

The Officers' Party came on the same night as the Christian Endeavor meeting which I had pledged myself regularly to attend. Well, I kept my pledge. The Christian Endeavor meeting I attended in my uniform. After the hack had picked up at her home this young lady, beautifully gowned for the party, it called at the church door and picked me up at the close of the Christian Endeavor meeting. This probably seems foolish to young people today, but in those days we were taught to keep our word. Finally, I proposed to this young lady, and I remember as well as can be where I was when her letter of refusal was delivered to me. I was sitting on a pile of crushed stone, just outside of Norwood, Massachusetts, where I was superintending the building of the state road. She frankly said: "I am sorry, but my family feel that we should separate and have nothing more to do with each other." I never knew what was in the girl's mind. I took her at her word and tried to forget it. Some years later she married a far abler man than I. He is a famous artist, and his mural paintings may be seen on the walls of the State House in Boston.

MY ENGAGEMENT

I began to know Grace Margaret Knight first while I was in grammar school, where for four years we were together; but we did not become well acquainted until I was at the Massachusetts Institute of Technology. She was the daughter of the Reverend Richard Knight, a fearless English preacher, who came to this country as a real pioneer and held pastorates in northern New York State and in Massachusetts. He took a party of emigrants to Kansas during the pre-war period when there was much controversy as to whether Kansas should be a slave or a free state, and lived through all those strenuous days. He was a great man. He finally settled at South Hadley Falls, Massachusetts, where his daughter Grace, who later became my wife was born. She was the youngest of a family of five and was born when her mother was about forty-six years of age. This mother came from northern Vermont, of fine stock. Surely my grandchildren owe much to my wife's ancestors. They were no soft sob sisters.

When Grace was a girl, her father retired and went to South Carolina winters; the summers he spent in Gloucester with Mr. and Mrs. Freeman Putney. Mrs. Putney was Grace's sister, and Grace, on account of the poor condition of the schools in South Carolina, lived with this sister and went to school in Gloucester. After her first year in the Gloucester high school she was in St. Paul, Minnesota, for five years. Mr. and Mrs. Knight went there in 1890 to spend the summer with a married daughter, Mrs. William P. Reid. Here Grace and Camilla Jane—an older sister—went for the summer. Then Camilla obtained a good teaching position in St. Paul. Ill health prevented Mr. Knight from returning to South Carolina that fall, and he died in St. Paul on November 4, 1890. Mrs. Knight and the two daughters remained in St. Paul, taking an apartment by themselves.

Grace graduated from high school in St. Paul and then entered the University of Minnesota. After one year there, she transferred to Mt. Holyoke College, but in order to help her mother decided she would find employment. She thereupon trained for hospital work. It was while she was at the Massachusetts General Hospital and the Lynn Hospital that I became engaged to her.

Her sister Alice, who married Mr. Freeman Putney, superintendent of schools in Gloucester, had a summer home at Dunbarton, New Hampshire. This was a little hill town just outside of Concord. During her college years Grace was invited by her sister, Mrs. Putney, to spend her summers at Dunbarton. It was here that I followed her up and put in some good licks.

I have always had a one-tracked mind, and can work, or pray, or fight, or love; but I cannot mix them up. It seems necessary for me to concentrate on one thing at a time, but when I do concentrate, things move fast. These little weekend trips to New Hampshire enabled me to put in some good work, greatly to the amusement of Grace and her family. As I look back on those days, I find it hard to analyze the actions and reactions of love-making. My friends were getting married, and it seemed the natural thing for me to have a girl and get married. It was a mixture of human nature, sex urge, and true love, without any of these forces predominating. I never had experiences such as I have read about in love stories, but I guess that we were as much in love as most people ever are. At any rate, she has been a good partner for me, has cooperated in all my plans, and has stood for *most* of my nonsense. This is saying a good deal. In short, Grace Knight was the type for me, and I thank the good Lord every day that I bumped into her instead of into some one else. Surely selecting a mate (or being selected) may be rated as life's second greatest gamble; the greatest is the selection of ancestors.

HOW TO HOOK A MAN

Why does a man like a girl? Unfortunately, few statistics are available on this subject. I always liked bright, jolly girls, full of the dickens. The ones whom I went around with in high school were the leaders of their class and of their sports. But somehow or other we never made it. Either they were too brilliant for me or I was too dumb for them. Perhaps it was a case where neither of us wanted competition. Grace Knight was of an entirely different type. She listened while I did the talking. Instead of telling me how wonderful she was, she let me tell her how wonderful I was. She cheered for me instead of expecting me to cheer for her, as did my former girls. I believe she did this unconsciously and not predeterminedly. At any rate, it worked, and I pass the suggestion along to any female readers of this book.

Statistics also show that most old maids are great talkers. It is the quiet, clinging-vine type that attracts the men. Personally, I am glad that this is so. If

my wife had been of the same type and temperament as I am, we would have wound up in the divorce court within a few years. No theatrical cast can succeed with more than one star; no ship can safely have more than one captain. It is all right to theorize about partnerships, but I never knew a successful partnership of any kind, in marriage or business, where one was not the leader, *although the other one often performed a most important part*. This was true in my case. My wife has let me do the talking and get the honors, but she has always been the real "works."

We had a rather long engagement, as Grace was very patient. Finally, on March 29, 1900, we were married. We had a quiet wedding at her sister's home at 34 School Street, Gloucester, Massachusetts. My father, as well as my sister and some other relatives, attended the wedding. My mother was ill in bed with a cold. I remember, when going to her room and kissing her good-by, her last words were these: "Roger, all I hope is that you are not jumping from the frying-pan into the fire." My father had a very even temperament, but my poor mother was either away up or away down. When she was feeling well, she was cock of the roost, and of the town also. When, however, she was ill, she thought the world was coming to an end. On my wedding day she was sure it was coming to an end, and she would have felt the same way whomever I had married. Both my father and my mother became very fond of Grace Knight.

OUR HONEYMOON

Being economical, I had asked my father to lend me his stable boy and horse and buggy, to drive Grace and me from the house to the railway station after the wedding. Feeling, however, that some of my young cousins were going to play a joke on us, I had the boy drive us to the West Gloucester station instead of to the Gloucester station. To our great disgust, these young cousins were brighter than we. They had gone to the Gloucester station and boarded the train, and began to shower us with rice, etc., as soon as we entered the train at West Gloucester. One of these cousins was Mr. Robert B. Alling, who later married, and became the father of a wonderful family of children in Detroit. Although he has since passed away, he was a young man of whom we all were proud. With him were his sister Elizabeth, and my sister Alice. They surely gave us a good send-off. Our first married night we spent at the home of George A. Sweetser, on Abbott Road, Wellesley Hills, Massachusetts. The next morning I took the 7.20 A.M. train for my office in Boston. Grace stayed in Wellesley and wrote letters. Our honeymoon consisted of *work*. We boarded here for some time, until we had a home of our own on Seaver Street, Wellesley Hills.

Let me say now that I have been blessed with an economical wife. Once in

a while she has a flair for some foolish expenditure on a useless hat or gown, but usually her feet are firmly planted on the earth. Although my parents did not train me in sex control, they certainly trained me well in money control. My father always wanted me to be in business for myself. He used to tell Grace and me that there never was an ancestor on his mother's side who worked for anyone else. Apparently one thing he had against the Babson side was that they permitted themselves to be employed by others. He further often explained to us that, whether one becomes an employer or always remains a wage worker depends primarily on whether or not he saves money. Father said that a man who systematically spends less than he gets, automatically becomes an employer; while a man who spends what he gets, automatically always remains a wage worker. Father insisted it had nothing to do with how much money a person has or the amount of his salary. "Some people with very meager salaries always save a little; while other people with large incomes never save anything," said he.

After boarding for about a year and a half, we rented a small house on Seaver Street, Wellesley Hills. The rent for that house was twenty-two dollars a month. Up to the time that Edith was born, our living expenses, including rent, never exceeded one hundred and fifty dollars a month. This fact, considering that during much of that time I was earning monthly many times this amount, is an indication of my wife's self-control. After my illness—during which she took full care of me—we continued to live even more economically. Our breakfasts used to consist of an apple or other fruit, shredded wheat and milk; our lunches of a good salad and perhaps a simple dessert; and our dinners of plenty of vegetables, with meat once or twice a week. This, furthermore, is practically our menu at the present time. It costs little, and is healthful and appetizing. We had an old furnace in the house, but we were out walking a good deal and did not require much heat. As we went to bed early, our lighting bills were small.

OUR ONLY CHILD

On December 6, 1903, my daughter and only child was born. I named her Edith Low Babson, after my sister who was drowned. Mrs. Babson had a hard time when bringing this child into the world. It is a great joy to me that Edith is so fond of her mother and appreciates what her mother went through preceding her birth. Grace always desired more children, and she thinks that it was a disappointment to my parents that she did not have them. Dr. Gilbert N. Jones, our family physician, strongly urged us, however, not to. He gave as his reason the condition of my wife. To have another child, he said, would kill her.

I feel that the doctor had in mind also the tubercular strain which was in my system. He, with Grace's expert help, had successfully brought me through my

own tubercular difficulties. He knew that my own aunt, as well as my grandfather Stearns, had died from tuberculosis. Dr. Jones, therefore, felt that I should at least "go slowly." For this reason, my daughter and her children must especially be on their guard against this scourge. It cannot be warded off by taking medicine, pills, or capsules—only by taking lots of sleep and rest, eating good food, and maintaining the best of habits. Such a program may be hard, but "better let grass grow under your feet than have it grow over your head." I am proud to say that my daughter has had five children—Roger, Camilla Grace, Michael, Judith, and Marlene. Good grandchildren are the best inflation hedge.

