garage of Wozniak's parents' house and then subsequently founded Apple Computer, they destroyed the assumption that Wall Street's brand of capitalism was incompatible with American idealism and limited to men of a mature age.

Steve Jobs, it could be argued, was the single person who made the creation of wealth socially acceptable to the idealistic camp of the postwar generation. Now everyone could play Wall Street's game in good conscience. One did not have to go to work for a stultifying corporation that made deadly insecticides, weapons of mass destruction, or tainted infant formula. Creating products and services could be exciting, noble and even romantic. Jobs' rapid success also reinforced the postwar generation's sense of entitlement and desire for immediate gratification and deliverance to Easy Street. This was exactly Wall Street's message. It was not necessary to toil for years in frustrating inconsequential positions, or, even to wear a suit and tie. One could become an entrepreneur and, if successful, achieve influence, power, and independence immediately, while still carrying on in as unorthodox a fashion as one

wanted (Jobs was a vegetarian Buddhist; Wozniak underwrote a costly rock festival).

By the end of the seventies, entrepreneurial fever was sweeping the country, and Wall Street was tracking right along-side. In 1980 the DJIA finally exceeded the one thousand mark again at 1001.17.[62] That combination lent an aura of chic to venture capitalism, investment, and the association of youth with Wall Street. The Street could transform dreams into realities, even those shared by young "idealists." Just as the "Peace Corps" volunteers had in the sixties, investors and venture capitalists, together, could make a difference in this world. The financing needs of entrepreneurs and the new profile of young Wall Street capitalists altered people's sense of Wall Street itself from an entrepreneurial place to a collection of one-man firms, small boutiques and fluctuating partnerships rather than rigid corporate hierarchies. For every executive who managed a financial behemoth from a suite high in a tower, there were hundreds, if not thousands, of smaller hustlers on Wall Street who inhabited cramped dark offices deep in its narrow canyons. They ran tiny mutual funds or acquired Milwaukee bowling alley chains or peddled over-the-counter stocks in weird companies no one had ever heard of.

Like the mavericks who had wandered through the Wild West, the men and women of this generation roamed restlessly from firm to firm in search of the chemistry that would

enable them to persuade others to entrust them with their money or to pull off a string of lucrative deals. As those deals either succeeded or failed, the firms themselves merged, collapsed, and reproduced in a pattern as chaotic and inevitable as the natural order. On Wall Street, it was possible to start a small operation on the basis of little more than an idea and within a very short period become phenomenally wealthy--just as in the Wild West. Despite this growing opportunity, the euphoria ended with a bear market in 1982 as the DJIA hit precipitous low of 776.92.[63]

In the early 1980's, the negative mood manifestations reached extremes that signaled a major bottom, while positive mood manifestations, one by one, began to emerge. The first evidence of the emerging dominance of positive mood forces was the public's stress on physical self-improvement. In 1980, video spread the drive to shape up. Actress and sixties activist Jane Fonda was exceptionally popular, and ex-football player Lyle Alzado paraded his steroid laden body before millions of viewers. This same psychology was reflected in the huge popularity of the film, Rocky, starring Sylvester Stallone, which expressed the new mood that you can succeed if you push yourself to the absolute limit, despite your limitations. The 1983-1987 Wall Street bull market was accompanied by a nostalgia craze and a new Dow Jones Industrial Average record of 2722.42 on August 25, 1987.[64]

In fashion, the nostalgic 1950's styles in just about everything reappeared, as did tastes for etiquette, the Boy Scouts, baseball, Disney movies, Ray-Ban sunglasses, macho men, westerns, marriage and babies. Miniskirts began appearing again in late 1986, but they did not catch on until the following year.[65] That same year, the feverish exfoliations of the new French designer Christian Lacroix reached the United States. It was Lacroix who popularized the "pouf." Perhaps the most astonishing and outrageous dress created in the twentieth century, the pouf was a brilliantly colored, bell-shaped dress that could be as wide as four feet and was festooned with bows and ribbons. It cost $10,000 and up.[66] It was confining and utterly impractical, and the woman who wore it had to negotiate a ballroom with the care of a ferry pilot crossing a busy harbor. Naturally, the pouf became a fashion staple for the thin wives of the new tycoons in 1986. The New York Times actually ran an article on how to pack a pouf for air travel. The writer prefaced the article by saying that, of course, women flying in private jets need not concern themselves with the problem.[67] These exorbitant, clumsy dresses, captured the heedlessness of the country prior to the crash of '87. In the wake of the crash, sales of miniskirts plummeted and the full-blown pouf all but disappeared.

In music, love once more proved an acceptable, if not dominant, theme for pop hits. Several "supergroups" from the negative mood period, such as "The Who" and "Pink Floyd," played their last concerts and disbanded, while the slow-ballad singers vanished from the charts. The heavy metal and punk bands began exhausting themselves under the pressure of the new period, just as the "fun" bands in 1966 and the "art" bands did in 1969.

In dance and music, the new dominant trends in 1984 were "break dancing" and female singers. Cyndi Lauper graced the March 4 cover of Newsweek, and on May 27 Madonna made the cover of Time. The cultural message heard on Wall Street was that the uncertain, corrective phase was nearing its end and that a full-fledged speculative bull market would emerge on Wall Street. That positive mood would persist until 1987 with upbeat songs like Steve Winwood's Grammy winning, "Higher Love."[68] Later that same year, negative and angry sentiments were evident in "rap" music that coincided with the great crash of 1987. The mood was ominous. Music artist Bobby McFerrin tried to allay fears in 1988 with his Grammy winning title song, "Don't Worry, Be Happy."[69] Drawing from the gradually improving mood, Wall Street quickly recovered from the great crash of '87 embarking on October 9, 1989 on record setting years both in volume and investor return.[70]

By the late eighties, the money culture once again flourished in American culture. The philosophy of wealth creation encouraged each person to seek his or her own fortune and let others take care of themselves. Of course, those incapable of doing so suffered correspondingly. The growing desolation among the nation's poor, the increase in homelessness, and the general rise in frustration and disillusionment that helped bring about the drug plague were all ironic outgrowths of the Wall Street culture. Even in art, wealth became the measure of success. The notion that esthetic merit could be determined by commercial success had once been sacrilege. But for artists in the eighties and nineties, the approval of critics was replaced by the validation of the marketplace. It had become impossible for the artist to rationalize poor reception of his work on the grounds that the public was too reactionary or morose to understand him. The only explanation for commercial failure was a lack of talent. These were the rules of a changing culture.

The generation of young professionals who made staggering and unprecedented sums of money while still in their twenties represented a sort of cultural and economic avant-garde in the eighties and early nineties. Together with the hordes of new lawyers and accountants who serviced Wall Street, they were a primary force in the creation of our increasingly commodified culture. They were behind

everything from the surge in value of American antiques and the proliferation of expensive restaurants to the rising price of housing in cities like New York, Boston, and San Francisco.

Typically then, an "I feel good," "I feel bright," or "I love you sincerely" sentiment in art, movies, fashion and music parallels a bullish Wall Street. At the extreme, an amorphous euphoric "I feel great and I love everybody" sentiment (such as prevailed in the latter half of the 1960's) represents a significant crest in mood, and coincides with a major high on Wall Street. Conversely, an "I'm depressed," "I feel dark and dull," or "I'm going to kill somebody" sentiment in art, movies, fashion and music reflects a bearish Wall Street. And an amorphous tortured "I'm in agony and I hate everybody sentiment (evident in the late 1970's) indicates a nadir in mood, and coincides with a major bottom in Wall Street activity.

Thorstein Veblen was actually referring to the latter part of the 19th century, but he could just as easily have been describing the current age when he wrote in The Theory of the Leisure Class:

> The generation which follows a season of war is apt to witness a rehabilitation of the element of status, both in its social life, and in its scheme of devout observances and other symbolic or ceremonial forms. Throughout the eighties, and less plainly traceable through the seventies also, there was perceptible a gradually advancing wave of sentiment favoring quasi-predatory business habits, insistence on status, anthropomorphism, and conservatism generally.[71]

One of the most vivid descriptions of the spirit of the Gilded Age, however, can be found in Vernon Parrington's Main Currents in American Thought. He, too, could be describing the last decade:

> Freedom had become individualism and individualism had become the inalienable right to pre-empt, to exploit, to squander. Gone were the old ideals along with the old restraints. The idealism of the forties, the romanticism of the fifties--all the heritage of Jeffersonianism and the French Enlightenment--were put thoughtlessly away, and with no social conscience, no concern for civilization, no heed for the democracy it talked so much about, the Gilded Age threw itself into the business of money-getting. From the sober restraints of aristocracy, the old inhibitions of Puritanism, the niggardliness of an exacting economy, it swung far back in reaction, and with the discovery of limitless opportunities for exploitation, it allowed itself to get drunk. Figures of earth, they followed after their own dreams. Some were builders with grandiose plans in their heads; others were wreckers with no plans at all. It was an anarchistic world of strong, capable men, selfish, unenlightened, amoral--an excellent example of what human nature will do with undisciplined freedom. In the Gilded Age, freedom was the freedom of buccaneers preying on the argosies of Spain.[72]

Historian Arthur Schlesinger, Jr., has established himself as the leading proponent of the cyclical theory of American history. In his view, the country has swung between periods during which it was preoccupied with "public purpose" and periods in which "private interest" was the prevailing force. "Public purpose" represents the democratic spirit in Schlesinger's view. It emphasizes social responsibility and the welfare of the community over individual freedoms. It is embodied in the regulator, the

labor organizer, the reformer, the demagogue. "Private interest,"on the other hand, encourages the individual's unencumbered pursuit of his own goals.[72] It stresses individualism, self-sufficiency, private ownership, and is embodied in the figures of the pioneer, the entrepreneur, the gambler.

While the inclinations toward both public purpose and private interest are present at all times, Schlesinger argues that at most times one or the other governs the national mood. Public purpose prevailed, to give the most clear-cut example, during the thirties under Roosevelt, private interest during the eighties under Reagan. Former President Reagan, the quintessential optimist, loved to tell the story of two boys: One, a pessimist, received a roomful of toys and immediately suspected a trick; the other, an optimist, was given a roomful of manure, which he took as evidence he was being given a pony. The flip side of optimism, of course, is the refusal to acknowledge suffering. In one of his final interviews as President, Reagan was asked about the homeless people sleeping on the grates outside the White House. He insisted that the homeless were on the streets either out of choice or because misguided liberals had released insane patients from mental institutions.[74]

In pessimistic times, self-centered behavior wanes in America. Community spirit becomes more pronounced as people

rally together to ward off perceived threats to the group as a whole. Individuals tend to focus on moral and spiritual values instead of on materialism as the means to self-fulfillment. Examples include wartime periods and wars against segregation and racism. The Vietnam War is an excellent example of a period when a pessimistic view galvanized Americans by the hundreds of thousands in support of a variety of causes such as peace and the environment. But pessimistic moods, which naturally correspond to bear markets, can also give rise to intolerance and the politics of divisiveness and hatred. This was also evident during the Vietnam War as many Americans advocated a "love it or leave it" policy in attempting to rid the body politic of unwelcomed dissenters. This may once again be evident in 1995.

According to Wall Street analyst Robert Prechter:

> It is clear that extremes in popular cultural trends coincide with extremes in market prices on Wall Street, since they peak and trough coincidentally in their reflection of the popular mood. Wall Street is literally a drawing of how the scales of mass mood are tipping. A decline indicates an increasing 'negative' mood on balance, and an advance indicates an increasing 'positive' mood on balance.[75]

There are other explanations of Wall Street behavior that do not connect to Main Street. Rather, they presume to be more "scientific" and attempt to dispel the influence on mood and culture of Wall Street's performance. Among the alternatives are "capitalization weighted indexes,"[76] which

measure the total market value of the common stocks included in the index. The market value of a stock is calculated by multiplying the number of common shares outstanding by the current price per share. The values for individual stocks are then added to determine the total market value of all stocks in the index. Many believe that capitalization weighted indexes provide an excellent performance comparison over time and offer a reliable prediction of future performance.

Another alternative is the use of an "Advance / Decline Line." The A/D Line is calculated by counting the number of stocks which advance in price within a given period of time (say, a day or a week) and subtracting the number of issues which show price declines during the same period. The periodic net differences are then accumulated to establish perspective through time. While the Advance / Decline Line is viewed as a crude measure of broadly based market fluctuations, it is typically preferred to any "mood" barometer.[77]

The use of geometric averages is another alternative to reading the mind of Main Street. A geometric average, calculated by averaging the logarithms of each stock and finding the "anti-logarithm" of the average, is widely conceived on Wall Street to constitute the perfect averaging prediction system. In fact, there are serious shortcomings to this method, not the least of which is that whenever two

or more stocks are averaged, the geometric method will always produce a result that is below the true answer and, therefore, will be incorrect.

