

Speculation and its Effects

In general speculation is the buying or selling of any commodity whatever with the idea of - gaining by the rise or fall of price and without the intent or expectation of supplying any want in the community. The commonly accepted sense in which we use the word, however, and the one in which I wish to speak of it is as applied to gambling in the commercial circles formed for the purpose. Of such circles there are many but as Wall Street is the oldest and most extensive speculative centre in the United States I shall speak of it in a general way as typical of them all.

The effect which Wall Street has had upon the industries of this country can probably never be satisfactorily determined since it is so intimately connected with all commercial interests.

Theoretically Wall Street is a great money market where commodities

are dealt in - according to their real values — An institution having little or no effect outside of its own limits save to serve as an index to the country's welfare and prosperity.

It has been asserted by some that by watching closely the market reports from Wall Street one can tell when there is war in Europe, when the Mississippi Valley is inundated - and when there are potato beetles in Kansas. Such an extravagant statement as this is of course not generally accepted, but it is an undisputed fact that people do to a greater or less extent rely upon market reports - as bearing evidence concerning the financial condition of the nation and herein is found one of the greatest evils which exist in connection with speculative dealing of all kinds. Market reports are more often based upon artificial than upon real values - and are therefore nearly always - deceptive. In Wall Street as in all other places there are certain prominent dealers whom the rest follow - and the slightest whim

or physical indisposition of one of these acknowledged leaders not infrequently manifest itself in the market price of certain commodities in which he is accustomed to deal largely.

Speculation is participated in by a class who make it their business to manage financial affairs for the betterment of their own ends. In doing this their business manoeuvres not infrequently cause a very rapid and extensive fluctuation of prices. This forms another fruitful source of evil and one which is felt perhaps more extensively than any other. As the average of maximum and minimum prices year after year remains about the same, we are usually inclined to look at the result as affecting none but speculators themselves. The facts, however, are quite different. A corner on railroad stock for instance not only raises the price of that particular stock but through the various relations of the exchange a variation

in the price of other commodities is likely to occur also.

There are but very few products which pass directly from the producer to the consumer. The producer is usually a man of such limited means that he is unable to follow the fruit of his labors from the farm or workshop to the consumer and consequently there is a necessity for a third class who buy of the producer, take the risks of transportation, and sell to the consumer. The margin of profit which this class must command depends to some extent upon the capital invested, but to a greater extent upon the risks incurred of meeting with an unfavorable market. If the pulse of the speculative circle runs high and prices are very variable, then the margin of profit for the middleman must be greater and that of the producer is necessarily diminished. In this manner the evils of speculation are made to fall directly upon the producer, who as a rule is least able to bear them.

promising institutions had their origin in mere speculation, and in this connection we are accustomed to hide their real nature under the name of enterprise but they are nevertheless speculations just as much as is the purchase of wheat on thirty day acceptance in anticipation of rising prices. Very numerous indeed are the new railroads which have been launched into existence by this means when there was nothing visible which would warrant their construction.

In Wall Street fortunes are made and lost in very short spaces of time. The millionaire who is today known the world over and trusted by the public as a financier may lose his all and become a pauper tomorrow. Such instances are of course not of daily occurrence but they sometimes happen and the effect which they have in the way of exciting public distrust is incalculable. Nearly all of our great financial

That speculation has a decidedly degrading influence upon the morals of the people is a fact not generally taken into account - and yet almost every community in the United States stands ready to bear witness that such is the case. True accounts of transactions which take place in Wall Street read like romance - and their publication lay open a sore into which many an honorable man has fallen. How oft repeated is the old story of the bank cashier who speculated, lost, and committed suicide or fled to avoid encountering the righteous indignation of those to whose trust he had proven false; and what county in the United States is there that has not furnished a defaulting officer.

There is, however, another side to the matter. The daring spirit which seems innate in the American people and which is constantly being fostered is doubtless the first cause of much of our prosperity. Thousands of our most-

crises are precipitated in this way. Suppose that for several years the community enjoys prosperity. Every one feels that he is gaining in wealth and is perfectly willing to buy or sell to his neighbor on credit. The result is that public credit becomes expanded to its utmost capacity and if at such a juncture as this a few of the leaders in Wall Street become disabled the country is sure to suffer because every one becomes alarmed and wants immediately all that is due them.

To far I have spoken only of the great centres but speculation is by no means confined to them.

Almost every village and hamlet has its capitalist who speculates in one thing or another. In the West-land Speculation is most extensively indulged in. Today more than one half the uncultured land of Kansas is in the hands of speculators who are waiting patiently for civilization to advance and make fortunes for

them.

Of late years an exceedingly popular form of speculation is found in the "booming" of towns and cities. Usually a syndicate is formed and all sorts of artificial attractions are created to induce credulous people to purchase city property at fabulous prices. The outcome is always the same. The bubble soon bursts and unsuspecting purchasers find themselves burdened with real estate which is comparatively valueless. The thousands of overgrown country towns in the West and the empty houses of which they are formed tell of the evils wrought by such operations better than I can.

So it is in every phase of life that we see the effects of pure speculation. Every where we find a class of men who live at the expense of their fellows without themselves filling any niche in the productiveness of the world.

H. C. MORG.