BEST HEDGE AGAINST RADICALISM

Whatever may happen to stocks, bonds, and money, there will always be a place for land and people. The land, although owned, it may be, by the state, will be allotted to the most capable workers; while, whatever the social or economic system, those with character, intelligence, and energy will be well off. Children are nature's asset. We are supposed to invest our time, strength, and money in children and other natural resources, rather than in stocks and bonds. We are supposed to have enough children so that we can afford to lose one or more. We should train these children to take care of us in our old age, rather than depend on securities, life insurance, or government pensions. Having considerable property myself, I am not taken seriously when I speak in this way. Nevertheless, I believe in the rugged life.

Let me say that my wife has been a good citizen, of both her town and of the nation. She worked with me in Washington during the war, and has always been interested in promoting the welfare of others. She has continually emphasized that the Business Statistics Organization and its subsidiaries must put first the good of every man, woman, and child in the country. As I shall explain later, she was the original treasurer of the Business Statistics Organization, and did not resign on its twenty-fifth anniversary, nor on her fiftieth birthday, as I did. Incidentally, let me add that it was a great joy to both of us to have so many of our old associates with us on that famous day. Grace is more dignified, and less democratic than I am; she is also calm and patient, while I am nervous and irritable. She has cooperated with me, however, in our gifts to town employes, working people, and others, and will probably get a better seat in heaven than I shall. I may have done these things for business reasons, but she is no such hypocrite.

FAMILY CHARACTERISTICS

I think Grace may have more family loyalty than I have. My family have always gone on the principle, "Let each take care of himself and the devil take the hindmost." Mrs. Babson has never felt this way and we are fortunate to

have with us a few members of her family in our various interests. I can say, however, that no nepotism has yet taken root. Let us hope it never will; for many a successful business has been ruined by relatives.

Mrs. Babson has never taken things for herself. She has bought almost no jewelry during her married life and does not care for such things. I doubt whether a gold pencil, or a morocco notebook, or an ornate pen, or a fancy briefcase, or an expensive bracelet, or even breastpins, can be found among her possessions. As for me, all I want is a stub wooden pencil in each pocket, a flat jackknife, and some scraps of paper.

Mrs. Babson has never used liquor or tobacco or profanity; although my daughter Edith, when questioned by a neighbor as to the latter point, replied, "Mother doesn't want to!" Innumerable side-splitting stories have been told in our home, but they have never been vulgar stories. We both drive our own cars, and we have never had more than one servant living in the house at a time. This one servant has been very efficient, and for many years has been a Japanese boy. We have had, in fact, two Japanese boys, one succeeding the other. In recent years, owing to our large amount of entertaining, a woman has come in by the day and done the so-called second work. Both Mrs. Babson and I are happier, however, to be by ourselves. Besides, taking care of oneself is another good hedge against radicalism. Theoretically, we both believe in industrial democracy, but feel that it must come slowly if it is to do any permanent good.

WINSLOW L. WEBBER

I cannot close this chapter without telling how I met Winslow L. Webber. As I explained in a previous chapter, one of my first employers was Winslow L. Webber, Sr., city engineer of Gloucester. This was preliminary to his getting me the position on the Gloucester-Magnolia state highway, in 1895. I did not see Mr. Webber again until 1906. At this later date Grace and I had a summer cottage at Riverview, Gloucester. City Engineer Webber also had a cottage there which he called "At Last." I remember that he then had a small boy about seven years of age (born in Gloucester, November 2, 1898) named "Junior." The family, however, dropped entirely out of my mind until one day in 1915 at my father's home at 8 Angle Street, just after my return from a South American trip. A tall, lanky lad then came up on the piazza and introduced himself as "Win" Webber, and said: "Just before my father died a short time ago, he told me that he was Roger Babson's first real employer, and that when I wanted a job to go to Roger Babson. Hence I am here." I liked the looks of the lad, and replied by suggesting that he work on the grounds at my Annisquam summer cottage.

Having always been interested in young people and especially in getting them

started in the right line of work, I held for several summers vocational classes at Gloucester. These took place one afternoon each week for eight weeks. Each week we would visit some one factory, bank, store, or other kind of business. It gave the boys both a knowledge of different kinds of work and contacts which later became valuable. Every community every summer should have these vocational classes. I was still carrying on the vocational trips in the summer of 1914. One in particular that I recall was when we took the trolley cars and went for a visit to the Rockport Granite Company's quarries. "Win" was on this trip. Later, shortly after he went to work at Annisquam, "Win" Webber came to *Babson's Reports* to train for a salesman. He first worked in our Boston office on Congress Street. Then he had charge of our sales office in St. Louis. Although successful in this work, he felt he should have more business training and asked for a year's leave of absence to take the course at the Babson Institute, from which he was graduated in 1922. After his training at the Babson Institute, he was transferred to Minneapolis, to have charge of our sales office there. "Win" Webber was working in Minneapolis when he came East to marry Edith on December 8, 1923. After this, they both returned to Minneapolis and went to housekeeping. Later, they went to Florida and started there our educational center at Babson Park, Florida, which Mrs. Babson had so much at heart and named in honor of her granddaughter, Camilla. After four years in Florida, they returned to Wellesley Hills to live.

We never knew the reasons for their troubles causing the separation in 1943. Later Edith married a splendid Wellesley man, a widower, named Lewis W. Mustard, Jr., who had three good children. "Win" Webber has since married a good Cape Cod girl, Dorothea Hopkins. Marlene is the child of my daughter and Mr. Mustard who has been devoted to all of my grandchildren as well as to Edith. Perhaps the answer to the above affair is explained only by Newton's Law of Action and Reaction. Winslow and Dorothea have a daughter named Suzanne Joy born December 25, 1948.

Chapter X

SICKNESS AND TRAGEDY

IF I can criticize my parents and teachers for anything, it is for their failure to teach me the elementary principles of hygienic living. They did *make* me visit the "outhouse" after breakfast each morning—rain or snow! They never told me anything, however, about diet, fresh air, or the importance of sunshine. The care of teeth or health was seldom mentioned. I went to the doctor only when I was convulsed with pain, and to the dentist only when I had a tooth-ache. It was my wife who first told me that I should sleep, even in winter, with windows open at night.

After quitting my farm work, I was not getting much exercise. The summer work, as engineer for a new highway, gave me fresh air and sunshine, but little exercise. My work at M. I. T. had been strenuous; in fact, during both spring and fall I was carrying on two jobs (school and highway work) at the same time. Then came my marriage and three or more years of office work. I was ambitious and rapidly drew on my reserve strength. My good wife noticed that I was losing weight and looking pale, but I paid no attention to her. I drove right on in a pig-headed manner.

HOW T. B. STARTS

In the fall of 1901 I came down with a cold which hung on for some time. Now there is only one way to "cure" a cold. The way is to check it at the very start and not get any more cold. To neglect a cold is foolish. Like a fire, it should be stopped at the first symptom. I then had not learned that. I needed to go to Buffalo, New York, in connection with some securities of the Niagara Falls Power Company. I should have gone to bed instead; but I went to Buffalo. From Buffalo I went to Niagara Falls in the early morning on a closed street car; but apparently open cars had been put on for the afternoon. While on that open street car, returning to Buffalo, I had a chill. Upon reaching Buffalo, I went to bed in my little hotel, but continued to get up and dress to go out to meals.

The restaurant at which I ate was run by Mr. E. M. Statler, who later built his first hotel in Buffalo and finally his very successful chain. Mr. Statler was exceedingly kind to me and we then formed a friendship which extended

throughout his life. He was a wonderful man, modest, upright, and progressive. He revolutionized the hotel business of America. Finally, Mr. Statler insisted that I go back home, which I did. My good wife put me to bed and sent for the doctor.

Instead of telling you the rest of this part of my story myself, I will quote from an article by Mary B. Mullett, published in the *American Magazine* of February, 1920.

WHAT OTHERS SAY

One day, back in 1902, a young man was sitting in the bedroom of a little house in Wellesley Hills, a suburb of Boston. Although it was February, the windows were wide open and the young man and his wife were bundled in blankets and wraps to protect them from the cold.

For weeks he had lived in that room, most of the time in bed, fighting a desperate illness. Over and over he had asked his wife and the physician what was really the matter with him; and always they had put him off with the statement that a cold, which he had contracted the previous autumn, had "settled on his lungs." But both of them had realized that the time would come when the sick man would insist on knowing the truth. It came that day in February.

"What is the matter with me?" he demanded for the hundredth time; and added, "I'm not going to be kept in ignorance any longer."

That time he got the truth. As gently as possible he was told that he had tuberculosis; not incipient, not a mere threat of the disease, but a fully developed case, which already had seriously affected one lung and had attacked the other.

To most men it would have seemed like a sentence of death, or, at best, the giving up of any hope of an active, useful, and successful career. But to this young man it meant only one thing—a recognized enemy to be fought and overcome. Instead of being stunned by the blow, his eyes lighted up with something almost like relief, and his emaciated face took on lines of grim purpose.

"All right!" he said. "Now that I know what's the matter with me, I can go to work to cure it!"

That young man was Roger W. Babson, known throughout the country today as a business statistician, the head of a large and unique organization, a virile and striking personality. The story of his progress from that sick bed in a little rented house, to health, position, and prosperity, is a truly remarkable one.

Having found out what was the matter with him, he went to work to cure it, just as he said he would. The doctor's orders were followed to the letter—open air, complete rest, plenty of nourishment—he made it his sole business, for the time being, to get those essentials.

A little later, on the advice of his physician, he and his wife went West. Because he was determined to live, and backed up his determination with a scientific, methodical, confident pursuit of health, he did live.

Merely to continue to live, however, was not enough for him. Although he was "shy a lung" there was nothing the matter with his brain. An idle body did not mean an idle mind. To Roger Babson, anything except an active and useful career was unthinkable. With him, living meant working.

He had been born in Gloucester, Massachusetts, the son of a merchant in that town; and from his earliest boyhood he had worked because he liked it.