There are still more alternatives to reading the national mood and observing changes in our cultural tastes. They include unweighted market indexes, total return indexes, and contra-cyclical analysis. In the end, there appears to be a need by many to reject the relationship between Main Street and Wall Street, and to apply some greater scientific and universal logic that will explain the behavior of the market. Despite alternative explanations, a strong case can be made connecting Wall Street to Main Street through a myriad of intricate relationships which manifest themselves daily in our American experience.

Notes

Chapter Seven

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CHAPTER 8

MASTERS OF THE UNIVERSE

> Every man...is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men.
>
> -- Adam Smith[1]

There are several definitions of the term "Master of the Universe" currently in use. One is to describe astronomers who seek to define the limits of the physical universe.[2] Another commonly refers to the "stupendous seven--the new masters of the universe" who are seven top executives of leading American corporations who hold the key to the future of the electronic highway by virtue of their control over cable television and cable networks.[3] But clearly the most popular use of the term describes Wall Street cowboys and frontiersmen, pathfinders breaking trails and leading adventuresome pilgrims to the most promising grazing land (the newest and furthest reaches of both theoretical and applied capitalism).

Cowboy Capitalists and the New Frontier

The Masters of Wall Street are tough, ruthless, competitive, pragmatic, at times lawless, but always hard-working, and hard-living. Like cowboys, Masters are paid by others to look after their stock. They also guide their assets to pasture and growth, protect them from rustlers,

and drive them to the selling point. Furthermore, like the cowboy, the Master chooses his attire and equipment to suit a particular environment. The former dresses himself in a ten-gallon hat, kerchief pulled over the lower part of his face, tight pants faced with leather chaps to protect his legs from insects and brush, and boots with high heels to prevent his feet from slipping out of the stirrups. The Master wears custom-made suits from Brooks Brothers, shirts that are tailor made, shoes from Florsheim, and he uses an executive-range vehicle like the deluxe Jeep Grand Cherokee to traverse the canyons of Wall Street and then retreat to the ranch (high-rise condo or suburban estate) when the day is done. The cowboy possesses rough-and-ready virtues as well as extraordinary skill in horsemanship and marksmanship. The Master possesses extraordinary skill in the financial marketplace and is an expert in arbitrage, leveraged buyouts, and investment banking.

The term "cowboys" was also applied during the American Revolution to bands of marauders organized by and loyal to the British cause.[4] These cowboys stole cattle and sometimes other property. The Masters of Wall Street have been known to raid investor assets and steal money, and such activity will be examined later in this chapter.

Like the real cowboys of the American West, the Masters are not simple people taming a land of virgin splendor. In Bonfire of the Vanities Sherman McCoy is

depicted as smug, swaggering, a self-described "Master of the Universe" who controls the levers that move the world. In one $600 million deal, he earns $1.7 million in commissions.[5] Moira Johnston writes of this intense activity in real life: "In the heat of a deal, it is easy to believe that you are at the white-hot heart of the universe."[6] Given the choice between being essentially victims of fate or its master, the Masters of the Universe unequivocally opt for the latter.

They are the men and women of the moment and theirs is a world of action and not of thought. Their bookcases typically contain Moody's ratings, Standard and Poore's, Value Line, Who's Who in Finance and Industry, The Wall Street Journal "Index," and the Registry of Directors and Executives.[7] They submit themselves to a savage and unforgiving environment that often reduces them to semibarbarism in the hope of eventually flourishing in an promised land overflowing with the bounties of materialism, while beckoning faithful investors to follow them to a new life of abundance and freedom. Their numbers from Wall Street arguably have included Alexander Hamilton, Aaron Burr, John Jacob Astor, Edward Henry Harriman, Jay Gould, James Fisk, Cornelius Vanderbilt, John Pierpont Morgan, William Randolph Hearst, Anthony Drexel, Joseph P. Kennedy, Diamond Jim Brady, Bernard Baruch, Donald Regan, Ivan

Boesky, Michael Milken, Robert Altman and Robert Rubin, to name a few.

William H. Whyte, Jr. describes a related but distinct species in The Organization Man.[8] One characteristic of Whyte's group, already examined in this work, is the conviction that "pursuit of individual salvation through hard work, thrift, and competitive struggle is the heart of the American achievement." His organization men are "...the ones of our middle class who have left home, spiritually as well as physically, to take the vows of organization life, and it is they who are the mind and soul of our great self-perpetuating institutions."[9] Wall Street masters are yet another distinct variation of Whyte's species. They are not always from the middle class and they have made vows to garner their own success before all else, regardless of the organization for which they work.

Whyte argues that the "organization man' comes under tremendous influence from a "social ethic" which believes that groups are the source of creativity, that "belonging" is the ultimate need of the individual, and that science is important in achieving that belongingness. Quite to the opposite, the Masters of Wall Street are cowboys on the frontier of opportunity, ready to take care of any problem and take advantage of any weakness that presents itself, usually on their own terms. For Whyte's "Organization Man," individual identity is attained only in collaboration

with others, by subjecting oneself to the collective. This is not the mark of the Wall Street Masters, who thrive on individual accomplishment as their source of "identity." A few selected examples may illustrate their objectives, values, and methods.

In 1989 the Hunt brothers Nelson Bunker and W. Herbert tried to corner America's entire silver market. For a brief dramatic moment in time, they held the country's attention as their activity caused significant fluctuations in currency values in this country and throughout the world. In the end they lost $1.56 billion and control of their main source of income, Placid Oil Company.[10] But while they captured America's attention, they were like a brilliant comet in the financial sky. This activity is reminiscent of the 1869 attempt by Jay Gould, Jim Fisk, and others to corner the nation's gold supply. Gould had enlisted the support of Abel Corbin, who had married President Ulysses Grant's middle-aged sister.[11] Through Corbin, Gould attempted to influence the President not to release government gold reserves to bolster reduced market supply, thus inflating the value of his own acquisitions. After purchasing over $110 million in gold, Gould and associates were finally upended by the very government intervention they thought they had neutralized. Nevertheless, he had once again demonstrated a masterful hand at accumulating tremendous wealth.

In hindsight, Gould's general methodology was ingenious. First, he would buy several shaky and over-extended companies. Second, he would amalgamate them and dress them up with a new corporate name. Third, he then issued a doctored financial prospectus that indicated a scintillating future. Fourth, he would unload the company at an extremely inflated price. Finally, when the new owners soon went bankrupt, Gould would buy the company at a very depressed price, and then repeat the steps, again and again.[12] Here, the objectives, values employed, and methodology are quite clear.

Even more interesting, perhaps, and once again in 1869, Cornelius Vanderbilt financed the rise of Wall Street's first two female Masters, Victoria and Tennessee Claflin. The sisters originally came from backwoods western Ohio (the frontier) and were young spiritualists who appealed to the aged, uneducated, hard drinking, and hard swearing Commodore Vanderbilt. He had started out as a ferry boat operator and made millions before his interest in railroads led to even greater wealth. Vanderbilt established the two sisters in a brokerage house on Wall Street in January 1870. The New York Herald ran the story announcing the debut of two elegantly garbed female brokers dubbed from that day forward, the "Queens of Finance."[13] With Vanderbilt's support, they could not be ignored. How did these two sisters capture the attention of the Commo-

dore? Victoria and Tennessee specialized in seances. The Commodore had used them frequently to connect himself with the recently deceased Jim Fisk, who was shot to death over a love affair.

As their personal stock on Wall Street rose with creative deals, the Claflin sisters got the Commodore to finance a publication named Woodhull's and Claflin's Weekly ("Woodhull" was Victoria's married surname). These masters were ready to expand their circle of influence. A flood of articles followed which thoroughly embarrassed the Commodore but spoke to a number of social and political movements in America that are now part of history. Articles appeared analyzing the governments of the ancient world and of contemporary primitive peoples. The societies of Athens and Rome and early Egypt and Mesopotamia were dissected on a sociological and economic level. The doctrines of Mill, Hegel, and Locke were criticized and expatiated upon. An editorial crusade was launched for the practice of eugenics to produce healthier and wiser children. Women must become intellectually emancipated, argued the Weekly, so that they would insist on reproducing only superior children and, to this end, cohabit only with superior men, whether or not they happened to be their husbands.

These articles mirrored the ideas of the free-love community in New York during this period called "Modern Times."[14] Victoria in particular was singled out as a

rallying point for radicals, dissenters and bohemians alienated from the Establishment. She became must reading in salons from Boston to San Francisco and this drew additional clientele. No group was more impressed with Victoria's writings than America's suffragette leaders. Elizabeth Cady Stanton and Susan B. Anthony took Victoria to their hearts, and she advanced to the forefront of the movement for a brief period, delivering talks from platforms all over America. When she spoke, huge crowds formed. Several hundred of her supporters organized a "Peoples' Party" in Apollo Hall, New York City, and she became one of a handful of women ever nominated for the Presidency of the United States. She ran on a platform of free love to include the abolition of marriage and superior breeding over monogamy. Women and men throughout America were scandalized and titillated. What were these Masters of Wall Street up to?

Quite expectedly, and abruptly, the Commodore announced he was withdrawing his support of the "Queens of Finance." In a desperate attempt to retain the public's loyalty, the Claflin sisters resorted to "tabloid" sensationalism. In a story appearing in the November 2, 1872 issue of Claflin's Weekly,[15] they attacked Henry Ward Beecher, one of America's most celebrated preachers and the brother of Harriet Beecher Stowe, author of Uncle Tom's Cabin. The Weekly accused Beecher of having an affair with

a young married women, the mother of several children and a parishioner in his church in Brooklyn. Beecher's friends retaliated and issued a warrant for the sisters' arrests charging malicious libel. The sisters immediately retained the legal firm of Abe Hummel and William Howe, legal representatives for notables Lily Langtry, Edwin Booth, and P.T. Barnum. A packed hearing was held on November 4, 1872 in the Federal Building on Wall Street. The stock exchange was empty of brokers. The sisters' defense was the First Amendment right to free speech. They were summarily freed to the cheers of brokers in the gallery. Beecher was then charged with adultery, and following a deadlocked jury his case was dismissed. Soon thereafter, the Caflin sisters moved to England, re-married into wealth, and lived well beyond seventy years each. Their comet had passed from visible sight in two years, but their impact upon the social consciousness of America was unmistakable. Wall Street masters could do much more than simply make money.

According to Louis Rukeyser, women continue as "Masters" in the 1990s. Muriel Sievert, Laura Sloate, and Julia Walsh, chair of Julia M. Walsh & Sons, are among a growing number of women in extremely powerful positions on Wall Street[16]. Sievert, for example, was the first woman allowed to buy a seat at the New York Stock Exchange in December 1967. At that time the male-female ratio of owners became 1365:1 (In 1995 the number of female owners

was 69). She had been rejected for years despite her recognized successes on the Street because "We have no ladies room on the floor."[17] In 1972 Walsh became the first female member of the American Stock Exchange after combatting for years spurious accusations that she was really a "Bolshevist" in capitalist clothing.[18] Jane Kaplan is a 1990's youngblood with similar characteristics in a more liberated time. She has been trained by Merrill Lynch, and as a colleague relates:

> When Jane first came into our office, she came around to introduce herself. "John," she asked, "I won't beat around the bush. What does it take to do millions [in commissions] a year?" "And by the way," she said, "you don't look so hot to me, what's your gimmick?" They call Jane the Impaler, only in part because she has an old fashioned spike on her desk on which she slaps her successful leads.[19]

In an industry given to large egos, the Masters think of themselves as frontier fighters, killing villainous high interest rates, fighting the scoundrels of lousy research, saving the women (blue chip stocks) and the children (new derivative options) from evil lawyers, bush league brokers and pilgrim investors who lack the fortitude to stand up and put it all on the line. So the masters adopt nicknames which serve notice to others of their power. Jane is the "Impaler." Warren Buffet was called "Mad Dog" during his years on the Street. In the movie Wall Street Gordon Geckko is "The Terminator." Indeed, the masters have reputations to maintain.

Certainly two of the most notorious reputations belong to former masters Ivan Boesky and (resurgent) Michael Milken. At his peak, arbitrageur Boesky controlled $3 billion worth of stock-purchasing power, enough to strike terror into almost any corporation with a single phone call. On May 18, 1986 he advised the graduating class at the University of California that "Greed is all right."[20] Before the speech, in a brief interview with the local paper, Boesky said he "didn't give a damn" what the students wanted to hear. What he planned to tell them, he said, was that "they must take the role that nobility played in ancient times, by becoming involved in the arts, politics, science and culture for the betterment of mankind."[21] After welcoming remarks by several deans, Boesky stepped to the podium and was greeted with enthusiastic applause by students who had selected him as their choice for commencement speaker. As one reporter at the scene recalled:

> He dwelled on platitudes about America as a land of opportunity and told of his own rise, a highly edited story of how the Detroit-raised son of immigrant parents had conquered Wall Street. Then, when it seemed as though he would lose his audience, he galvanized the crowd with just a few sentences. "Greed is all right, by the way," he said, raising his eyes from his text and continuing with what seemed like genuinely extemporaneous remarks, "I want you to know that. I think greed is healthy. You can be greedy and still feel good about yourself." The crowd burst into spontaneous applause as students laughed and looked at each other knowingly. Boesky later departed without conversing with a single student.[22]

Boesky lived on a 200-acre estate in Westchester County which featured a Georgian-style mansion, an inflatable bubble for its swimming pool, adjoining squash and tennis courts, and carpeting embossed throughout with the monogram "IFB." Following his eventual conviction for insider-trading, Boesky appeared for sentencing before federal judge Morris Lasket on December 20, 1987 and spoke these words:

> I am deeply ashamed and do not understand my behavior. I have spent the last year trying to understand how I veered off course. I would like the opportunity to go forward to redeem myself and leave this Earth with a good name. That is what I want."[23]

By 1986 Michael Milken was the most powerful man in American finance. He could boast of $125 billion in new junk-bond issues and of a single year's income of $550 million. His single-largest client was Ivan Boesky. Because of his extraordinary control over the junk-bond market, Milken could buy back securities at artificially low prices from Drexel Burnham clients who had no way of knowing their actual value, sell them to Boesky at a small profit, have Boesky resell the securities to Drexel Burnham at a much higher price, and in turn resell them to Drexel clients at still higher prices. Together Milken and Boesky leveraged millions of shares of National Health Care, Hospital Corporation of America, ABC, CBS, MGM/UA, and many more, all the while demanding a say in operations and threatening a hostile takeover if refused.[24]

As Boesky was the first to be investigated by authorities, he agreed to turn state's evidence and wear a recording device in conversations with Milken and thus sell out his associate. Milken was doomed. Prosecutors argued that "Milken's crimes were crimes of greed, arrogance and betrayal, part of a master scheme to acquire power and accumulate wealth." Following a speedy conviction, another master was (temporarily?) dethroned. At his sentencing Milken said: "I realize that by my acts I have hurt those who are closest to me. I am truly sorry...."[25] Featured in the evening news, his voice choked and he started to fall forward. His attorneys rushed to his side. As they supported him, he covered his face in his hands and sobbed. Under the high, domed ceiling of the courtroom, he suddenly looked very frail. Support for Michael Milken continued long after sentencing through the organization "Working for the American Dream," headed by president Lorraine Spurge, whose purpose was to burnish Milken's image and fight for his early release from prison.[26] The organization was successful in gaining that release in late 1994.

Susan Hill writes in "Signs of the Times": "Wall Street portrays the whole range of American Free enterprise--the pioneers and fur-seekers, the transportation that opened the West, the creation of great American fortunes, and finally, the fierce battle for the control of this nation."[27] In Snapshots From Hell Peter Robinson

describes these Wall Street Masters as talented, hypermotivated young people, driven by a profound fear of failure, and willing to work insanely hard to reach the top level by doing whatever it takes.[28] The manner in which men and women are currently being selected for "master training" is revealed in a 1993 The New York Times "Forum" article written by Dartmouth's Tuck School of Management graduate Jeffrey Martz:

> In February, when representatives of the Wall Street firm visited my campus for interviews, I was selected to come to New York for a pressure filled interview that students call "Super Saturday." On the Friday evening before the interview, the firm hosted 50 students of widely different backgrounds from colleges and universities across the country at a dinner table at the St. Moritz. We dined on prime rib and exhibited our best table manners while we got ready for the following day's competition. Later that night, in the Mai Tai lounge, everyone was fantasizing about careers in investment banking and about prestige, power, million-dollar salaries by the age of 32--becoming a "Master." I interviewed with representatives of the firm all day Saturday. During one session, I was assured by a vice president that the firm could give me the financial training and potential to tap the developing East European market. Easing back in his huge leather chair, he spoke of the firm's mission to become a "full-service, global investment and merchant bank that would shake the world." A week later, I received an offer of $42,500. base salary to join the firm and train to become an investment-banking specialist in bankruptcies and corporate restructurings. I was one of six students hired. I left for Wall Street immediately after graduation.[29]

In one sense the Masters represent the cult of the investment "genius" promoted by Wall Street and the market industry. The belief that there is such a thing as

stockpicking expertise helps financial charlatans everywhere to flourish by leading investors to assume unnecessary market risks thereby earning "master's" spurs. It underpins the entire American investment advisory industry; without it an enormous amount of wasteful machinery would collapse. People listen to the masters, subscribe to newsletters, attend floating investment conferences, glue themselves to Financial News Network until the early hours, read the fine print of The Wall Street Journal, and generally expend a considerable amount of time and energy picking stocks in the mistaken belief that they can beat the market systematically if they "go with a proven winner."[30] You cannot panic when you are a "Master" on Wall Street. When confronting big deals, clients sense fear the way an animal senses that you are afraid. They can smell fear and confidence. It is life on the frontier. "You're dead as a Master if they smell fear".[31]

The Masters operate and prosper in a predatory environment. For them, Wall Street is seen as their range where an enormous variety of people perform different and specialized functions in an attempt to ensure survival. In the huge commercial banks and trust companies of the financial district, for example, one investment group works with pools of money, which it treats as a "commodity." Bankers are busy actively expanding America's foreign trade with their affiliates, such as Chase and Guaranty (con-

trolled by Morgan and Company) while taking over weak or family-held businesses, recapitalizing them, and distributing their securities to the public or selling them outright to investment houses. Another large part of this community consists of corporation lawyers who work with the bankers and investment houses. But most importantly, there are the investors, the spenders who graze looking for taller grass under the watchful eye of the Masters.

The Masters share a sense of moral ambiguity, supported even in classical economics, and this allows them to operate rather freely and undisturbed on their range. The moral philosophy of Adam Smith, set out in The Theory of Moral Sentiments[32] is a complex account of sympathy (in relation to the motives of agents as well as to the feelings of persons affected by action) and a theory of conscience as a reflection of the views of an impartial spectator. Smith was a critic of the theory of moral sense proposed by David Hume. Smith objects to the idea that there is a single peculiar "feeling" of moral approval. He takes approval and disapproval to be the expression of sympathy and antipathy, but he points out that since we can sympathize with all manner of feelings, our sympathetic sharing of feelings can itself be of different kinds. Furthermore, the sense of propriety is not the same as the sense of virtue, the sense of merit, or the sense of duty. The sense of propriety is straightforward sympathy with the

motive of the agent--what any normal man would have under the circumstances. The sense of virtue, however, is a feeling of admiration for a motive that goes beyond what is merely proper. The sense of merit is a double sympathy, with the motive of the agent and with the gratitude of the beneficiary of his action. The sense of duty is a reflected idea of the judgments of propriety that we imagine would be made by an impartial spectator of our conduct. There are therefore several moral sentiments, not just one.[33]

This moral ambiguity is evident in articles citing ethical violations by eager young masters on Wall Street. For example, one day Caleb T. Warren was sitting at his desk at Prudential-Bache Securities, Inc., where he would spend hours charting companies' performances on yellow pads to find the best picks for his clients. A manager entered his office, grabbed a pencil out of Warren's hands and broke it. "That's for our research department," the manager barked before stalking off. "Your job is to sell, sell, sell."[34] Sales practices and commission formulas encourage brokers to put clients into high-risk partnerships originated by the firm. They induce brokers, who work almost entirely for commissions, "to put their own interests ahead of their customers."[35] Sales contests and paying higher commissions for in-house products lead brokers to sell customers unsuitable products.

Commission incentives dominate and distort compensation. The more commissions brokers generate, the larger the share of the commissions they can keep. That can encourage "churning," excessive trading of customer accounts. Sales contests and "product of the month" campaigns are common. Many firms recruit top-producing brokers, like star athletes, from other firms with huge up-front bonuses. Firms often pay little regard to whether customers benefit from investments. Brokers, for instance, receive financial incentives to push in-house products, such as mutual funds, instead of funds originated by outside groups. The reason: in-house investments produce higher profit margins. But these investments may be unsuitable or have worse performance records than products from outside vendors. According to Alan Bromberg, securities-law professor at Southern Methodist University, "Customers are being told this is the best thing for you, when the real reason is that the broker gets more money for it."[36]

Most firms provide little useful information to customers on how their investments are faring. Brokerage statements do not show an account's performance. And there is no disclosure of the aggregate commissions that a customer has paid over a quarter or a year. Financial consultant and thirty-year veteran of Wall Street Howard G. Berg adds, "If they started including performance and the

cost of commissions on brokerage statements, the industry would disintegrate."[37] Florida investor James Leavengood says he has heard his "masters" admit they had no time to read the financial press to improve their analysis. "Master brokers are the nicest but most shallow people," he says.[38]

How much are master brokers rewarded compared to just ordinary brokers? In 1994 at Smith Barney, Inc., for example, a broker generating $149,000. in commissions for the firm earns $49,170., or a 33% payout. But a broker with $1 million in commissions earns $425,000., a 42.5% payout.[39] The incentive for young brokers to produce is relentless. Brokers with few clients are especially vulnerable. Most brokers are ranked daily by commissions. At many firms, veterans who do not consistently bring in at least $150,000 in annual commissions are quietly asked to leave. About 75% of new brokers do not make it in five years, which is why the big firms must train hundreds of new ones a year.

Firms sustain the sales culture by doling out recognition and perks. Fledgling brokers start out in a bullpen area and only graduate to an office if their sales increase sufficiently. The biggest producers get secretaries and sales assistants. If they open enough new accounts or generate big sales of certain products, brokers get to pick prizes from glossy catalogs, such as golf clubs and

cameras. A 1992 Paine Webber "premium producers" catalog explains how brokers can earn credits for selling life-insurance products. Producers can earn a Rolex watch and a trip to Quebec, where "gala Paine-Webber receptions and dinners fill the evenings in the grand style to which we have become accustomed."[40] Most firms have chairman's and president's clubs to which only the "masters" belong. They are often feted annually by top management at luxury resorts. In 1994, members of Paine Webber's Pacesetter's club--brokers who have made at least $350,000 in gross commissions--spent a weekend at the Phoenician in Phoenix serenaded by disco queen Donna Summer. The firms hold carrots in front of brokers. The brokers get on the phone and hold carrots in front of the clients. The clients hold carrots in front of their institution or before their constituencies.

There are special enticements for certain high-margin products. One former Paine Webber broker won a trip to LaCosta, California in 1993 for selling $1 million worth of Paine Webber's infamous U.S. Short-Term Government Fund, which subsequently lost as much as 9.3% of its value because of bad derivatives investments.[41] Or consider Dean Witter Reynolds enticement to brokers in October 1994: brokers who sold $50,000 in the Trust Company of the West/Dean Witter Global Convertible Trust would qualify for a drawing for a weekend in Bermuda.[42] The biggest incen-

tives, however, are usually for selling investments created by the firm. The reason for favoring its own products, especially mutual funds, is simple: much higher profit margins. The firm reaps a fee for managing its own funds; it gets no such fee for an outside fund. Dean Witter, for example, says that more than 75% of the mutual funds it sells are the house brand. Customers who invest in Dean Witter funds pay a sales load that ostensibly compensates the broker for unbiased advice in helping them pick the best fund. Yet three times out of four, clients are simply ushered into Dean Witter funds. One reason is that brokers receive five to fifteen percent more for selling Dean Witter funds that for outside ones. According to Don Phillips, publisher of Morningstar Mutual Funds, "It's like calling yourself a car consultant when you sell Fords."[43]

Concerns such as these do not really bother Wall Street's masters, who actively and continually market themselves on the basis of their production. Nearly all the major securities firms pay hefty up-front bonuses to recruit top-producing brokers. The lure is not only their sales ability but their customer's assets, which they bring along with them. In essence, the broker uses client assets as a bargaining chip for himself or herself. Brokers typically get clients to come along by persuading them that the new firm is somehow superior to the old one. They rarely tell them the whole truth--that they are leaving for

cold hard cash, a higher commission percentage when they join a new firm. The rationale is that these rewards make up for the costs that Masters incur by moving. Investors, however, may well incur fees and penalties when they move their accounts with the masters. Many firms pay as much as "70-50-50" for masters. This means a million-dollar producer would get a $700,000 cash payment to move to the new firm, plus 50% of gross commissions earned for the next 50 months. Customers are usually oblivious to this high stakes competition.