"I don't think I ever played a game of ball in my life," he told me one evening, as we sat in the study of the house he has built overlooking the beautiful country around Wellesley. "Even as a youngster, I liked work. It interested me. In summer, when the other boys were playing, I used to take a horse and wagon and sell vegetables from house to house.

"Work is exactly what we make it by the way we think about it. Any boy, for example, likes to drive around with a horse and wagon. But the pleasure I got out of it was doubled because I did it with a purpose. I was accomplishing something. And when all is said and done, that is the one great satisfaction in life—to accomplish things.

"Thanks to my father, I early learned to enjoy business. It is a great pity that more fathers do not interest their boys in business by discussing it with them. A boy's mind is intensely active, and a father can exert a wonderful influence for good by giving that eager, alert intelligence something real to busy itself with. Many of the things which I now recognize as fundamental business principles I can go back and find expressed by my father in those early talks."

As the boy grew older he studied civil engineering at the Massachusetts Institute of Technology. He never made use of that training by doing actual surveying work. Nevertheless, it secured for him his first position, for because of it he was employed by a Boston banker to examine the properties of public utility companies whose securities the banker handled.

It was while he was engaged in one of these investigations that he contracted the cold which developed into tuberculosis and apparently put him out of the business running. At twenty-five, invalided out West, he faced two necessities, the necessity of supporting himself and his wife, and also the necessity of finding some new way of doing it.

He was told that, if he was to live at all, he must live absolutely in the open air. This meant that he could not go back to his old position in the city. He was told that for a long time he must not do anything requiring physical exertion. Yet "work in the open air" almost inevitably meant physical exertion. He was told that he never again could live in the East. Yet the East was where he wanted to live, not only because his friends and family were there, but also because the work which interested him and in which he had experience was at that time largely confined to the East.

It looked as if the problem could not be solved. But you cannot stop Babson from doing anything by telling him that it can't be done. You can neither scare him out of it nor laugh him out of it. People have tried both, and he has gone right ahead, doing what he set out to do.

For example, when the doctors told him that he must live in the fresh air, and that the West was the only place that this could be done, he thought the matter over and decided that there was just as much fresh air on the Atlantic coast as on the Pacific, and that the reason people went to a mild climate to get rid of tuberculosis was because they were not willing to endure the discomfort of living out-of-doors in a cold climate. But cold did not frighten him. And the East was where he wanted to live. So he determined to get his fresh air where he wanted to get it.

Having come to that decision, he and his wife went back to the little house in

Wellesley Hills. But on arriving there they were surprised and somewhat incensed to find that, although their lease had two years yet to run, their goods had been stored in one or two rooms and new tenants were about to move in. Naturally they demanded an explanation from the landlord, Mr. Lyman K. Putney. They got it! But it was not exactly an enlivening one.

"Why, you see . . .," stammered the gentleman in question, "they told me you were as good as dead! Anyway, you never could come back here. So I thought I might as well get a new tenant."

Well, the new tenants did not move in! But the Babsons did. They put their little twenty-two-dollars-a-month house in order, and the man who was "as good as dead" went on with his fight to live. He still had to spend most of his time in bed, but the windows were always wide open, no matter how cold it was. And sometimes the mercury went down into the sub-basement of the thermometer, around fifteen degrees below zero.

Slowly the invalid gained strength; but it was a long and tedious process. Meanwhile the work problem seemed as difficult of solution as ever. Lying there practically helpless, fed with milk and eggs every few hours, read aloud to by his wife—to whom he gives the credit for his recovery—Babson had plenty of time to think. Finally his thinking bore fruit in a definite plan.

There is no story of human experience so well worth telling as the story of how a real man, or a real woman, has plucked victory out of defeat. There is nothing that can put courage and hope and confidence into our own lives so completely, as the discovery that these stories lie all around us. In each one the circumstances are different; but there is always the same light of courage, the same fire of an indomitable spirit, the same spark struck by an iron will hammering upon some granite obstacle. These things bring an answering glow into our own hearts.

Just because his body was incapacitated, Babson did not see any reason for letting his brain be idle. So he used to look over the monthly reports of railways and other companies. He knew that if he were a well man, back at his job with the bankers, he would be analyzing and tabulating those reports in detail. In fact, he knew that other clerks were even then doing that very thing, each for his own particular institution. It occurred to him that here was a duplication of effort which was very expensive.

Why not have that analysis made by one man, instead of by many? Why could not he be the one man to do it? He could receive reports, analyze them, tabulate them, and send them to several bankers, thus dividing the expense among them. He could do it in his open-air-bedroom just as satisfactorily as at a desk in Boston.

With this vision of a service which he could perform, he immediately sent out letters explaining his scheme. The result was that eight banking-houses agreed to pay him \$12.50 a month each to do the work for them. On this income of \$100 a month he could realize his determination to be self-supporting; and he would have the satisfaction of being once more an active and useful member of society instead of a helpless parasite.

He engaged a girl stenographer at six dollars a week; and in that sick-room the man who was "as good as dead" started what has become one of the famous business services of the country. Incidentally, it may be mentioned that the young stenographer stayed with the Babson Organization until she received an annual salary that ran into five figures.

Gradually, from that small beginning, the business grew. First, a high-school boy was hired for a few afternoons a week. By the time he graduated, a full-time position was ready for him. Soon another house was rented and used for offices. Then they were moved to a business block in Wellesley.

The vision of the man behind the work broadened as the business and his strength increased. At first he merely "collected and sold" business statistics. Then his original service to the eight bankers grew into a "Composite Circular of Bond Offerings." He found that there were thousands of unlisted bond issues not quoted in financial reports. One seller, or one buyer, had no way of knowing what the other sellers were asking, or what other buyers were paying. The result was that some buyers paid as much as ten points more than others were paying at the same time for the same bonds.

When Babson announced that he was going to list these thousands of bonds, with the names of the owners who wanted to sell, and of persons wishing to buy, together with the prices at which sales were made, people laughed at him, and said it couldn't be done.

But that didn't bother him. He just went ahead and did it! And he did not stop with doing that; he next developed the "Babson Stock and Bond Descriptions," a service which revolutionized the old systems for supplying information relative to corporations.

Not a bad record for a man who was "as good as dead," is it? And he not only had to overcome ill health, but at every step of the way there were plenty of on-lookers who predicted that the next step he proposed was one of those things that could not be done.

For instance, when the business had grown so that new quarters were again necessary, and he announced that he was going to put up a building in Wellesley Hills to house it, people laughed at him once more. What! Attempt to establish a clearing-house of financial information outside of the city, in a suburban village! Why, it was rank folly to attempt such a thing. But—Babson did it.

He put up a four-story brick building that he thought would take care of his activities for years to come. But the process of overflow went right on. First one house, then another, was commandeered. Every summer Mr. Babson turned the first sod preparatory to the erection of another and larger building.

His own office had windows on three sides and they were open the year around. When his secretary worked there in winter, she wore a huge cloak with a hood. As she was obliged to encase her hands in mittens, she did her typewriting by striking the keys with rubber hammers. Babson himself wore a specially-designed coat, with an electrically heated pad in the back.

You would not dream, if you saw him, that he had been forced to fight his way to health. He is clear-skinned, clear-eyed, strong-voiced; the embodiment of energy, physical and mental.

Years of open-air living have given him a perfect passion for the great outdoors. He has bought sixty acres of land at Wellesley Hills and built a house whose windows open into a stretch of fresh air that reaches to Mount Wachusett, forty miles away. Most of his time is spent working on this place, cleaning underbrush, packing apples, cultivating his garden.

The upper porch, where he sleeps winter and summer, was built to his special order. He found that when beds are in the open all through a winter day they

afford a chilly welcome at night. So he had one end of the porch enclosed to form what he calls the heated garage. The beds stay in this warm haven during the day. At night the folding doors are opened, the bed rolled out, and it is warm and comfortable, no matter if the mercury has gone down to the sub-basement of the thermometer.

Mr. Babson not only lives and works, but gets an immense enjoyment out of both. He is keenly interested in religion, in education, and in business. Perhaps life and its opportunities mean more to him because he came so near to losing them. He loves a fight, although without any personal animosity. A hard-won victory is always better than one that comes easily. And we prize what we earn far more than what is given us. Roger Babson's story is just one more proof that a man can earn almost any victory if he works hard enough to gain it. The thing he said that day in February, 1902, is the key to the whole matter:

"All right! Now that I know what is the matter with me, I *can go to work to cure it!*"

THE WHOLE TRUTH

In fairness to the landlord of the above story, it should be said that he was so delighted with the fight which Mrs. Babson and I had put up, that he built a new house for us adjoining this one in which I had been sick. Moreover, he charged me only twenty-five dollars a month for the new house. These two houses are still on Seaver Street, Wellesley Hills, Massachusetts. Both houses mean much to me. The first *Babson's Reports* ever published was dictated to Miss Bessie Parker under an apple tree between these two houses. They stand as testimonials to the importance of fighting both to save one's soul and to arouse public interest.

After being able to sit up, I got out into the yard. Finally, I began to take walks. Although Wellesley was higher in altitude than any other suburb of Boston, the doctor recommended that I go West. I first went to Colorado, New Mexico, Arizona, and California; but there I saw too many sick people. I did, however, become fond of Arizona and New Mexico, where I purchased an interest in a large tract of land. There was too much coughing and spitting at all the resorts which I visited. Besides, these people sent out there to get well were not fighting as I had fought, but were remaining indoors playing cards, smoking incessantly, and even drinking. Hence I decided to quit these Western health resorts.