Also characteristic of the Masters is a clear appreciation of the natural liberty they enjoy in the course of their labors. "Natural liberty" is an expression associated particularly with Adam Smith in his Inquiry into the Nature and Causes of the Wealth of Nations.[44] It is often associated with the idea of laissez-faire, or the doctrine that government should intervene as little as possible in the affairs of its citizens, especially in matters related to economic life. In the hands of Adam Smith, however, "natural liberty" is a much more subtle and realistic concept than laissez-faire and indeed is the basis of a whole theory of social organization that might well apply to America today. "Natural liberty" implies the ability of each individual to do what seems to him best in the circumstances in which he finds himself without fear or threat of reprisal.

Political philosophers from Plato to Hobbes saw society organized primarily through what might be called legitimated threat. They were convinced that if everybody does what he pleases society would rapidly fall apart and that the only thing that holds it together is a credible threat system in the hands of the state. This dissuades people from doing antisocial things that they want to do because they know that they will suffer penalties inflicted by the state. The idea that society might be held together by mutual self-interest would probably not have occurred to anyone earlier than the 18th century.

The most direct antecedent of Adam Smith's concept of "natural liberty" is the economic philosophy of the eighteenth and nineteenth century physiocrats of France. The very name "Physiocracy" means the rule of nature.[45] The physiocrats made a particularly important contribution in seeing society as a totality of interrelated parts. Of the French thinkers at the time, A. R. Turgot probably had the most direct influence on Adam Smith's ideas on the self-regulating character of the economy. The physiocrats, however, still believed that an absolute monarchy was the only means of reconciling the internal conflicts of a society, and they did not have a clear picture of the self-regulating character of a price value system. The idea of natural liberty as a self-adjusting process in society, whereby each individual by following his own interests or

bent promotes the total welfare, is an idea which owes much to Smith.

In Book Five of The Wealth of Nations, Adam Smith takes the concept of "natural liberty far beyond the realm of commodity exchange to education, to religion, and even to some extent to the judiciary. In education, for example, the idea that teaching is most likely to be effective if the teacher is paid by results is still highly unpalatable to the educational establishment. One of the central problems Smith raises is that the freedom of all individuals to produce and exchange anything they like, with anyone they like, at whatever price they can get, only promotes the general welfare if there are no effects outside the exchanging parties. If, for instance, a man produces something to sell, but in the course of producing it he creates a negative commodity, such as air or water pollution which injures somebody else, he should clearly be charged for this. On the other side, if there are activities which produce benefits to people for which the producer cannot charge them, then, unless some arrangement is made for compensating the producer, he will not produce enough of this commodity because he is only producing enough to meet the demands that can be paid for. It is this kind of consideration which has generally led, for example, to the subsidization of education , which is supposed to be an "industry" which produces benefits above

and beyond the private benefits which the educated person enjoys.

The classic summary of Smith's position on "natural liberty" comes on page 651 of The Wealth of Nations and it is worth quoting in full:

> All systems of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. The sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society. According to the system of natural liberty, the sovereign has only three duties to attend to; three duties of great importance, indeed, but plain and intelligible to common understandings: first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and, thirdly, the duty of erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit could never repay the expence [sic] to any individual or small number of individuals, though it may frequently do much more than repay it to a great society.[46]

One major criticism of the regime of natural liberty is that it inevitably leads to a distribution of power, income, and wealth in society which is unacceptably

concentrated and unequal. Smith's response to critics was that the economy is led by an invisible hand to make nearly the same distribution of the necessaries of life which would have been made had the earth been divided into equal portions among all its inhabitants; and thus, without intending it, without knowing it, the invisible hand advances the interest of the society and affords the means for the multiplication of the species. Regardless of the potential misdeeds of Masters, Smith's theory presents us with a self-correcting economic force undeterred by outside manipulation.

Since the day of Adam Smith, the history of the idea of natural liberty has been somewhat checkered. The classical economists such as David Ricardo, Nassau Senior, and James Mill, the generation after Adam Smith, accepted the idea even more enthusiastically than Smith himself. In the mid-nineteenth century perhaps the greatest apostle of natural liberty, the Frenchman Frederick Bastiat,[47] whose pamphlets are still economics classics, carried a belief in laissez-faire far beyond the cautious limits of Adam Smith. Historically, the most severe criticism of the system of "natural liberty has been from socialists, especially the Marxists. Their criticisms are many-sided and include the idea that exchange is in some sense degrading, partly because of its calculatedness, partly because it seems to be unproductive because it produces no physical embodiment

of value, especially where it looks as if equal values are exchanged. There is also a lingering feeling, perhaps from medieval times, that trade is ignoble, that is unheroic and that the good man, whether the saint or the soldier, acts for love or for glory and not for money. The regime of natural liberty, however, appears co-terminus with a "free-market" society.

"Natural liberty," like many other institutions and conditions of society, may have more to fear from its self-appointed friends in the guise of Masters of the Universe than from its enemies. The free exchange of privately owned commodities through mutually accepted terms is a powerful organizer in society and a significant influence upon the culture. If, in fact, the market and its practioners may be subject to pathologies of their own, then other institutions in society outside the market must furnish corrections. Which institution is innocent enough to stand in judgment?

The Masters of the Universe are significant in our society because they advance the boundaries of opportunity (which at first may appear forbidden) and this motivates many of us to look at these as new "frontiers." The perception among many is that their success translates into our own success. The further illusion is that they really share what they gain with clients because they are working on their behalf. They also demonstrate that those who play

footloose with ethics may well become among the best paid in America for doing so. They are able to stand alone and prosper, with an organization only as backdrop, given the computer technology they have in their homes, on their boats, or in their automobiles. Their loyalty to the organization is minimal. They are indeed looking out for number one.

Today the masters use increasingly sophisticated computer technology with which to oversee and expand their domains. One example may illustrate this point. Let us say that you are on the fourth tee alongside the ocean at Pebble Beach country club, sticking a wet forefinger up to test the wind. Back at home your personal computer is in touch with the world. A direct satellite feed of real-time trades on all major exchanges courses through the PIC, which is running a sophisticated program that looks for pricing anomalies in the stocks of, say, eight thousand different companies. Anomalies are fed up-link to the satellite and down-linked to your palm computer stationed on the dashboard of the golf cart. Items of interest result in a beep and draw your attention to the computer. Just then, someone--an heiress who needs quick cash to settle her lover's gambling debts--dumps a large number of IBM shares on the London exchange, driving the price of Big Blue momentarily down to 25 british pounds per share. At an exchange rate of $1.72 to the pound, IBM is selling in

the U.K. for $49.88. But on Wall Street, which has not yet had time to react to the heiress' haste, the price remains at $50.88. Your home computer instantly identifies this arbitrage opportunity and places telephone orders to buy ten thousand shares of IBM in London and simultaneously to sell ten thousand shares on Wall Street. Minus commissions, you earn $9,500 in less than two minutes. The home computer alerts your palm computer or dials you directly on the cellular phone in your back pocket to alert you to the good news. You are now prepared to make the final putt. The computer once again scans for the next opportunity to increase your wealth. Might this be called "Wealth without work?"

Computers are used to model financial transactions on Wall Street and to estimate or control the timing of price changes in currencies, bonds and stocks. The Masters of the Universe are large computer users because they typically do not care about the fundamental aspects of successful businesses, but only about the information the market provides about the volume of trading and the price of a company's stock. According to Forbes, the masters are now able "...to use neural network software with historical data to spot trends in the market and predict future occurrences reliably."[48] Soon to be combined with increasingly sophisticated artificial intelligence models,

neural networks will offer the Masters the opportunity to influence the future even more than they do today.

Accessing the Conduits of Power

There is a clear connection between the Masters of the Universe and the power centers of other major institutions such as government. For decades, major Wall Street investment bankers and state and local politicians have enjoyed mutually beneficial relationships. Politicians dispense more than $1 billion in taxpayer dollars a year to the Street in fees to underwrite municipal-bond issues. The Street, in turn, sends politicians millions in campaign contributions. The conduits to power are thereby opened.[49] Unlike corporations, state and local municipal bond issuers are unregulated, except in extreme cases of fraud.

Another legal practice is for the Masters to hire, without public disclosure, political consultants who have close ties to elected officials. According to Robert Lamb, professor of finance and management at New York University's Stern School of Business, "State and city legislators develop relationships over decades with major traders for friends that involve campaign contributions and support."[50] In exchange, the Masters look for easing of Securities and Exchange Commission regulations, support for open international markets, and favorable decisions on acquisitions,

mergers, and shutdowns. Some critics have termed the arrangement "institutionalized back-scratching."[51]

To what extent do the Masters have access to the power corridors and offices of Washington? During the period between President Theodore Roosevelt and Dwight Eisenhower, eight secretaries of state had first been Masters on Wall Street. Notable among them were Elihu Root, John W. Davis, Wendell Wilkie, Charles Evans Hughes, Henry Stimson and John Foster Dulles. Also having performed duty on Wall Street were Presidents Ulysses S. Grant, Franklin Roosevelt, and Richard Nixon, as well as the father of President George Bush, Prescott Bush, who worked at Brown Brothers Harriman, the firm at which politically influential Averill Harriman was senior partner.[52] In more recent times, Wall Street Masters Robert E. Rubin, (former top seller and co-chairman of Goldman Sachs, and now Treasury Secretary), and Robert Altman are both close advisors to President Bill Clinton.

In addition to their expertise in financial affairs, these Masters bring the culture of Wall Street to: local, state, and federal governments. Their initial success was in buying, selling, trading, negotiating, restructuring, and financing. They did not succeed by being ideologues but rather strict pragmatists in doing what was necessary to consummate the deal, and in some cases, to cover it up. They prefer the "deal" to the "ideal", and to some politi-

cal analysts, such pragmatism has characterized the Clinton presidency.[53]

The Masters also have close connections with education and contribute millions of dollars through private foundations in support of academic work, museums, research projects, especially in science and technology.[54] Ivan Boesky, for example, donated heavily to the Harvard School of Public Health and was then named to Harvard's Board of Overseers. Boesky not only bought his way into Harvard but also into the prestigious Harvard Club of New York City.[55] Michael Milken donated tens of millions of dollars to universities and to private research.[56] Both have had academic centers named after them.

While the amount of influence Wall Street masters are able to exert is difficult to quantify, the evidence would suggest that their power is greatly disproportionate to their numbers. Having access to the highest levels of power in this country and by extension, abroad, has far reaching implications, particularly in light of a national agenda that is increasingly defined in "free-market" terms. This might include the financial bailout of Mexico (in 1982 and again in 1995) or the passage of trade legislation with China in lieu of human rights discussions. The masters have managed to place Wall Street's agenda in the forefront of our national and global agenda, and to shape America's role in the post-cold war world in terms of markets,

investments, and trade. Indeed, perhaps America now publicly subscribes to the values and interests of the Masters of Wall Street more than ever before.

Notes

Chapter Eight

[1] Adam Smith, An Inquiry into the Nature and Causes of the Wealth of Nations (NY: Modern Library, 1937) 649.

[2] "Truly Masters of the Universe," U.S. News & World Report 12 Feb. 1990: 19.

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[4] Encarta 95 (Microsoft).

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CHAPTER 9

AMERICA AT THE CLOSING BELL

> So many goodly cities ransacked and razed; so many nations destroyed and made desolate; so infinite millions of harmless people of all sexes, states and ages, massacred, ravaged and put to the sword; and the richest, the fairest and the best part of the world topsiturvied, ruined and defaced for the traffick of Pearles and Peppere....
>
> -- Michel de Montaigne[1]

This dissertation has sought to examine Wall Street as an increasingly powerful and pervasive symbol of American culture. A brief review of some of the key concepts may be valuable in highlighting the central themes and noting a number of transformations within the appropriate theoretical and applied framework.

The single unifying concept which Wall Street symbolizes is "insulation." Chapters 5 through 7 reveal a symbol that represents the attempt by American individuals, communities, institutions, technology and business to shield themselves against fear and failure by prospering in a cocoon of financial security. For those individuals who are most successful, Wall Street provides insulation that can bring high-rise condos, the suburbs, electrified fences, private security, and protection from the most menacing future threat of growing numbers of techno-peasants throughout America and the World (formerly called the "poor" or "have-nots). As Labor Secretary Robert B. Reich wrote in "Secession of the Successful," in 1991: "The fortunate fifth

is quietly seceding from the rest of the nation. While public parks and playgrounds disintegrate from disinvestment, private country clubs, tennis clubs, health clubs, etc., flourish."[7] The wealthy are now insulated from the real world by fax, modem and satellite without being connected to traditional communities or even to the rest of the country. Wall Street itself is insulated, particularly from its checkered past by focusing almost exclusively on present earnings and future possibilities and by using a language that many simply do not understand.

While relishing the apparent victory of capitalism over communism, America is insulated from rationally examining the efficacy of a 200 year-old-free-market system (despite such obvious problems as the equitable distribution of wealth and job creation), by focusing instead on the endless "democratic" opportunities afforded by Wall Street and related institutions. In the late 1990's America looks at social disintegration and targets two culprits. Welfare and "failed" great society programs are popular candidates to explain why everyone is not sharing in the bounty. Rather than examining the quantity and quality of available jobs or explaining how the ability to acquire unlimited wealth in a world of limited resources can possibly result in equal opportunity for everyone, we accept the apparent victory of the capitalist system as validation of its merit. As a society we are insulated from any sense of "guilt" for

inequity and failure by conducting our relationship with Wall Street at a distance--through intermediaries such as pension or insurance funds, mutual funds, derivatives, and computer terminals. And finally, we insulate ourselves from limitless cultural possibilities that are not deemed marketable in the growing commodification of our culture which frames our experience increasingly in market, economic, and objectified terms.

To emphasize this "insulating" characteristic is not to suggest that Wall Street has not evolved as a "symbol." Quite the contrary, the relationship between this "symbol" and the "culture" has been dynamic and subject to informed interpretation. According to Clifford Geertz, "culture" is not a superorganic form of some kind or patterns of behavior but a context within which social events can be described. Cultural study is an interpretive rather than experimental science:

> Believing, with Max Weber, that man is an animal suspended in webs of significance he himself has spun, I take culture to be those webs, and the analysis of it to be therefore not an experimental science in search of law, but an interpretive one in search of meaning. It is explication I am after, construing social expressions on their surface enigmatical.[8]

This dissertation focuses specifically on American "taste culture" as distinct from "high" and "popular" culture. Herbert Gans coined this term to describe a particular amalgam of "high" and "popular" culture. He

defines "taste culture" as incorporating values and aspects of our daily life:

> ...music, art, design, literature, drama, comedy, poetry, criticism, news, and the media in which these are expressed--books, magazines, newspapers, records, films and television programs, paintings and sculpture, architecture, and, insofar as ordinary consumer goods also express aesthetic values or functions, furnishings, clothes, appliances, and automobiles as well. In addition, taste cultures include the values, forms, and media of the natural and social sciences and philosophy--including their commercial popularizations and even "folk wisdom" and language. Finally, taste cultures have political values; although they do not often express them explicitly, they do so implicitly, and even when not, they frequently have political implications.[9]

The next section will examine changes in Wall Street as a symbol within the context of some major evolutionary changes in America.

Exploring Our Transformation

In the middle of the 18th century, Wall Street was a "place" much more than a "symbol." The colonial economy was predominantly agricultural and so were colonial values. Popularly accepted virtues were professed by Benjamin Franklin in "The Way to Wealth."[10] He recommended industriousness, frugality, efficiency, productive use of leisure, reason, and wisdom. These characteristics, he believed, would lead to freedom and wealth. He railed against the kind of debt, credit, and speculation which Wall Street would come to represent.

Hector St. de Crevecoueur expressed some agreement with Franklin in his summation of specific agrarian values. Most closely related to Franklin's list was the admiration for an energetic spirit of industry. Crevecoueur praised farm life in which each person worked for himself and where the product of his labor was founded on nature and self-interest. Thus he observed no great manufacturing enterprises and no great luxuries; rich and poor were not far removed from each other.[11] What is important to note here is that his praise of an energetic spirit and individual self-interest would also gradually become associated with Wall Street.

It is estimated that 98% of colonial Americans were engaged in agriculture just prior to the Buttonwood Agreement in 1792.[12] Commerce was not held in high esteem by the largest segment of the agrarian community, namely, subsistence farmers. This sentiment was made clear in the exchange between Federalist and Anti-federalist writers during debates over the ratification of the Constitution. To be sure, trade and exchange were not in a position to contest for leadership in the colonial economy. Two factors may explain the relative economic impotency of Wall Street in 1790. First was the condition of trade. As an independent nation America no longer received favored treatment from Great Britain, and was subject to the restrictive measures which characterized the international trade

policies of most western European countries. Patterned to some degree after the British Navigation Acts, these effectively limited American commerce to direct trade with the countries concerned. America was excluded from the lucrative West Indies trade as well as that of the British North American colonies, and subjected to all the discriminatory duties leveled against foreign shipping in its direct trade with other countries. Secondly, the demand for staple products, which was the basis of colonial well-being, was no longer expanding. Tobacco, which accounted for approximately one-third the value of colonial exports had not increased since the Revolution. The comparative advantages the new states had in agriculture were offset by high transport costs and an expanding home market in a Europe at peace and still largely agricultural and self-sufficient in most primary products. Domestic trade was largely still limited to the western states and territories (Kentucky and Tennessee) constituting a non-native population of 109.3 thousand compared to the U.S. population of 3.9 million.[14]

When the business of exchange formally began on Wall Street in 1792, the Street symbolized the center of American politics as the seat of the Federal government. Subsistence farmers, however, still had little use for banking, finance and commerce, particularly the kind proposed by Alexander Hamilton and his supporters on Wall Street. Those engaged in the country's dominant enterprise still viewed Wall

Street with suspicion for two reasons. First, it symbolized a less than unanimously admired federal government located at Federal Hall. This new government and its constitution had not been ratified by an overwhelming majority in a number of states and had been fiercely resisted by agrarians throughout the Confederation. In New York the Constitution was approved only because of the impassioned defense provided by Wall Streeter Alexander Hamilton, who helped turn the tide in support. And, second, Wall Street represented the counterweight to agrarian values and thus served as a target for those who wished to point out the sins of avarice and uncontrolled ambition still threatening the moral fabric and greater commonweal of the new nation. It was quite evident to many that no constitutional provision could interdict the flow of money, no man-made barrier prevent its pervasive potential to create its own channels of communication, rearrange loyalties, and thereby undo the checks and balances of the federal system. As Henry Bretton writes in The Power of Money, "There were those who long contended that in monetary respects the separation never worked, mainly because Wall Street, not Washington, held the controls."[15] During Jefferson's presidency the value of individual pursuit of improvement and the subordinate position of commerce were made clear. In his first inaugural address, Thomas Jefferson included what seems like a declaration of economic natural rights:

> Still one more thing, fellow citizens--a wise and frugal Government, which shall restrain men from injuring one another, shall leave to them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned.[16]

Jefferson then continued by supporting "the encouragement of agriculture, and of commerce as its handmaid." For most Americans, this prioritization was not offensive. Land was still the most common source of wealth and thus the focus of most attention.

When the seat of Federal Government temporarily moved to Philadelphia while awaiting the move to Washington, D.C., Wall Street ceased to symbolize the "formal" seat of power in America. Now the Street would focus less on political matters and more on banking, commerce and trade. The transition from center of government to financial center was subtle and occurred gradually during the period 1800 to 1845. While immigration and the new capital flowing into the United States played important roles in the nation's development in the thirty years after 1815, it was the growth of the cotton textile industry and the demand for cotton which was decisive and a boon to Wall Street's improving commercial identity.

Paying for western foodstuffs and northeastern services and manufactures basically depended upon the income received from the cotton trade. According to Hunt's Merchant's Magazine, and Commercial Review, (1840),[17] Wall Street brokerage houses were paid an average of twenty-five cents

(or 1.4 percent) on each bale of cotton (selling price, $18.15) commissioned at the Port of Mobile. In 1840 cotton exports equaled $63,870,307.[18] Income received in the South from the cotton export economy flowed directly out of the regional economy again in the purchase of goods and services. Food was provided by the West and the Northeast provided financial, transport, insurance, and marketing services. While direct income from the cotton trade was probably no more than 6% of any plausible estimate of national income,[19] it set in motion the whole process of accelerated expansion which would in large measure be fueled from Wall Street. During the time of the early financing of canals and regional railroads in the 1830s and 40s, built to transport cotton and other products, America still remained an essentially agricultural society.

Wall Street, however, was becoming more prominent as a center for capital formation and banking. Still an underdeveloped country, the United States had a chronic scarcity of capital. One of the nation's crucial requirements during the beginning of industrialization was mobilizing an adequate flow of private investment for manufacturing. Americans could not look to war-torn Europe for capital to sink into United States industry. Until about 1890 foreign investors were interested chiefly in land. The void in capital production, then, was left to Wall Street to fill. The Street responded by using government securities to

leverage capital in exchange for a promised generous rate of return to investors. Already by the 1840's and 1850's while cotton was still an important influence on Wall Street, it was clearly no longer dominant. When economic expansion began in earnest in 1843 with the growth of railroads beyond regional boundaries, the American economy had escaped from the limitations of being tied to a single agricultural export staple. A future as a manufacturing nation was assured and growth was tied to increased immigration and railroad construction instead of cotton and canals. Dramatic changes in business organization would also alter the mechanics and importance of raising capital from the public. Fortunately, Wall Street had greater access to that public by means of telegraph and ticker-tape.

Early in the 19th century, American businesses relied primarily on partnerships. The principal disadvantage of partnerships is still that the withdrawal or defection of one of the partners legally dissolves the relation. Its life, therefore, can well be unexpectedly shortlived. The ascendance of the "corporation" was important to American enterprise for a number of reasons, not the least of which was the creation of a "public offering" by which Wall Street could raise capital more easily. Until about 1850 few corporations existed, and well over 90% of them were in fields other than manufacturing.[20] There was hostility to the early American corporation in large measure because of

the legacy of Thomas Jefferson and John Taylor of Caroline, who taught that "corporations are the creatures of a moneyed aristocracy and devices for the perpetuation of class rule."[21] In 1820 the economist Daniel Raymond wrote, "All money corporations are detrimental to national wealth. They are always created for the benefit of the rich, and never for the poor. The poor have no money to vest in them and can therefore derive no advantage from such corporations."[22]

Nevertheless, the union between Wall Street and incorporation would be critical to economic growth in America. In The Stages of Economic Growth, Walt W. Rostow has set the approximate date of the American rise to sustained industrial development as 1843-1860.[23] Even before this period the impatient thrust of Yankee ingenuity was summed up in 1834 by Justice Henry Baldwin of the United States Supreme Court, who said there was an "inventive creating spirit" vitalizing American industry, "which does not wait the slow and tedious march of time for its development."[24] Foreign visitors agreed with Baldwin. The Austrian Francis J. Grund wrote in Americans in Their Moral, Social and Political Relations: "The American discovers daily new means of creating and increasing capital, improving trade, and constructing machines to diminish the amount of manual labor.[25]

Herman Melville was familiar with the workings of Wall Street. It was only after failing to secure an engineering

position with the Erie Canal project, which was being financed from Wall Street, that Melville left for the high seas. Later he was to pen Bartleby, the Scrivener: A Story of Wall Street. In the third paragraph of this novella the narrator expresses a value that became a mark of the Street: "I am a man who, from his youth upwards, has been filled with a profound conviction that the easiest way of life is the best."[26] The narrator continues by describing his deep admiration for John Jacob Astor, a name which, "I admit, I love to repeat, for it hath a rounded and orbicular sound to it, and rings like unto bullion."[27]

In the decade 1850 to 1860, the capital raised on Wall Street increased by almost ninety percent from $533,200,000. to $1,009,000,000. Between about 1850 and 1880 the capitalist system developed some clear categories of people and occupations and endeavors. There were workers, managers, shareholders, brokers, creditors, customers, and entrepreneurs. The relatively unambiguous categories produced clear answers to questions of who got what. Workers got a wage, managers a salary, creditors some interest and brokers a commission. Shareholders got the rest. No one doubted who owned the companies. It was not Wall Street. The Street provided banking and financing transactions. The number of publicly listed companies on Wall Street was small. By the end of March 1860, approximately seventy-five firms were listed in the "Monetary Affairs" section of The New York

Times. Sixty of these were related to railroads and telegraph.[29] The entire "Monetary Affairs" section was only five column inches. Real power did not yet belong to the public, or to Wall Street directly, but rather to powerful individuals who owned the great majority of privately held shares. These financial titans believed strongly in the concept of meritocracy as a distinguishing element in American society. For at least two decades, Wall Street essentially stood in their giant shadows.