REAL RANCH LIFE

Remembering that my Uncle Gustavus had invited us to visit him at Seward, Nebraska, we decided to stop there as we returned East. There was a "rugged individualist"! Our train did not get into Seward until about 1 A.M. Then at 5:30 A.M.—in the pitch darkness—he came up to our room, lighted the gas, and called, "Time to get up!" He was a great man; eccentric, but a hard worker

81 BAY STATE ROAD
BOSTON

May 20, 1927

Dear Mr. Babson -

When I read in the newspapers of your generous endowment for education, I shared in the local pride and universal pleasure that the continuance of your noble venture was assured. But I also could not escape the feeling that, great as your gift was, it would be multiplied many times for good, if my patients

and other doctors' patients with chronic disease should know that it was merely the material expression of your own successful struggle against what at first must have seemed a hopeless life of mortal invalidism.

The Public will admire the Babson Institute and doctors will respect the character of the man who founded it, but to chronic patients it will always stand for hope and inspiration

Sincerely yours
Elliott P. Joslin

Mr. Roger W. Babson
Babson Park,
Mass.,

Copy of letter written by Dr. Elliott P. Joslin, one of Boston's most famous physicians.

and very kind. We stayed there a month or more. He had a pony which I rode. He also took me in his buggy to visit the adjoining towns. He was in the farm-implement business. He formed the Seward Electric Light Company and organized most of the civic affairs. The first automobile ride I ever had was in a "Stanley steamer" which he later bought.

I shall never forget an experience which I had in the local barber shop at Seward. The barber asked me whom I was visiting. I replied: "Mr. Gustavus Babson, who is my father's own brother." I then explained that Mr. Gustavus Babson was born and raised on a farm in Gloucester, Massachusetts, from which I came. The barber's face then lighted up and he said: "That accounts for what Gus Babson said to me the first time I ever shaved him. I stopped to sharpen my razor on a strop. Said Gus Babson to me: 'Young man, when I was a boy, I worked for my father in the hay-fields at Gloucester, Massachusetts. Now get this:—Whenever I stopped to sharpen my scythe, my father would call out, asking if I was getting tired.' But, say, boy—that Gus Babson is a hustler."

While at Seward I became acquainted with the Langworthy family. The old man Langworthy was another rugged individualist. He owned the first and leading bank in Seward. He started out, of course, with open fireplaces and could never get used to steam heat. Hence, when he spit—and it was often, as he was a tobacco-chewer—he would always spit behind the radiator! He thought that the radiator must take the place of the fireplace in *every way*. But he was a great old scout and his wife was a lovely lady. He had several sons. One of these, Fred Bennett Langworthy, had a large ranch in Sioux County, Nebraska. This ranch was ten miles south-east of Harrison, Nebraska, which was the post-office. He had a splendid wife and five boys. I stayed at this ranch for awhile.

If space permitted, I should like to tell of my experiences on that ranch. I was assigned to the duties of "midwife" for several hundred sick cows which were having calves. The cows had some form of fever which was usually fatal. Hence, the main job was to keep the cows alive until they calved. Then we would let the old cow die, but save the calf. My task was to pull the calves out of the poor cows. They had not strength to complete the delivery. I would then cut the cord, tie it, and hunt for another patient! That Langworthy family surely had a hard life. No "forty-hour week" for them! They worked from 4 A.M. till dark every day. Ever since then I have been anxious to help the ranchmen and farmers.

BEING KICKED UPSTAIRS

Serving as midwife, however, on the plains of Nebraska started me back to health. I decided to return to Wellesley and try the plan to which Miss Mullett

refers in the above story. The details I will explain in Chapter XII, which follows; but let me say here that this sickness was of untold value to me. It taught me how to take care of my body. Although I have slipped two or three times since, yet I then learned lessons which I have never forgotten. Furthermore, from then on I did not work so hard, or, rather, I did not work in the city. Mrs. Babson and I bought a cottage at Annisquam, a part of Gloucester, Massachusetts, and spent our summers there. Later, I began to go South winters. Whatever the time of year, I was determined to spend my days in the sunshine and fresh air.

As I never liked golf, and as tennis was too strenuous, I had a little vegetable garden at Annisquam. I soon found, however, that I could make more money by writing about the garden than by selling the vegetables. This was the reason for my series of articles in the *Garden Magazine* on "Back-yard Gardens." These articles had quite a vogue. People came to Annisquam from all over the country to see my famous "Back-yard Garden." Mrs. Babson helped by keeping an accurate statistical record of every penny spent and the amount and market value of the products. Later, I tried to raise hens and sell articles showing the "money in hens," but my New England conscience would not let me do so. Nevertheless, I know "there is money in hens," because I myself have put it in them!

Of course, there is no one royal road to health any more than to wealth. Every person probably needs different treatment. Certainly every person needs to live a well-balanced life, to avoid getting "hipped" on any one thing and to avoid neglecting any one thing. Some get sick by *not* doing; others get sick by *over-doing*. Few get sick who live normally—that is, who obey the Ten Commandments, *especially the last one*. The only medicine which doctors gave me was "creosotal," and even this may have done me no good. *Rest*, fresh air, and good food restored me to health, and they will do the same for anyone. My experiences taught me five fundamentals.

MY RULES OF HEALTH

I have had many letters since my recovery, asking for these five rules of health. Not being a physician, I have respectfully refrained from complying with such requests. Here, however, you will find these five rules:

1. Avoid worry by getting a lot of sleep. Go to bed early and never allow yourself to think of anything after hitting the pillow. If possible, rest for an hour after lunch or before dinner at night.
2. Insist upon fresh, moving air *both night and day*. The air we breathe is as important as the food we eat. Breathe deeply and make a business of "eating air."
3. Keep clean inside and out. This is possible by not over-loading your

stomach and by drinking much water and eating lots of green vegetables and fruits. Every normal person should have three bowel movements a day. Wash your hands *always* before touching food and wipe them on a fresh paper towel.

4. Exercise by walking and by sports. Practice abdominal and stretching exercises every morning before dressing. These exercises can strengthen the tissues and muscles of your internal organs so that you may not need a surgical operation.

5. Eat a balanced diet and chew your food. Eat little or no meat, acids, eggs, and *sweets* or *salad dressing*. Watch your weight and regulate your starch accordingly. Of course, cut out liquor and smoking. Personally, I do not even use tea or coffee, although this is no reason why others should not do so if their physician approves.

It is said that the workman on one of my buildings asked his foreman: "What's this story about Mr. Babson's having been sick once?"

"That is right," the foreman replied; "he was sick unto death, but he got all well. Why do you ask? Has he been through here?"

"Has he been through!" exclaimed the workman, solemnly. "I'll say he's been through—like a bat out of hell!"

I apologize to readers for including this story of my illness. I have accomplished no more than thousands of others who had far more handicaps. My only reason for this chapter is because it may serve as an encouragement to others. I further would like to add that work, profit, pleasure, pain, loss, sickness, recovery, and health all have their uses. Success and happiness consist in blending them all together in *Life*. Remember—only one or two things are really important.

Chapter XI

MY BANKING BUG

ONE thing was definite—namely, that I was now through with manufacturing or selling securities. I wanted to cut loose altogether from entangling alliances and devote myself to protecting the investor. It was evident that the best talent in the country then combined to manufacture and distribute securities. They had the help of engineers, attorneys, engravers, advertising experts and the entire press, with one possible exception—namely, the *Saturday Evening Post*. All combined, they could not line up George Horace Lorimer to take financial advertising. The purchaser of securities, unless he happened to represent a large bank or insurance company, was absolutely helpless. He had no chance at all. The cards were marked and stacked against him.

I did not at once have the courage to stake everything on my new venture, namely, *Babson's Reports*. As a hedge, therefore, I began to acquire a small banking interest. Money which I had saved since graduating from the Massachusetts Institute of Technology I had used partly to purchase bank stocks. The banks seemed at least a halfway house between the old investment game and the new investment advisory program which I was inaugurating. Besides, I had not forgotten my father's remark that "interest works twenty-four hours a day, Sundays and holidays included." I bought a little stock in two or three Boston banks, and then began to buy into the Gloucester Safe Deposit & Trust Company, which was a bank in which my father was interested.

CHAIN BANKING

On September 7, 1909, I was elected a director in the Gloucester Safe Deposit & Trust Company, and on January 18, 1910, I was elected vice-president. I served in this capacity until January 20, 1914. On September 2 of that year, I sold all my interest therein. During these years I acquired an interest in the Rockport National Bank, of Rockport, Massachusetts, and also formed the Manchester Trust Company, of Manchester, Massachusetts. At one time I had in mind controlling a small chain of banks north of Boston, using the Shawmut National Bank as the base of operations. I even had a desk at the National Shawmut Bank, where I spent one day each week. Although I had my personal

account at a small bank known as the Beacon Trust Company, I wish to acknowledge my indebtedness to the National Shawmut Bank of those days for their cooperation in this dream.

Later, this same group plan was adopted, by men connected with the First National Bank of Boston, in the formation of the Old Colony Associates, with this difference: My plan was purely a banking proposition, connected in no way with the vending of securities. It even included a plan to aid depositors without compensation when, as, and if they desired to purchase stocks or bonds. In the plan of the Old Colony Associates, the vending of securities was an important factor. Incidentally, let me say that shortly after the Old Colony Associates was formed, I immediately sold, at the top price of around fifty dollars a share, my holdings, which I had taken to please certain friends. I knew that oil and water could not be mixed. After the vending feature was given up, the stock dropped to under ten dollars a share, at which price I then began to accumulate it.

WHY BANKS FAIL

I soon began to learn that "all that glitters is not gold." I had often wondered why men were anxious to be bank directors and were willing to give so much of their time without pay. I quickly learned the answer. The old system of conducting a bank was similar to the idea later adopted by Rotary clubs. This plan was to have one man, and only one man, representing an industry. For instance, these banks would have one lawyer, one doctor, one real estate agent, one builder, one merchant, etc. The theory was that these men would be informed on their respective lines of work, and thus protect the bank on investments in their respective fields. This was all right in theory, but the pipe line worked too often in the other direction.