By the 1880s, Wall Street was home to many of the "Robber Barons." Articles and advertisements in The New York Times frequently listed the directors of companies seeking financing through Wall Street. The March 2, 1880 edition included a number of offerings that attempted to draw upon the notoriety of the principals. The Mexican Telegraph Company, for example, was seeking $1 million in capital to install 500 miles of "submarine cable" from California to Mexico. Listed prominently among the directors were "J. Pierpont Morgan, Esq, Messrs. Drexel, Morgan & Co."[30] On the same page was another offering for the "Gold Mining Company" attempting to raise $10 million for even more extensive mining in the Black Hills. Listed prominently once again as a Director was "J. Pierpont Morgan."[31] An article quite accurately representing popular sentiment about Wall Street and its association with the Robber Barons appeared in Arena magazine in 1887 and referred to the

Street as "the Citadel of the money power."[32] It was portrayed as the "seat of American power" controlled by just a few. At the same time, a very different and complementary representation of Wall Street was discernable. In Arena, Edward Fawcett wrote of Wall Street as a "Paradise for gamblers", a place "where everyman can take a chance at finding happiness."[33]

During the 1890's The New York Times carried "Wall Street Talk," "Financial," "Financial Affairs," "Commercial Affairs" and "Foreign Market" sections all within the total limit of ten pages for the daily edition. Throughout these sections individuals such as Jay Gould and the Morgan family were featured prominently. Eventually, however, the power of concentrated ownership was gradually weakened with the increase in public offerings of shares for open purchase, which gave major owners more liquidity but less power. Wall Street brokered much of the activity and one attendant benefit to the society was in making ownership through investing ever more democratic. Brokers had no direct interests in the corporations whose shares they handled; so they were not prejudiced. This impersonal brokerage activity with multitudes of individuals was consistent with America's historical mythology and official aspirations, political bent, and educational arrangements which derive from the psychology of the great imperial middle. As Loren Baritz has noted in The Good Life: The Meaning of Success

for the American Middle Class,[34] Wall Street blurred strictly economic class boundaries by offering hope to those who might not on their own be able to secure wealth.

As Wall Street nurtured this economic democracy among a people increasingly saturated in materialism, Americans were often criticized for being preoccupied with money-making and for enshrining the dollar as the only standard of personal merit and status. (This growing preoccupation would later facilitate the commodification of the culture by objectifying "value"). The acquisitiveness on Wall Street was increasingly more open and undisguised, perhaps because it was not masked or blunted by a rigid social hierarchy. Underlying the intense personal drive for wealth was the national creed of egalitarianism and an abiding faith that even the poorest man might, by enterprise, pluck, and ingenuity, ascend the rungs of the socio-economic ladder. Fortunately, America was positioned for even greater advances.

The central driving force behind the industrialization of the United States between 1865 and 1900 was the railroad. The aggregate demand of that industry alone was so great that booms in construction were a major factor governing the rate of investment and the swings of the business cycle. The influence of the railroad could be detected everywhere, not only in related industries like steel and coal, but in the commercialization of agriculture, the encouragement of

immigration, the thrust toward urbanization, and improved techniques for the mobilization of investment capital. By the turn of the 20th century, the railroad industry ranked first in revenues and capital assets, and most of the shares listed on the Wall Street exchanges were railway securities.[35] On January 1, 1900 The New York Times began the year with an unprecedented thirty-two page "Financial Review." Four other pages were exclusively devoted to business and commerce with the addition of a "Futures" and "The Commercial World" sections (foretelling the global economy?).[36]

Still, with all of this commercial activity, many Americans were excluded. In 1872 Fanny Fern (Sara Willis Parton) wrote of the experience of women during the economic growth of the period in the "Working-Girls of New York City." She lamented:

> Why, these young creatures bear it, from seven in the morning till six in the evening; week after week, month after month, with only half an hour at midday to eat their dinner of a slice of bread and butter or an apple, which they usually eat in the building, some of them having come a long distance. As I said, the roar of machinery in that room is like the great roar of Niagara. Observe them as you enter. Not one lifts her head. They might as well be machines, for any interest or curiosity they show, save always to know what o'clock it is. Pitiful! Pitiful, you almost sob to yourself, as you look at these young girls. Young? Alas! it is only in years that they are young.[37]

African-Americans were also generally excluded from "investing" in America. In the earliest days of Wall

Street, slaves were sold on the Street and the brokerage fee was typically 10% of the selling price.[38] Sadly, it was not until 1987 that a Business Week editorial made the official announcement: "Wall Street Notices Black America."[39] This was definitely a case of extended "insulation."

By the turn of the century, more articles appeared both criticizing and praising Wall Street's behavior. World's Work ran a decade of articles beginning in 1900 that were critical. Essays such as "Criminal Wall Street" appearing in 1905,[40] and "Investigating the Wall Street exchanges"[41] in 1909 conveyed the image of a lawless, greedy, and powerful enterprise. Other publications such as Cosmopolitan and the Nation joined with even more criticism such as "Wall Street and Graft"[42] and "Wall Street Scandal."[43] Similar articles appeared in Harper's Weekly questioning Wall Street's very existence, "Legitimacy of Wall Street Questioned!"[44] More pointed articles linking Wall Street to corruption included "Wall Street and the Political Campaign"[45] and "Wolf and his methods,"[46] and "Wolves and Green Goods."[47] At the same time, popular articles appeared that praised Wall Street as a "Magnet of Opportunity,"[48] and proclaimed "Wall Street Vindicated."[49] Collier's magazine spoke of "The Easy Rich,"[50] and how Wall Street was able to take Everyman and make him an independently wealthy person.

Despite the criticisms, investigations, charges, and infrequent convictions, incorporation provided substantial

insulation between the public and corporate owners and financiers doing business on Wall Street and the courts and regulatory agencies. In the wake of larger-than-life private ownership, the names of enormous enterprises such as United States Steel shielded most individuals. By 1920 Wall Street stock issues included prominent corporate names such as Allis-Chalmers, American Can, American Sugar Refineries, American Tobacco, Coca-Cola, Kennecott Copper, Loew's Incorporated (Films & Theaters) Pacific Telephone and Telegraph, Stutz Motor, American Woolen, United States Rubber, and a host of rail issues to include the Denver and Rio Grande, Lake Erie and Western, Reading, Pennsylvania, and the rail and auto related Pullman Company.[51] Wall Street's activity now surely affected a growing number of households and the American way of life.

Following the Great Market Crash of 1929, Americans increasingly transferred their faith for security and stability from Wall Street to government. During the crash itself, Wall Street banking and brokerage firms were charged with a number of offenses to include mail fraud in connection with stock sales and the fraudulent sale of stock.[52] The publicity surrounding the crash was infectious as reporters wrote about curious crowds numbering in the hundreds visiting Wall Street to view what today might be called "ground zero."[53] To help improve a tattered image, Wall Street announced a $100 million building program in

1930 to give a "new face" to the Street."[54] Publicity also took a turn for the positive. Soon articles declared Wall Street the "The Modern Mecca."[55] and "the financial center for scientific research and discovery!"[56] Wall Street advertisements tried to reassure anxious investors with ads such as, "How to Invest $1,000 so it will never be worth less than a thousand."[57] One 1930 Wall Street advertisement for the Prudence Company, ("Prudence-Bonds for Prudent People) is rather humorous in hindsight. It features a hydrogen filled dirigible moored to a tower with the caption:

> Vision. Investors you will call "fortunate" in years to come are men who today see what the future will bring. They tie up to financial strength. That's vision![58]

Wall Street stock issues in 1930 clearly represented important influences in the culture as well: American Ice, American Piano, American Telephone & Telegraph, American Tobacco, Bulova Watch, General Electric, General Motors, Gillette Safety Razor, Hudson Motor Car, Indian Motorcycle, International Business Machines, Kelvinator, Kraft Philadelphia Cheese.[59] Branches of the major Wall Street brokerage firms were established in Atlantic City, Chicago, Lake Placid, Miami, Washington, D.C., San Francisco, London and Paris. The influence of the Street was now much more subtle, less flamboyant, and no longer dependent upon individual personalities for identification. For a number of years Wall Street debutantes (daughters of the Masters of

the Universe) were called upon to provide movie reviews on nationally syndicated radio shows and in national newspapers such as The New York Times. These well educated and insulated women were given the opportunity because their fathers frequently held directorships of movie studios such as the Fox Film Corporation.[60]

By the early 1940s Wall Street was described in Scholastic magazine as "an essential for democracy"[61] and in Harper's as "the link between Main Street and prosperity."[62] In the 1950s a number of articles appeared that revealed its extended influence in American society and the world. Henry Fleming, for example, wrote in Newsweek in 1951 that Wall Street would soon "touch every household and person in America, for the better."[63]

Faith in government as the champion of freedom and security that followed the Great Crash of 1929 persisted until Vietnam War protests, Watergate, and Civil Rights issues laid bare and exposed to question the very basis of that trust. Ironically, a growing distrust of government, founded in idealism, translated into a gradual shift in allegiance to the values of free-market enterprise and an increasing reliance upon Wall Street as the centerpiece of growth and individual freedom. This philosophical shift did much to lay the foundation for Wall Street's subsequent "golden years." The spirit of much of what was being attempted by the young rebels of the Sixties was captured

well by Charles Reich in his best-selling ode to the movement, The Greening of America:

> There is a revolution coming. It will not be like the revolutions of the past. It will originate with the individual and with culture, and it will change the political structure only as its final act. It will not require violence to succeed, and it cannot be successfully resisted by violence. It is now spreading with amazing rapidity, and already our laws, institutions and social structure are changing in consequence. It promises a higher reason, a more human community, and a new and liberated individual. Its ultimate creation will be a new and enduring wholeness and beauty--a renewed relationship of man to himself, to other men, to society, to nature, and to the land.[64]

This work has many flaws, which both reflect and exaggerate those of the movement it describes. It is, nevertheless, an extremely valuable document, first, as a statement of the mood and minds of the young people who were struggling to transcend the culture in which they were reared; second, as a guide to the errors that led that struggle to collapse into self-caricature; and third, as a philosophical basis for the acceptance of contemporary Wall Street values. It is also worth examining as one of the most explicit statements of the idea that a change in consciousness can change society. The basic theme of Reich's account of what was happening in America, reflected in the quotation above, was that a new kind of consciousness was developing out of the contradictions of the consumer society and that this new consciousness was destined to sweep over our society and bring with it a new and far better way of life. Reich called this new way of thinking

and experiencing "Consciousness III," in contrast to Consciousness I (the rugged individualism of the frontier and of nineteenth century capitalism) and Consciousness II (the mind-set of New Deal liberalism and its later permutations in the Great Society).

To a great extent, Reich incorporates closely related individualistic assumptions into his ideas. He states that "Consciousness III starts with self." In contrast to Consciousness II, which accepts society, the public interest, and institutions as the primary reality, III declares that the individual self is the only true reality."[65] Reich does try to temper this rather bold statement, adding that "to start from self does not mean to be selfish" but rather implies "a radical subjectivity designed to find genuine values in a world whose official values are false and distorted."[66] This distinction between "self" and "selfish" would soon be blurred.

Selfishness is, however, only part of the problem with thinking individualistically in a society immersed in "idealism." Also at issue is the assumption, repeated again in Reich's very next sentence, that "human life is found as individual units." This is, of course, the classical assumption of liberal social theory, from Thomas Hobbes, John Locke and Adam Smith to contemporary liberal and conservative economists.

Reich does try to complement this atomistic vision with a concern for community. "Human nature," he says, "was not necessarily always privativistic, grasping, competitive, materialist. The average man is descended from people who had the capacity to put community ahead of their immediate wants."[67] But where does meaningful sacrifice end and "violence to the self" begin? When does sacrifice, dedication, or channeling one's desires and ambitions become a socially meaningful goal to strengthen the personality and when does it make one "an object" to serve the cause of self? There is for Reich no conflict between one's immediate desire for pleasure and one's dedication to a social cause; one's whole-hearted enjoyment is what one owes to society, for that is what will lure others away from the destructive path they are following, a path based on an artificial and erroneous view of human needs.

Oddly, though Reich plays down the potential for conflict between one's commitment to social ends and one's duties to oneself, he at the same time sets the individual apart from his community or society to an excessive degree. The individual is portrayed as influenced by the society in which he lives, but he is not really perceived as an organic part of it. The "community" Reich envisages is a temporary and voluntary association of separate individuals. There is an implication that precisely because one's relationships

and commitments are chosen, they will be vital, deep, and meaningful.