Bank directors are strongly tempted to use the bank to bolster their own business rather than to use their knowledge to protect the bank. There was no dishonesty or graft, but it soon became evident that too many directors *unconsciously* feather their own nests at the expense of the bank. This first became evident to me while with the Rockport National Bank. As a protection, I arranged with a courageous, hard-headed farmer named Ernest N. Curtis to take charge of this institution. I had rather have Mr. Curtis himself tell of his experiences. The net result of it all was that we sold out our interest in the Rockport National Bank. We found it too difficult "to teach old dogs new tricks."

DIRECTORS OFTEN ORNAMENTS

I had better luck with the Manchester Trust Company. This was a new bank with a fine board of directors. The difficulty with Manchester was that it was a rich community and few wanted to borrow any money. Hence we were com-

pelled to buy stocks and bonds with our funds. This was a mistake. A bank which has no local demand for its funds has no excuse for existing. In such a case the community should be satisfied with a branch of some strong institution located in a near-by city. Then, however, I was green in the banking business. We all learn only by experience. We certainly started the Manchester Trust Company in the right way and in the right building. We organized it on March 6, 1911, in the chapel of the Congregational church, at Manchester, Massachusetts! We had a very able man—the leading contractor of the town—as president. I was elected a director and vice-president. I continued to hold these offices without interruption until June 1, 1925, when, to quote an official letter on the subject, “At a regular meeting of the board of directors Mr. Roger W. Babson’s resignation was accepted with regret.” My resignation was accepted all right, but I am not so sure of the “regret” feature! Bank directors are good men. It is a pleasure to meet them and gossip about affairs. As for operating a bank, they usually are unfitted for the task, being interested chiefly in getting a small fee and some news to take home.

Some time before that I had given up all ideas of a chain of banks and had sold most of my bank stocks at a good profit. Later, as a community service, I helped Charles N. Taylor organize the Wellesley National Bank. Still later I took an interest with Robert L. Studley in the formation of the Wellesley Trust Company. I also became a director and a vice-president of the Newton-Waltham Bank and Trust Company. Today, however, I hold no bank stocks at all, except a few shares in this Newton bank, which is most ably operated by its experienced president, Frank L. Richardson. In 1947 I resigned from this bank and am happy that Theodore Putney has been elected in my place. He is Mrs. Babson’s nephew and an able investment expert.

GOOD BANKING

Banks perform a useful function, and much money has been made in bank stocks. I believe that there will be more opportunities to make money in bank stocks. The banking business, however, is no business for amateurs. A bank starts out by “borrowing money” from its depositors—the greater the deposits, the more the bank owes. Deposits are not an asset, but rather a liability. To be safe, a bank should have a large number of small depositors and a large number of small local loans. It should be operated like an insurance company, based upon the law of averages. Banks so operated have weathered every storm and been money-makers. The great temptation, however, is to have a few large loans with intimate friends, or else to buy stocks and bonds about which little is known.

A bank should diversify among a large number of industries and not tie itself up mainly with some one industry, like the fishing industry, or the shoe industry, or the farming industry. Bank directors should quit being mere rubber

stamps. They should hold the controlling stock interest of the bank and take their jobs more seriously. Politicians think that they can correct these evils by legislation, but they have even more to learn than I had. So long as human nature remains as it is, the banking problem will be a continuously troublesome problem;—the same as the labor problem, the liquor problem, and other basic problems.

WHY NOAH BUILT THE ARK

Sometimes I am inclined to believe in one-man banks where some one man has his entire fortune in the stock of the bank, a man who has no other outside interests. I well remember such an instance of my younger days, where the old man, as they called him, would come down to the bank about nine o'clock, read the newspaper, poke the fire, and think. He stayed until about noontime, and then went home for good. He knew nothing about modern banking, and was looked upon as an old foggy. He, however, originally bought the stock of that bank at one hundred dollars a share and, while he was poking that fire (the banking-room had an open-grate fire), the stock rose to several hundred dollars a share, where it was selling at the time of his death. After his death a new group bought control and introduced every contrivance for systematic and modern banking. Records will show that from the day of the old man's funeral the stock began to decline and finally went nearly out of sight during the financial panic of 1932. The fact is that while this man was "poking the fire" he was doing a lot of thinking. Furthermore, he had the courage to say "yes" or "no"—in fact, this was about all he did say during the course of the day.

Good banking depends not on handsome buildings, modern equipment, or even large deposits. Certainly a "distinguished" board of directors is not of much value. The basis of successful banking is those intangible characteristics of integrity, courage, and judgment. If the man in charge of a bank has these characteristics, the bank will weather any storm and its stock will be a profitable investment. Otherwise, it is sailing near the rocks. During a revival campaign in Gloucester, I remember D. L. Moody preaching a sermon on Noah. He began by saying that if God had left the building of the ark to a committee, it never would have been completed on time so that part of the race would have become extinct. "Instead," continued Evangelist Moody, "God left the building of the ark to one man named Noah, and held him responsible. Consequently, it was completed on time and the people were saved." In a general way this applies to most boards of directors, whether of banks or of other corporations.

HOW I WAS AGAIN FIRED

In order not to leave the wrong impression, I should frankly explain that I was fired off the board of the Gloucester Safe Deposit & Trust Company. My

cold-blooded father even voted with the other directors in performing this capital punishment. The story is interesting as showing how things have changed since 1914. I always felt that the bank was lending too much to the fishing industry, and especially to one firm. This firm, however, was so well represented, directly and indirectly, on the board of directors, that it was difficult for us to get it to reduce its loans. I personally organized a movement to correct this situation, but was unsuccessful. Later my efforts were vindicated, because the firm, and most of the other fishing firms, finally were liquidated or re-organized. The bank thereby lost money. Every industry, as well as every family, seems to go "from shirt sleeves to shirt sleeves" in about three generations. The business cycle applies to communities and industries as well as to the stock market. The wheel is continually turning. Some few have the self-control to get on the wheel at the bottom and get off at the top; but the vast majority, including most banks, get on at the top and off at the bottom.

As a result of my constant complaining, I became unpopular with the fishing industry, and especially with those connected with this special firm. These fishing interests, therefore, naturally were watching for me to stub my toe, which opportunity they could use to eliminate me from the picture. This opportunity came when I delivered an address one Saturday noon before the Twentieth Century Club, of Boston. The subject assigned to me was "Taxation." I forecasted the inheritance taxes, income taxes, and various other forms of taxes, which later followed. Reporters connected with the Boston newspapers must have been present, because on Sunday morning I was astonished to see the space which the Boston papers gave me. The truth is that this was the first time that I was ever publicly featured. This was during the early part of my experiences as a public speaker.

I immediately received a letter from my father reprimanding me as a radical Bolshevik. The president of the Gloucester Safe Deposit & Trust Company, Mr. Charles E. Fisher—a wonderful character and a faithful friend—was also displeased. The spearhead of the opposition, however, centered in a conservative, Mr. George Henry Perkins, who was also a vice-president of the bank. He was thoroughly aroused; he determined that I was no fit man to represent the financial interests of the community. There were also two other young men about my age who had the banking bug; namely, Mr. Isaac Patch and Mr. Ezra L. Phillips. With Mr. Perkins as a leader, and these heavily-borrowing fish firms pouring fuel on the fire, a strenuous opposition solidified. The result was that I was dropped from the management and Mr. Isaac Patch was elected in my place notwithstanding an agreement which I had with the President of the bank dated November 12, 1912. ♦

As an illustration of the irony of fate, his first child and my child were born within four days of one another. Mr. Patch has been an honest banker and

has been much more tactful than I was. He doubtless has made no more mistakes than I have made. My motto is to forgive and forget. I have therefore always kept up my friendly relations with these Gloucester people. They are a fine group of honest and sturdy men. I do not blame them for dropping me out of the bank, but it is interesting to note that everything which I prophesied came about.

EXPERIENCE WITH LAWYERS

Statistics show conclusively that we are living in a changing rather than in a stationary world. This applies not only to taxation, banking, and all financial affairs, but also to modern action and thought in countless branches. Perhaps one reason that I tired of the banking business was that it was static rather than dynamic. Figures of any kind never appealed to me as dead specimens, but as living, functioning organisms. Just as the great scientist Fabre revolutionized the study of insects, so I have tried to perform a similar service for statistics. I have always tried to visualize a world of change rather than a world at rest. I have felt that banks should lead their communities both to reduce in periods of prosperity and to expand in periods of depression. In so doing, they would not only service their communities in a very valuable way, but would also protect themselves. Banking needs to be hedged in with a certain amount of law. Good bankers, and every good citizen, for that matter, should be law-abiding and scrupulous to comply with the spirit as well as the letter of all laws.

My criticism of lawyers has not been their interest in enforcing law, but, rather, their interest in finding ways to circumvent it. Even the average politician has seemed more or less hypocritical to me, and this is why I would never hire one. The average lawyer seems to be more concerned with teaching people how to escape laws than how to obey them. The engineering profession has appealed to me much more. The engineer is trained to seek the truth and let the chips fall where they will; while the lawyer is trained to prove anything that suits his convenience. Laws are necessary as a cement to keep society together, but we must first have better cement-makers and better masons.

Speaking of masons reminds me of the buildings which banks have erected. I believe in a good-looking and efficient office, but I feel that banks and other corporations have wasted altogether too much money on monuments. A successful business, like a successful life, depends on keeping things in balance, and not going off on tangents of any kind. The same applies to banking, advertising, and accountancy.

WHAT ABOUT ACCOUNTANTS?

I remember when my father was interested in banking. Accountants would bring to him audit reports consisting of thirty or more typewritten pages. He

would look at the auditor and say: "Young man, this is all Greek to me. All I want is six figures, (1) gross sales, (2) net profits, (3) amount charged to depreciation, (4) amount owed, (5) cash inventory and property value, and (6) cash in the bank. Give me these for a few years back on one sheet of paper, and I will give you my answer in two minutes." I have often thought of my father's wisdom in this statement. I have seen the companies with which I am connected, and those for which our organization is doing work, actually waste hundreds of thousands of dollars on auditor's reports.

My associates will say that I have a fetish on this subject of lawyers and public accountants. Of course they are necessary, as are doctors and undertakers, but their work could be greatly simplified, to the benefit of all concerned, except possibly themselves. Lawyers and public accountants are part of a policy which is today bleeding business and adding to the cost of consumer goods. How the situation will be remedied under a democracy I do not know, because our national and state capitals are today overrun and controlled by lawyers and accountants. This talk about the government being run by the bankers and the captains of industry is all rot. Our federal and state governments are being run by petty lawyers, accountants, and politicians.

LEAVING MONEY IN TRUST

I really should speak about the trust department of banks before closing this chapter. The tendency to leave money to banks in trust for relatives, educational institutions, etc., is increasing by leaps and bounds. To the extent that this money is invested in bonds, mortgages, etc., this system may be all right. When it comes, however, to investing this money in stocks, and allowing the proxies of these companies to be used by banks as they see fit, this is another question. *Yet no trust fund is safe without a right proportion of stocks.* There is a latent danger here that is a two-edged sword. Such a set-up is not only harmful to corporations, but may also act as a boomerang on the investors themselves. Even now, it is necessary to hold the annual meetings of many large corporations in a cemetery in order to get a quorum; but this is not the worst. If our country ever gets into the hands of a socialistic government, it will be necessary only to take over the banks and get control of these trust funds. With the proxies they carry, these men could govern the industry of America.

This is not a reflection on trust funds, living trusts, or insurance of any kind. I believe in all these things, but I know that nothing will take the place of individual responsibility and eternal vigilance. If our children have not the integrity, industry, courage, and judgment to handle independently the money which we leave them, how can we expect the banks to do it which are controlled by children no better than our own children? One thing I feel very strongly about—namely, that when leaving money in trust, we should use joint

trusts; that is, two trustees, one to be a bank and the other to be the beneficiary. Every person to whom we leave money should be one of the trustees of the money of which he or she is a beneficiary.

AVOID DEBT LIKE SMALLPOX

This banking bug certainly taught me one good lesson—namely, the dangers of getting into debt. I borrowed a little money in Gloucester while I was engaged in selling securities, although my father used to say: "Roger, remember that debts are more dangerous than germs." About one person in ten has made a lot of money by getting into debt, but the other nine persons would be better off if they had never borrowed a penny. The borrowing of money is a good deal like playing the races: the winnings of a few keep the industry going. There are legitimate reasons for borrowing. A person is justified in borrowing on raw materials while they are being manufactured into finished goods and sold. A person is justified in borrowing on goods in transit. There are other forms of legitimate borrowing. Most borrowing, however, is done in an attempt to do more business than one should. This results in overreaching and usually in disaster. It is much better to be content with a small business and operate on your own capital than to spread out and have a large business but be in debt.

When I speak about being in debt, I have not in mind the man or the corporation which cleans up once a year and stays out of debt for two or three months. Such borrowing is legitimate and is good for the banks and the borrowers. When, however, you obtain a loan that you cannot pay up within a year, and thus be free from debt for a while, then it is time to halt. Doctors tell me that getting needlessly into debt is probably the greatest factor in undermining the health of business men. Debt develops worry, and worry develops physical weakness. When in debt a man is subject to infection and deterioration. Careless borrowing is not only dangerous to the individual, but to the nation as a whole. Borrowing causes real estate, commodities, and securities to sell during a boom at unreasonably high prices, and likewise causes these same assets to sell at unreasonably low prices during a business depression. If real estate, commodities and securities could not be used as bank collateral, the business cycle would be freed both from the dangerous booms and from the reckless panics. Furthermore, until that day comes I see little hope for effective financial legislation.

Chapter XII

DEVELOPING A USEFUL BUSINESS

I MUST now drop back in this narrative to my illness. As I have explained, banking was only one string to my bow; I took it up as an insurance while I was struggling to get my first love, *Babson's Reports*, floated. Therefore, let me return to December, 1904, when the Business Statistics Organization was incorporated in the kitchen of our little house on Seaver Street, Wellesley, Massachusetts, with a capital of \$1,200. I had returned from the West and was recuperating from my illness. I was faced with the problem of devising some scheme which would enable me to make a living by working out-of-doors in the country. It needed to be a line of work connected in some way with securities, upon which my education and five years of experience had been concentrated. If physically able, I would have gone at once to Wall Street as an investment adviser; but under the circumstances I was forced to the difficult task of getting Wall Street to come to me.

This is the way it happened. I had not been out to any evening function for nearly two years; but the time had come when I felt able to do so. On my first evening out I attended a lecture at Maugus Hall, Wellesley Hills, Massachusetts, by Booker T. Washington. He told of his industrial work at Tuskegee, and how he made his students *independent*. His system was very simple. He tried to make each student a real specialist at something. For instance, if he had students from twenty counties, he would make up a class of twenty students on carpentry, one from each county; a class of twenty students on bricklaying, one from each county; a class of twenty students on pecan raising, one from each county, and so on. Instead of teaching these students everything from French to calculus, he concentrated on simple reading, writing, and arithmetic, *but made them specialists in definite lines of employment*. Then when these students graduated and returned to their respective counties, they would know more about carpentry, bricklaying, or pecan raising than anyone else in their communities. Booker T. Washington made the point that as soon as a man knows any one subject (no matter how insignificant) better than anyone else in his community, his success is assured.

MY BIG IDEA

The next day I gave Booker T. Washington's address careful consideration. I thought over the statistical field with the idea of developing the plan of work to which Mary Mullett referred in her *American Magazine* story. Every city bank, investment house, and Stock Exchange firm had a "statistician," who ranged all the way from the office boy to one of the partners. Some of these statisticians had been salesmen on the side, as was my case. No one of them was especially interested in his work. There was much duplication of effort. For instance, railroad gross earnings were published each month, but they were never published on a *per mile* basis. Hence each month the statisticians in each office had to divide the gross earnings of the respective railroads by their mileage, in order to get the earnings on a per mile basis. This was the only satisfactory way of comparison.

The bond houses used to issue offering circulars, and the statistician from each office would call on every other bond house each month to collect these circulars. These were then indexed separately by each house, so that when the firm desired to purchase or sell any inactive bond, it could look up and ascertain the name of the firm last offering or bidding for it. In view of what Booker Washington had said, the thought occurred to me that one person, with some assistance, who concentrated on this one job, could do it more efficiently and at much less cost to each house if he did it for the entire group. This was the idea that gave me a start. I saw no reason why it could not be done at Wellesley as well as in New York or Boston. The results could be mailed to the different banking-houses, in either card or circular form.

IMPORTANCE OF SELLING

The next job was to get a group with which to start. This was no easy matter. It is simple enough to manufacture goods, but it is another job to sell them. The trouble with America is that we are long on manufacturing establishments and short on good salesmen. The last thirty years have been devoted to extending powers of production on a scientific basis; but let me say that the next thirty years must be devoted to organizing distribution on a scientific basis. This was my first experience in selling. It was some job. Finally, however, I got a group of eight houses to pay me \$12.50 a month each, making a total of \$100 a month for this work.

Mrs. Babson and I then organized, as a little company, Business Statistics Organization, Incorporated. The original capital was only \$1,200, which was the amount needed for a typewriter, adding-machine, office supplies, and working surplus. I became president of the company and Mrs. Babson became treasurer. We divided the stock equally between us. There has never been a change in

this stock ownership up to the present time, and we are still fifty-fifty partners.

The first month our gross earnings were \$100. We had an office in our house, and our total rent was \$22 a month. Incidentally, the Business Statistics Organization later bought this house, intending to develop it into a statistical museum. We hired a young woman by the name of Bessie Parker for \$6 a week. She stayed with us for seventeen years, and when leaving to get married was receiving an income of about \$15,000 a year. The first month our rent, help, and other incidental business expenses amounted to \$50. Mrs. Babson and I spent \$45 on food and incidentals, which left us a balance of \$5. We both had been brought up economically in New England to save. As a result, this \$1,200 grew to many millions.

HOW SUCCESSFUL BUSINESSES START

We had only eight clients for that first year. The second year the number went up to twenty-seven, the third year to forty-two, and the number increased every year until we had the largest clientele of any statistical organization in the world. Our profits probably amounted to more than those of all our competitors combined. It, however, was a slow struggle. There was no spectacular growth. The difficulty with young people today is that they want to grow too fast. They are unwilling to start at the bottom and wait. It is a simple matter to build up a business if you will be patient; but it is a difficult and expensive matter to build it up quickly. Most successful businesses have been born in either garrets or cellars. My real handicap was not the slow growth, but rather the difficulties under which I was obliged to work. It was a handicap to work in the country, as bankers were prejudiced against "sending into the woods" for their statistics. Then it was necessary to work out-of-doors, and this was a handicap also. For instance, in the early years of my business I worked wholly out-of-doors, in winter as in summer. My personal assistants had robes and mittens, hitting the typewriter keys with strikers looking like small polo sticks; but this Mary Mullett has already recorded. The method is shown by an illustration appearing in Chapter XVIII.