Reich does seem to be searching for a vision of community in which each individual is related to other individuals in a mutually enriching way. His intention is to describe a new kind of individualism that is not the opposite of commitment to the group but the natural outcome (and foundation) of such commitment. "From the start of this book," Reich says, "we have argued that consciousness plays the key role in the shaping of society....For culture controls the economic and political machine, not vice versa."[68] Change occurs only from the inside out; change individuals and you change society. Radicals must see "that their real target is not a structural enemy, but consciousness."[69] Reich's emphasis on the consciousness that underlies economic and political effort is a useful addition to an otherwise purely institutional emphasis. His focus does, however, lead to a number of misleading conclusions. Bob Dylan, for example, according to Reich, "did what he wanted to do, lived his own life, and incidentally changed the world; that is the point that radicals have missed."[70] From the present vantage point it is clear that Dylan did not change the world, intentionally or incidentally; and he became very rich, like many good capitalist superstars. Dylan did have a political influence for a while--so long as he concentrated to a substantial degree on political topics.

When he began to focus his efforts solely on himself, when his personal mystique became his primary preoccupation, the "greening" of Bob Dylan was the color of money. The compromise in values, central to Wall Street, had been made.

Reich echoes mainstream American values in his emphasis on continual growth, change, uprooting, and rejection of tradition:

> The new generation constantly tries to break away from the older, established forms which, in a changing society, must forever be obsolete.... Accepted patterns of thought must be broken;... Personal relations are entered into without commitment to the future; a marriage legally binding for the life of the couple is inconsistent with the likelihood for growth and change; if the couple grows naturally together that is fine, but change, not an unchanging love, is the rule of life.[71]

Reich advocates "escape from the limits fixed by custom and society, in pursuit of something better and higher." In the continuing search for personal growth, Consciousness III "lives in a never ending state of tentativeness and uprooting."[72] Reich's contributions serve as an appropriate philosophical base helping to explain how a contemporary resurgence in idealism in the 1960's could so easily be transformed into a comfortable compromise with Wall Street in the decades that followed.

There is no dialectical tension in Reich's vision, no struggle to resolve the contradictions between the need for freedom and liberation and the need for links to a tradition and to values sunk so deep they are not optional, not

obsolete simply because our feelings change. The growth Reich wants us to seek constantly, and to turn over everything in the quest for, is, to be sure, not simply material growth but a growth of consciousness. To a far greater degree than he recognizes, however, Reich's new consciousness demonstrates a structure of mind that is the essence of the capitalist spirit he thinks he decries. The cultivation of discontent, the worship of the "new and improved," the throwaway attitude toward what has until this moment seemed serviceable--these are some of the mental structures that have supported the unprecedented rise of Wall Street. Whether they are also--without a good deal of modification and tempering by other casts of mind--the structures whereby we can transcend the imperatives of our free-market economy is questionable.

In the 1970's Alvin Toffler spoke to the need for social and economic planning and participation in Future Shock. The book's argument can easily be summarized. There have been three major changes, or waves, as Toffler likes to call them, in human history. The first took place some ten thousand years ago, when certain hunter-gathering tribes discovered agriculture and settled down. The second occurred with the Industrial Revolution three hundred years ago. People flocked to the cities, where the new manufacturing jobs sprang up; they were mass-educated for mass-production. Power shifted from the owners of property to the

creators of capital. The preliminary swell of the third wave is crashing in now: the computer-driven Information Age, when people no longer trudge off to factories or offices but sit at home in "electronic cottages," using their modems and faxes and keyboards to cruise cyberspace. These voluntary shut-ins are not merely customers anymore, but "prosumers" using and adding to the daily flow of data. The world is becoming the oyster of the computer literates.

In a work that soon followed entitled The Futurists[73] Toffler quotes Sir Geoffrey Vickers, an eminent British social scientist, who speaks to a particular concern, namely, the discontinuity between rates of social, technological, and consciousness change and the rates of adaptation within a society:

> The rate of change increases at an accelerating speed, without a corresponding acceleration in the rate at which further responses can be made; and this brings us nearer the threshold beyond which control is lost.[74]

Toffler attributes the anticipated breakup of society to the failure of technocratic planning. He also cites one consequence of our sense of a loss of control as a revulsion against intelligence:

> This reversion to pre-scientific attitudes is accompanied, not surprisingly, by a tremendous wave of nostalgia in the society. Antique furniture, posters from a bygone era, games based on the remembrance of yesterday's trivia, the rediscovery of such faded pop-cult celebrities as Humphrey Bogart (or, Tony Bennett?), all mirror a psychological lust for the simpler, less turbulent past. Powerful fad machines spring into action to

> capitalize on this hunger (songs of the sixties and seventies?).[75]

This revulsion against intelligence facilitates the deluge of "information" that replaces it. Thus we find ourselves looking to data (such as the Dow Jones Industrial Average) for meaning in our daily life. If the average is "up" we feel "up," and if it is "down," then so it goes. Toffler's answer to the prospect of social disintegration is "social futurism" that would ostensibly transcend the failures of industrialism and technocracy. The single bright prospect he admits to is the financial system:

> ...the financial system is becoming more responsive to social and psychological pressures. It is only in an affluent society on its way to super industrialism that one witnesses the invention of new investment vehicles, such as mutual funds, that are consciously motivated or constrained by non-economic considerations. The Vanderbilt Mutual Fund and the Provident Fund refuse to invest in liquor or tobacco shares. The giant Mates Funds spurns the stock of any company engaged in munitions production, while the tiny Vantage 10/90 Fund invests parts of its assets in industries working to alleviate food and population problems in developing nations. The Ford Foundation and the Presbyterian Church both invest part of their sizable portfolios in companies selected not for economic payout alone, but for their potential contribution to solving urban problems.[76]

Toffler recommends the development of social and cultural indicators constructed similar to the Dow Jones Industrial Average to provide an "objective" measure of how well we are doing socially and culturally and how well we are moving along stages of social development. In addition, he believes there should be corresponding "feedback mecha-

nisms," like Wall Street market indicators, to ensure the continuation of our political democracy through cyberspace data exchange.

Robert Heilbroner noted in 1975 that even though capitalist and democratic expansion had failed to produce high morale among the population, the values of the system provided a means to preserve the status quo:

> ...the pervasive values of competitive striving and expected personal advancement also present another problem--how to satisfy the demands of the lower and middle classes for higher living standards, while protecting the privileges of the upper groups. The solution has been to increase the output of the economy, thereby providing absolute increases in income to all classes, while leaving the relative share of the upper groups relatively undisturbed.[77]

Certainly by 1980 America was becoming more anti-government and pro-business. A number of "supply-side" economists (to include President Reagan's advisor, David Stockman) argued that to provide the rich with opportunities to amass even greater wealth was good since economic benefits would flow downward throughout America to each individual. One could not expect, they argued, that economic benefits could ever flow upward from the poor and disadvantaged. Charles Keating, Michael Milken, Ivan Boesky and many others correctly interpreted the political signposts and took advantage of this incredible opportunity to combine creativity and technology. Wall Street provided the mechanism for them to amass fortunes on an unparalleled scale with the introduction of "junk bonds." These were

extremely risky investments that dealt in firms that otherwise would be unable to raise significant capital and, for a while, it appeared that the growth of the early eighties would never end.

According to Martin Meyer in The Greatest-Ever Bank Robbery: The Collapse of the Savings and Loan Industry, Wall Street investment houses made a fortune in the 1980s while America slept by selling mortgage-backed securities and "stuffing Savings and Loans with junk bonds that were extremely risky. Legal mazes were created to hide the $600 billion looting spree since builders, appraisers, real estate brokers, lawyers, and all sat together on the boards of Savings and Loan banks."[78] And, rather remarkably, there was no national sense of guilt, or, anything more expressive than temporary outrage. Now, even guilt could be insulated. As commentator George F. Will pointed out, America had "grown up from the politics of guilt":

> Freudian social theory holds that guilt produces civic virtue by inhibiting the pursuit of private interests. The rhetoric of "compassion" that fueled the growth of swollen welfare states was partly a product of the culture of guilt. Then in the 1970's came the oil stocks that disrupted economic growth and demonstrated that welfare-state entitlements--codified compassion--grow more surely than the economies that must pay for them. This provoked Western publics to reconsider where to draw the line demarcating social and individual responsibilities.[79]

Will Herberg struck a related note when he posed an important question in an essay, "What is the Moral Crisis of

Our Time?" His answer was that the very notion of morality or a moral code was now absent:

> Morality seems to be itself losing its meaning for increasing numbers of men and women in our society. It is here that we find a breakdown of morality in a radical sense, in a sense almost without precedent in our western history. To violate moral standards while at the same time acknowledging their authority is one thing; to lose all sense of the moral claim, to repudiate all moral authority and every moral standard as such, is something far more serious. It is this loss of moral sense, I would suggest to you, that constitutes the real challenge to morality in our time.[80]

With a shield against guilt and the very absence of a moral compass, Wall Street could now literally engage Everywoman and Everyman in the pursuit of independence, freedom, and wealth. America's response to lingering social and economic problems was to shift attention away from greed and a faulty free-market system and turn instead to America's underclass and dysfunctional neighborhoods that included a growing number of working poor. For those marginalized segments, the state lottery was the common form of investment opportunity, and, in many cases, illegal drugs constituted their only connection to the global economy.

Many writers, however, like economist Karen Pennar insisted in 1989 that jobs and wages would increase only as savings increased thus generating new investment capital on Wall Street. This, she said, "is how America can lift more people out of poverty."[81] A similar sentiment favoring unfettered business and investment was expressed by Gary S.

Becker in Business Week under the title "How The Disabilities Act will Cripple Business."[82] The blatant promotion of investment, commerce, and personal acquisition had its appeal for millions of Americans subjected to each nightly news broadcast highlighted drive-by shootings, a $4.8 trillion national debt, a crisis in the value of the U.S. dollar, natural destruction, political misdeeds. The words "On Wall Street today..." represented a breath of fresh opportunity, a diversion, a chance to evaluate tomorrow's prospects in light of numbers rather than political ideologies, media punditry, and constant social bickering--with a view of hope rather than social disintegration.

In 1982 John Naisbitt's bestselling Megatrends[83] also signaled changes that were to be effected by business rather than government, schools, or communities. He wrote of several: from industrial to an information society, national economy to a world economy, institutional help to self-help, hierarchies to networking, and, the economic ascendancy of the South over the North. As it did for canals in the 1830s and railroads in the 1840s and steel in the 1880s, Wall Street would fuel the changes with unprecedented amounts of capital drawn from all sectors of the society.

In the early 1990s Wall Street symbolized America's increasing focus on matters financial and economic with an emphasis on the new "global" economy. The Street represented the volatility of America's future. In 1993, for

example, publications cited "foreign investments" as the best investment opportunities that "will last well into the next century."[84] Two years later investors were abandoning global investment funds as quickly as they had entered them. In contrast to Wall Street volatility, excitement, and promise, Washington, D.C. seemingly represented an inefficient, if not altogether broken, out-of-touch, archaic machine, that no longer could deliver the goods of security and prosperity to individual Americans. Now, just as John Naisbitt had speculated earlier in Megatrends, it was up to each American to secure his and her own future without the assistance or interference of government. Supporting the theme of minimalist government was economist Milton Friedman, who resurrected the idea of Adam Smith's "natural liberty" and advocated a role for government limited to national defense.[85] It was now up to each individual to make the most of his or her personal "capital."

Speculating on Futures

In his latest book Global Paradox, John Naisbitt offers a number of bromides for those skeptical about Wall Street's, and America's, future prospects. His insights include:

> The bigger the world economy, the more powerful its smallest players. The almost perfect metaphor for the movement from bureaucracies of every kind to small, autonomous units is the shift from the mainframe to the personal computer. We are, all over the Western world, in a political crisis

> because political leaders have ceased to be very important....In post-representative democracy, people represent themselves, and ultimately everybody becomes a politician."[86]

Each of these aphorisms, giddy with techno-optimism and the promise of cyberanarchy includes the message that the new economy's winners deserve their winnings (meritocracy revisited), while people who fail to accept the program have only themselves to blame. These ideas are very compatible with Wall Street values toward the end of this century.

Not everyone, however, accepts Naisbitt's views. Robert Kuttner debated Naisbitt in January 1995 in Brazil. At one point in the debate Kuttner reminded Naisbitt, "That despite the recent bursts of invention and the liberation of the entrepreneur and investor, the bottom 80 percent of the American population has steadily lost real income since 1989." Naisbitt roared with laughter, and corrected the figure. Indeed, based upon Census data, "the bottom 95 percent have lost incomes since 1989!"[87] In Wall Street, these are called "market adjustments." To households throughout America, this means a lower standard of living. Thus, the one central question as we enter the next millennium is whether an unfettered marketplace increases inequality or reduces it. Will Wall Street preserve the social and economic stratifications that have bound mankind throughout recorded history, or, eliminate them? The answer at the end of this century is that unfettered markets increase inequal-

ity and Naisbitt's alchemy of market, globe and technology leaves most Americans worse off than before.