Notwithstanding these handicaps, we won out along the lines of Booker Washington's suggestion. I believed that my poor health was no more of a handicap in my case than being black was a handicap in the case of Booker T. Washington. Yet he made good. Any handicap can be overcome by honesty, industry, thrift, and concentration on one's job. If you will concentrate on one thing and know more about that one thing than anyone else in your vicinity, you at once become independent, irrespective of color, sex, health, poverty, or any other handicap. This certainly is my belief, and I say so from experience. There is an old saying, "there is plenty of room at the top." This is truer today than ever. Plenty of people have money and influence; college graduates are

more common than bricklayers and plasterers; *but the man or woman who knows one thing better than anyone else always wins in the end.*

NECESSITY OF HAVING A PLAN

Our underlying purpose was to furnish protection to the investor in relation to his capital and income. This was the original plan when the Business Statistics Organization was incorporated and has continued to be. In floating this idea it was necessary to get the cooperation of a few concerns with vision which had an interest in the persons on the customers' side of the counter. In talking with these eight concerns who first staked me at \$12.50 a month, I found they were primarily interested in having me collect, analyze, and index the circulars of bond offerings to which I have above referred. I made the trips myself to the banks and bond houses of Boston, and got on the mailing lists of all vendors of securities in other cities wherever located. The cooperating subscribers also gave me the use of the bond offering circulars which came in to them. Hence we became a clearing-house for the firms which employed us. At first a clerk and I went around to these offices and indexed these combined offerings on little blue cards. It was soon found that it was better to arrange all these offerings each month alphabetically and furnish them as a typewritten report on legal size paper. This was a quicker and more economical way of doing the work. It enabled different people in a bank or bond house to have a personal copy of this "Composite Circular" and not be tied to the card file in the office. We thereupon mimeographed these circulars, and they soon became much in demand.

Fortunately, I had the audacity to start this service at \$12.50 a month and keep the price at this figure. This is perhaps one of my greatest contributions to the statistical industry. If it had been started at some low price of \$12 or even \$25 a year, the industry would never have developed to present proportions, as the demand for the product was very limited. Originally, I was criticized severely for this high price. Bank officers and partners in investment firms would say to me: "See the one hundred pages which we can get weekly in the *Commercial and Financial Chronicle* for only \$12 a year, and yet you ask \$12.50 a month for twenty-five mimeographed sheets!" I, however, stuck to my price and gradually increased my clientele, as above explained. It was a hard row to hoe; but so long as we were headed in the right direction, my courage was good. I finally secured as clients most of the investment firms of Boston; gradually I took trips to New York, Cleveland, Detroit, Chicago, and St. Louis.

IMPORTANCE OF ECONOMY

I never took a Pullman, but sat up all night in a day coach on many of these trips. Later I went to New York for a few days every month, going back and

forth on the Fall River line, using one of those free berths. They were in rooms opening off the dining-room below water, with six free berths in each room. They were my first experience with "air conditioning." Although there was no outside ventilation, yet I got on all right with the forced air that was pumped into those rooms.

This old Composite Circular continued to grow, and I finally sold out the whole idea, at a handsome price, to Arthur E. Elliott. He founded the National Quotation Bureau, with monthly, weekly, and daily printed services. This has become a large and successful business, although I have had no connection with it for many years.

Mrs. Babson and I salted down our money in "utility" securities, but continued to live in an economical way. We directed our energies to expanding the Babson Card System which we had started about a year previous. We felt that there was an opportunity for collecting, analyzing, and distributing information of earnings and miscellaneous news on cards, in the same way as we were distributing information of offers and bids. For this new service we used 5 x 8 cards, instead of the 3 x 5 cards which we had used previously for listing the offerings and bids. For this new work we employed a young man, Edward W. Shattuck, as chief compiler, and Willis D. Porter as salesman. This service was likewise marketed at a good figure on a subscription basis to Stock Exchange firms and investment houses. The field for this information service was larger because we could sell it also to banks, which were not interested so much in our bond offering service. Finally it was necessary for us to move from our house on Seaver Street to a vacant house on Bemis Road, in Wellesley Hills, and later to a small wooden building at Wellesley Hills Square.

SERVING COMPETING MASTERS

As we began to interpret these earnings and news items for the benefit of banks and investors, we encountered a difficulty. Ninety-five per cent of our subscribers were venders of securities! These subscribers did not object to *favorable* interpretations, but when we began to issue *critical* interpretations, opposition developed. I do not blame these investment houses; naturally they were unwilling to pay me \$12.50 a month to call the attention of banks and investors to the weak features of the securities which they were offering. They threatened and coaxed us to soft-pedal the bad features. We soon reached a point where we were obliged to decide whom we were to serve, the venders or the purchasers of securities. One cannot successfully carry water on both shoulders.

Thereupon I devised a plan of selling this card service to Messrs. Porter and Shattuck and letting them serve the venders of securities. I then confined my efforts to protecting the purchasers and the investing public. Another consideration was the necessity of having the card service operated in New York City,

where the firm of Laidlaw & Company were threatening to operate a competing service. I shall never forget that summer day when these two young men, soon after taking over this information service, came from New York City to talk with me at Annisquam, Massachusetts. They told me that Laidlaw & Company had definitely decided to back their statistician, Luther Blake, in the formation of a concern to do this work for Stock Exchange houses in New York. Porter and Shattuck told me that Laidlaw & Company had offered them a pretty figure for the business, which figure gave us all a handsome profit.

I advised these young men that if they could get satisfactory positions elsewhere, they had better sell out. I questioned whether there was room for two competing concerns in the business at that time. Mr. Edward W. Shattuck was unmarried and decided to retire on his portion of the profits. He first took his mother on a trip abroad, and came back and bought a small farm in New Hampshire. Mr. Willis D. Porter made a satisfactory connection which took care of him nicely. Therefore we all sold out, although it should be remembered that the Babson Card System formed the foundation of what has now become the Standard Statistics Company, the largest statistical organization of its kind in the world. Although Mrs. Babson and I continued to operate our business economically and to live simply, we by that time had accumulated quite a fortune. We were at last in position to be independent and live on our income or else to spend money on further business adventure. We chose the latter, but used the laboratory method and depended upon tests and news items. In connection with this I learned much from E. T. Gundlach of Chicago. This was in 1906, preceding the panic of 1907.

OWNING MOODY'S PUBLICATION

Ever since the Civil War a financial publication known as *Poor's Manual of Railroads* had been published annually. This green book, together with the *Commercial and Financial Chronicle*, were practically the only reference publications then used by banks, Stock Exchange firms, and investors. The Fitch Printing Company published the listings of the New York Stock Exchange, and entered the financial statistical field in a small way; but practically nothing new developed until John Moody came into the field. John Moody was statistician for Spencer, Trask & Company, and he conceived the idea of a Manual for Public Utility and Industrial Companies, to be bound in red, to supplement *Poor's Manual of Railroads*, bound in green.

From that day to this, John Moody and I have been friendly but keen competitors. History must record that we revolutionized the collection, compilation, and publication of financial statistics. Although other concerns such as the Standard Statistics Company, to which reference has just been made, later came into the field and built up larger organizations, I doubt whether any outfit

has had as good a time and has made as much money as John and I have. Unfortunately, John had had a New York training instead of a New England training, and hence got caught in the panic of 1907. He was being financed by Mr. E. N. Potter, a splendid young man, who was senior partner of the Stock Exchange firm of Potter, Choate & Prentiss. Mr. Potter, who was one of my clients, asked if I would be interested in purchasing the assets of the Moody Manual Company, which was to be sold at public auction. I replied that I had been a manufacturer of services and not a purchaser of services. I was benefiting from a lesson which I had learned years previously—namely, that it is more profitable to manufacture bonds than to buy them! However, I was the only one who then had the necessary capital as well as the courage to supply it. I therefore took over the Moody Manual Company.

HOW TO SELECT MANAGERS

In looking about for a manager, I remembered Mr. Charles W. Jones, a salesman living in Wellesley, who had been exceedingly successful in creating and getting new members to the Men's Club of the Wellesley Hills Congregational Church. Mr. Jones had character, energy, and red hair. Although he knew nothing about the compilation or sale of financial manuals, he accepted my offer and made a great success of the company. During those years the only disagreement we ever had was when I finally came to the time when I would like to cash in on Moody's Manual. Instead of selling to Mr. Jones, I sold, at a higher price than Mr. Jones would pay, to Mr. Roy W. Porter.

Afterward, Mr. Porter purchased *Poor's Railroad Manual* and consolidated them both. John Moody, however, would not be downed. He started *Moody's Bond Ratings*, which were a great success from the first. Although he has had lots of imitators in connection with these "Ratings," none have thus far been able to catch up with him. This gave him sufficient funds to push his book, entitled *Moody's Analysis of Investments*, and finally to purchase back from Roy Porter the name "Moody's Manual." Thus it will be seen that at various times I have founded or controlled practically all of the financial services and other financial publications except magazines which carried advertising. In fact, the real reason that I sold out my interest in these manuals was because the small amount of advertising which they carried conflicted with my freedom to comment on the good and bad points of securities.

Banking-houses would not advertise in our manuals if we made unfavorable comments as to securities which they were offering. John Moody was ultimately obliged to give up advertising in order to continue fearlessly his rating system. This reason kept me from investing in monthly, weekly, or daily financial publications which were dependent on advertising. This was the reason why we ultimately cut loose entirely from Stock Exchange firms and investment

houses which had securities for sale, in order to serve investors alone. Let me add that my able cousin, Paul T. Babson is now the controlling force in both the Standard Statistics Company and the United Business Service which latter I also founded.

"PASS IT ALONG"

It may be said that perhaps at this moment *Babson's Reports* were born, although they were merely the culmination of what had been developing for several years under my direction. At any rate, Mrs. Babson and I then burned all bridges behind us and determined to devote the rest of our lives to selling pure protection, first the protection of capital and income. At this point my father took me once more on a buggy ride. Said he: "If you are to be free to give unbiased advice, you must not borrow, indorse, or go on bond." I am proud to say that thus far we have followed my father's advice to the letter. Since *Babson's Reports* were started, neither one of us has ever borrowed a dollar, and I have never lent a dollar to an individual. Those giving advice should never become involved with the borrowing or lending of money or in speculation of any kind.