This may be the case for some time to come. On March 5, 1995 CBS's 60 Minutes[88] featured a segment on "derivatives" and the widespread devastation wrought by these complex investment vehicles sold by Wall Street Masters and other major market centers throughout the world. The program included bankrupt Orange County, California, Auburn, Maine, the University of Chicago, the Symphony Orchestra of Minneapolis and many other individuals, institutions, businesses and communities that have literally lost billions of dollars to Wall Street brokers in confusing investment schemes that in 1995 made up $30 trillion in extremely high risk, barely understood, investments. That was fully twenty percent of all investment transactions in America! As William Z. Ripley noted in Main Street and Wall Street over seventy years ago, "it is becoming increasingly clear that society cannot have individuals wield the power of thousands or millions without personal responsibility."[89] But is that indeed not where we are going?

In a deregulated global economy where governments do not wield the power they once did, financial markets like Wall Street are becoming the new regulators of events and trends. One scenario has the market's measurable and direct impact on the real economy superseded by its role as a buffer against the boom-bust forces that periodically

threaten the economy. Better that the United Air Lines deal should fail on Wall Street than go bust on Main Street. Wall Street would become the shock absorber to offset greater volatility elsewhere. But the growing sophistication of markets has led to the dominance of the savvy and technologically adroit institutional investors on Wall Street whose behavior tends to exacerbate rather than stabilize market swings with such technologically sophisticated tools as derivatives. The future impact on the society and culture is very significant. A film company could learn tomorrow that it is bankrupt. A fashion house might discover that its assets have vaporized. A school district might learn that its entire year's budget was lost in a day's (if not moment's) trading.

The future Wall Street will matter least in its traditional role of predicting and precipitating ups and downs in the economy. Today stock prices represent the present value of future corporate earnings. By extension, they are supposed to say something about the health of Corporate America and demand in the economy overall. But tomorrow's even more volatile Wall Street will represent uncertainty and relentless change of enormous financial scale prompted by much more than earnings assumptions. Economist and Nobel laureate Paul A. Samuelson observed some years ago that Wall Street predicted "nine of the last five recessions."[90] Based on recent experience, it is clear that

the market is not a very good forecaster anymore. According to Stephen S. Roach, an economist at Morgan Stanley & Company: "If a 500-point drop in the Dow two years ago did not do the economy in, a 200-point decline sure won't. We just don't know where it's going."[91] How will our bureaucratic institutions be able to respond proactively or defend against cyber-driven financial activities portrayed as essential to a healthy and "free" economy before incredible damage is done to thousands if not millions of Americans? No one knows.

The break in the old link between Wall Street and the economy shows up most vividly in consumer spending. Accounting for two-thirds of the gross national product in 1995, consumption does not seem closely related to Wall Street indexes any longer. It is very possible that just as government was found to be unresponsive and intrusive, so too may democracy in the near future. Democracy may indeed be obsolete. Two centuries of steady development and prosperity have produced an America that is now in the "mature" or "decline" stage of its existence. In the future, capitalism will thrive best without democracy. China, Chile, South Korea, Indonesia are modern examples of dictatorships which are also dramatic success stories. Nor will democracy ensure growth any more than dictatorship. John F. Helliwell, an economist at the University of British Columbia, has compared economic results for nearly 100

nations from 1960 to 1985 and concluded that in the near term authoritarian governments, especially those that offer citizens "economic rights" in lieu of political or human ones such as the protection of private property, will achieve stronger results.[92]

When former National Security Advisor Zbigniew Brzesinski ponders the future of markets in his futurist Out of Control,[93] he notes that totalitarianism has collapsed but not, in his view, because of democracy's victory. Rather he sees around him a spiritual desolation of unrestrained hedonism characteristic of Wall Street. Far from leading a regenerated world, the self-indulgent advanced market-driven nations have their minds fixated on the instant gratification of their desires and appetites: material, sensual and sexual. The lack of binding moral imperatives, he argues, is making the United States unfit to lead the rest of the world. He sees no other worthy champions. His distress, however, goes beyond global inequalities. He notes that greed has blinded the eyes of the rich minority to the sorrows of the poor majority. Most of the world, he observes, is still struggling with the fundamental business of survival. The rich, intent on pleasuring themselves, cannot plead ignorance of mass starvation or of the poverty all around them unless they effectively insulate themselves, and they have done so.

It is worth noting that the most competitive economies in the world today are backed by the highest levels of investment in infrastructure, not by democratic philosophies. Schools and airports, roads and bridges, and many other public facilities must be built. According to Felix Rohatyn in "The New Domestic Order?", the United States is still the world's preeminent superpower. For it to remain so, however, will require military and financial strength, industrial competitiveness, and the highest level of intellectual capacity. Other than military strength, none of these requirements is in evidence today.[94] Yet Wall Street may be able to fuel significant improvement in infrastructure by drawing upon the $3 trillion in pension funds under its control in 1995. There are still many positive contributions that the Street can make.

On the global scene, Paul Kennedy has observed in Preparing for the Twenty-First Century:

> In sum, as we move into the next century the developed economies appear to have all the trump cards in their hands--capital, technology, control of communications, surplus foodstuffs, powerful multinational companies--and, if anything, their advantages are growing because technology is eroding the value of labor and materials, the chief assets of developing countries. The story of winners and losers in history will continue, therefore, only this time modern communications will remind us all of the growing disparity among the world's nations and regions.[95]

His thesis is straightforward:

> By 2050, world population, if unchecked, will double, to 10 billion. Even if it is curbed, there will probably be a 40% increase, to 8.5

> billion. In the past, scientific and technological breakthroughs helped to ease the growing global load. This time we will be overwhelmed. Given that our merely human leadership has no chance of doing much...we ought to brace ourselves for a continuation of jolts and smashes in the social life of humanity.[96]

Wall Street's role in such a world will be to serve as one of the centers of power by determining values of increasingly scarce resources, thus indirectly determining who gets them and who does not.

There is, of course, always the uncertain role to be played by technology in determining our human condition. One is reminded of Kurt Vonnegut's 1952 novel Player Piano, which depicts a dystopia in which machines have reduced the majority of Americans to such uselessness that they must be kept busy staging parades and filling pot holes. Obviously, that vision has not yet materialized. But where technology has failed to accomplish that end, perhaps the international commerce fostered by Wall Street and supported by government will be successful. Even if unskilled physical labor is still technically necessary to perform some functions in this country, free trade now enables it to be performed anywhere in the world. For an American autoworker, a strong back was once a valuable asset. Increasingly, it is not as routine jobs move overseas. Wall Street can raise the necessary funds to build a manufacturing facility in Matamoros, Mexico in a matter of minutes.

The Street will increasingly represent uncertainty in our lives since today's transactions may well determine if we have a job tomorrow. Yet it is that critical uncertainty that demands our full attention and participation. Robert Solow of MIT, a winner of the Nobel Prize for Economics, has warned of a society "which might turn mean and crabbed, limited in what it can do, worried about the future."[98] Felix Rohatyn, a senior partner of the Wall Street investment bankers Lazard Freres, has spoken of an "advanced capitalism" whose "harsh and cruel climate" imposes "stringent discipline on its participants":

> What is occurring is a huge transfer of wealth from lower skilled, middle-class American workers to the owners of capital assets and to a new technological aristocracy with a large element of compensation tied to stock and stock values.[99]

Alvin and Heidi Toffler do not see this as a negative in their latest work entitled Powershift: Knowledge, Wealth, and Violence at the Edge of the 21st Century. The authors refuse to see economic power as bad and they see today's finance brokers and investment bankers as society's new elite. The only challenge the Tofflers anticipate to the utopian vision of a free unfettered market, fully incorporating the "blessings" of technology, is the opposition of left-wing "eco-terrorists" and other reactionary types. They will oppose technological progress and who are instead devoted to creating a new "Dark Age" in an anti-technological, anti-capitalistic, and anti-democratic

vision for America. The Tofflers are overly simplistic in their delineation of "good" technology and "evil" anti- technology. They write:

> We should expect a historic struggle to remake our political institutions, bringing them into congruence with the revolutionary post-mass- production economy. Our rapidly advancing technology will be used to improve the existing institutions of capitalism and democracy, creating a techno-utopia.[100]

The Tofflers revere modern corporate raiders and entrepreneurs including J.P. Morgan, Michael Milken, and Charles Keating. The initiative of these men in mastering the technological changes and applying them to the market-place is in their opinion the reason for nothing less than the fall of communism in Europe. They cite wealth, violence, and knowledge as the three main instruments of power in the modern world. Wealth, as they see it, is embodied in the capital of Wall Street. The Tofflers offer an example of their faith in technology and Wall Street: Merrill Lynch's development of the computerized Cash Management Account (CMA). The CMA is an effective weapon for Merrill Lynch to use in drawing investment money away from banks and in directing client funds to Lynch's accounts that are used to effect positively hundreds of enterprises. Everyone prospered (or, so it seemed).

If we multiply the frequency of this kind of activity on Wall Street, then the benefits will be immeasurable. We can indeed work hard to benefit ourselves, and by so doing,

benefit everyone. How can this "greed" be bad? The debate itself is evidence of Wall Street's influence and power in representing America's culture.

What then is likely to happen? Today Wall Street sustains both the existence of visible success and the persistence of major social problems in our midst from which many investors seek to escape. Consequently we are caught up in what may be termed a calculus of estrangement. This calculus will ultimately lead to a modification of Wall Street and to the influence it has upon American culture. On the one hand in 1995 Wall Street posted its largest increase in recent memory, some 35%. On the other, there is much malaise in the hinterlands of America. Wall Street may thrive on turbulence but people do not, and certainly most do not profit.

Economists James M. Poterba of MIT and Andrew A. Samwick of Dartmouth College have studied the wealth effect, the theory rising stock prices make people with investments feel richer and this leads them to spend some of their added wealth--boosting consumption and spurring economic growth for everyone. While the household sector--both directly and indirectly, via mutual funds and defined-contribution and pension and savings plans--currently owns nearly two-thirds of total U.S. equities, the problem is that a large number of such holdings are either negligible or relatively inaccessible for spending. In 1992, for example, only 17%

of households had more that $2,000 in stocks or mutual funds outside of tax-favored savings and pension plans with penalties for early withdrawals. Moreover, Wall Street stock ownership is highly concentrated. Based on the Federal Reserve's 1992 survey of consumer finances, Poterba and Samwick estimate 5% of households own 77% of all shares held by individuals and families. And 80% of households own 2%. Subtracting holdings in tax-favored pension and savings plans, the equity share of the bottom 80% of households drops to a scant 0.5%.[101]

In analyzing the ling between Wall Street performance and consumption patters, the authors found no significant relationship between rising performance and subsequent consumption translated into widespread improvement in the standard of living. Because Wall Street directly benefits relatively few households, whereas most families' net worth is centered in home ownership, bull markets over the last nine years have resulted in a widening income gap and a decrease in overall standard of living for the greater majority in the United States.

If the calculus of estrangement runs a likely course, the culture of the individual-as-central sensibility will become increasingly one-dimensional. Success and failure, together with inequalities of perquisites and status, will be seen more and more as the just correlates of individual morality and immorality. The disinherited among us will

necessarily be "kept in their place" to an even greater extent than at present to preserve both the legitimacy and insulation value of Wall Street "success." To preserve the myth that Wall Street is still an agent of positive change for everyone, opponents of its agenda will be cast as devils and threats to the established economic order. If the increasing suffering of the disinherited someday causes them to turn violently against the powerful, they will likely be dealt with in very repressive ways. The order that will be restored will be order without social consensus and therefore order without social peace. The disinherited may be kept in their place by repressive measures which the rest of society believes justified, but there will be greater fear and thus more attraction to the insulated world of Wall Street's successful.

Wall Street's culture will justify social and economic inequality by presumed inequalities in personal endowment and ambition, but it will do so more vehemently in the political process. It will increasingly make the individual and only the individual accountable for his or her social destiny, and in so doing it will victimize most middle-class Americans. They will continue to be apprehensive about the value and measurement of their own personal achievements and hostile toward the disinherited and their "unequivocal failures." Apprehensive and confused Americans will

increasingly look for scapegoats (e.g. people on welfare) to explain their lack of progress and success.

To the extent that we forget how to love or respect one another--preferring to regard each other as commodities or targets of opportunity--we are likely to settle exclusively for the emblems and images of status in the culture of Wall Street. We will abandon our hopes for what Schopenhauer meant by happiness *in concreto* and set our whole hearts on happiness *in abstracto*--that is, on Wall Street's mythology. Belief in such a fiction instead of a fact ironically accords with the transcendental bias of the American mind and our long-established preference for the impalpable, the unseen and the abstract.

Notes

Chapter Nine

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