I cannot close this chapter without paying tribute to Frank W. Remick, who was a partner of Kidder, Peabody & Company when I started in business. I could not possibly have started with fewer than eight subscribers at \$12.50 a month. I easily secured five and with difficulty got it up to seven,¹ but I could not seem to get the eighth. For weeks I trod the streets of Boston, so far as my health would permit, seeking one more subscriber. Finally, at 4.45 P.M. on the afternoon preceding a certain Thanksgiving Day, Mr. Remick gave me Kidder, Peabody & Company's subscription. Not only was this the necessary last one needed, but this firm was the leading private banking house in New England and having it as a subscriber gave me great prestige.

On the first anniversary of that Thanksgiving Day I had the temerity to write Mr. Remick a letter of thanks and appreciation. He answered the letter by putting his visiting-card in an envelope with these words written thereon: "Pass it along." For several years I wrote him a similar letter every Thanksgiving, and he answered in the same way. Then one year he invited me to lunch with him at the Union Club on Park Street in Boston the day before Thanksgiving. The next year he accepted an invitation to lunch with me. Finally, he and Mrs. Remick dined at my house, the Thanksgiving Eve before he died. On the day of his funeral our offices were closed. Frank W. Remick's motto, "Pass it along," is the best advice for individuals and nations who wish economic security.

In conclusion let me say: *First*, I could not have been so successful under

¹ These seven were: E. H. Rollins & Sons, Moore, Baker & Co., Dennett Bros., N. W. Harris & Co., Bright, Sears & Co., Tobey & Kirk, and Frederick H. Hatch & Co.

present tax laws which are almost prohibitive to making large incomes. *Second*, I was the first to enter the investment supervisory field in a mass way and had practically no competition. *Third*, the operating expenses were then very low. With present high operating costs I could not repeat the good luck. In fact, there today is no longer more profit in our work than in most other industries.

Chapter XIII

ROMANCE OF BABSON'S REPORTS

PROTECTING CAPITAL AND INCOME

UNEXPECTED events are the turning-points in the lives of most people. I have already told of my spiritual conversion in 1890, and of my illness in 1901-02. The next great event which made a lasting impression on me was the panic of 1907. With the exception of a brief depression in 1903-04, general business had been pretty much on the upgrade from the time of my graduation in 1898 until the year 1907. Pig-iron production, crop statistics, banking reserves, check transactions, and every other barometer of business showed an almost continuous advance. Stock prices had climbed from an average of around 30 in 1898 to around 111 in 1906, which means they had about trebled in value. My business friends of those days were partners in Stock Exchange firms and investment houses. Nearly all of these men believed that the United States had entered a period of almost boundless prosperity. None of them saw any clouds in the sky.

Suddenly, on March 6, 1907, there started a crash which finally brought stocks from their high point of 111 to a low point of 60. Much of this drop occurred on two days, March 6th and March 14th. I happened to be in New York that later day, peddling my statistics. A partner of one of the Stock Exchange firms asked me to come on the floor of the Exchange to give him a lift. Although this was against the rules, I did so. On that day I actually saw men turn gray. My thoughts, however, were especially on the hundreds of thousands of thrifty investors throughout the country who saw their savings wiped out. This caused me to make a study of the losses which come through Stock Exchange transactions and foolish investments. I estimated these to be in excess of one and a half billion dollars a year. This was enough for me. Then and there I decided to do something to prevent them.

BOOKS WORTH READING

In addition to these experiences in 1907, I was greatly interested in a book known as *Benner's Prophecies of Future Ups and Downs in Prices*, published in 1884 by Robert Clarke & Company of Cincinnati. This book was presented

to me by B. E. Baker in 1906. Mr. Baker, who was in the leather business, lived in Wellesley Hills. His only son was in my Sunday-school class, which is an additional reason for my feeling under obligations to Sunday schools! On the fly-leaf of this book (which I still have among my valued possessions), appears the following:

There is a time in the price of certain products and commodities,
Which, if taken by men at the advance, leads on to fortune;
But if taken at the decline, leads to bankruptcy and ruin.

Mr. Benner based his prophecies on the average price of pig iron, hogs, and corn. The book was written, however, for business men rather than for investors. I also came in contact with another book, entitled *How Money Is Made in Security Investments*, by Henry Hall, which carried along the same idea but which was written purely for investors. I took the above two books, with other material, to Professor George F. Swain, to whom I have already referred, the head of the civil engineering course at the Massachusetts Institute of Technology. We both concluded that there was something in the idea which these books portrayed. I set my people to work compiling what became the first Babsonchart. It followed Benner in using pig iron, corn, and hogs as a base, but gradually more subjects were added.

BIRTH OF THE BABSONCHART

It was Professor Swain who first drew a "normal line" through these zigzag charts which we had made and through the composite chart which included them all. The Babsonchart started with the same idea which underlay our original Composite Circular. Professor Swain also suggested that Newton's Law of Action and Reaction may apply to economics as it does to physics, chemistry, astronomy, and other fields. At this point Mrs. Babson and I decided to go abroad and see what we could learn about Sir Isaac Newton. I thought I would like to try my hand, at the same time, at selling *Babson's Reports* and the Babsonchart in England and on the Continent. Sometimes it is easier to launch a new thing among strangers than among friends. Besides, these English and European bankers were selling no securities in this country, and hence were looking only for unbiased information. Of this and other trips, however, I will tell in a later chapter.

Briefly, *Babson's Reports* consist of two features: (1) They show *when* to buy and *when* to sell; and (2) *what* to buy and *what* to sell. It is the first of these features for which the Babsonchart is used. The second feature has developed into our Supervised Lists, about which I will write later. There was nothing new about charting the ups and downs of the production or the price of individual commodities or securities. Everyone was doing this. A few of us had

begun to combine different commodities or securities into a composite chart, although I was the first to use this name. Really upon this composite idea the organization was founded. *Our contribution to the analyzing and forecasting of business conditions was in connection with the study of the areas above and below this Normal Line.* Other systems of forecasting considered only the *high* and *low* of the charts, while our system considered the *areas* of the charts.

Based on Newton's Law of Action and Reaction, we assumed that after a depression area, equal in area to the preceding area of prosperity, had developed, another period of prosperity would be due. *In making these studies, we took cognizance primarily of the shape of the areas.* For instance, an area might be deep in intensity and short in duration, or shallow in intensity and long in duration. In both cases the square millimeters should be about equal. In the former case we would forecast a short depression, while in the latter we would forecast a long depression. This was truly a distinct addition to the analysis of business and investment conditions. Our studies greatly helped all forecasting efforts of that day, and the system is now being almost universally used by economists and statisticians.

MY AREA THEORY

I have every reason to believe that this area theory will gradually be extended to cover all the sciences and be used generally in all phases of life. Of course, there are some die-hard critics who still complain because the Normal Line cannot definitely be located until the cycle comes to a close. Furthermore, we must estimate as to when we feel the cycle has come to a close. Our answer to this is that we are merely teaching a principle and that each student is free to make his own charts, draw his own Normal Line, and make his own estimates. The interesting fact is that when ten experts independently, without reference one to another, make such a study and estimate, their results are practically identical. Hence, not only is our fundamental theory correct, but it is of definite practical use. We make no claim that the area theory enables one to foretell the size of the next area of prosperity; but after such an area has developed, we do insist that the following area of depression will approximately be equal *in area*, provided the Normal Line has been properly located.

Another important feature of this area theory is as follows: The ups and downs of each industry always bear a certain relation—although different with industries—to the ups and down of the Babsonchart. For instance, one industry will reach its high point in the early part of an area of prosperity and its low point in the early part of an area of depression. This is true of the stock market. Another industry will reach its high and low points in the middle part of these areas; while other industries will reach their high and low points in the latter part of the areas. This is true of the real estate business.

WHAT LINES MEAN

This Babsonchart was started in 1906-07, and first looked more or less like a snake, consisting only of the outlines of the red and black areas. This outline was and still is a curve of business conditions. The portion of the outline which applies to any one year is made up of twelve dots for said year, or one dot for each month. During the course of each month a preliminary estimate of the month's business is made each week. In determining the location of these dots, over 100,000 statistical compilations have been necessary. The arrow and figures in red at the extreme right of the chart show where business is at the present time, compared with normal. Never mind what others tell you. The real fact as to where business is today, compared with any previous period, is shown by the Babsonchart scale. This chart covers 90 per cent of all the industries in all sections of the country.

The other lines on the chart are self-explanatory. The solid red line made up of vertical red bars, shows the stock market. Each vertical red bar shows the high and low of the market for that month. The solid black line shows the bond market; the dotted black line the commodity market. These lines are also based on carefully-worked-out indices, which, likewise, show actual conditions. A study of the stock line, bond line, and commodity line shows that there is a certain relationship between these lines and the areas, which is very helpful in forecasting. Furthermore, if you would chart your own business, superimposed on the Babsonchart, you would find some definite relationship, which should enable you to anticipate improvement or decline in your business.

LOCATING THE NORMAL LINE

After a cycle is completed, we draw a line through the cycle to make the area below equal the preceding area above. Thus, D— equals D, E— equals E, F— equals F, etc., up through the last completed cycle. In doing this we follow Newton's Law of Action and Reaction. *After a line is once drawn for a single cycle showing the completion of a cycle, it should be drawn for all time.* The extreme right of this line gives an axis for a line or arm for the following cycle. Thus, this projected arm is shown as a dotted line in connection with the last cycle. When we believe the cycle is completed, we move this dotted line up or down *on the axis* to make the areas balance. Then we consider the cycle as fixed, and the dotted line is made a solid line and remains fixed. We then go ahead with a new dotted line from the new axis, developing the next cycle.

These arms form what is known as the Normal Line, or the X-Y Line, as it is called in mathematics. The areas *above* this Normal Line are made black and are known as areas of prosperity. The areas *below* the Normal Line are made red and are known as periods of depression. When one refers to business