

accomplished these things through the stimulation of interest in buffer employment, the development of national industrial cooperation, helping in the sale of factory sites, and in the stabilization of radical thought. In this connection, I sent a commission to Great Britain, under the chairmanship of Ernest T. Gundlach, to ascertain what methods England was using to adopt in quickly adjusting affairs to the new conditions. A report of this Commission may be secured from the Government Printing Office. In connection therewith I should acknowledge my indebtedness to Professor Harry W. Tyler and my secretary Helen Lyon.

#### WHITE HOUSE CONFERENCE

I arranged with President Woodrow Wilson to invite to the White House, for a "Back-to-Normal Business Conference," the governors of the forty-eight states and the mayors of the leading cities of these states. All were invited by Secretary of Labor Wilson, the message being delivered personally by one of my assistants, Mr. Henry N. Teague. This conference was held in the East Room of the White House on March 3, 4, and 5, 1919. The Hon. W. B. Wilson, Secretary of Labor, was chairman, and I had the honor of being secretary. This was the first gathering of its kind, to my knowledge, ever held at the White House. The latter was practically turned over to me by President Wilson for those three days. The President personally greeted the delegates, and on the first day a luncheon was served in the White House dining-room, with the President and Mrs. Wilson as host and hostess.

Among the first items of business was the discussion of government contracts and their methods of cancellation and payment, the return of the railroads to private control, the development of highway building to absorb unemployed labor, the question of pensions for veterans, the problem of government aid, and especially the need of getting new building resumed. At this conference, with aid of Mr. Franklin T. Miller, was started the movement which ultimately developed into the Home Loan Bank and other aids to legitimate building which have since evolved. It is also interesting to know that it was this gathering which recommended the revival of the War Finance Corporation, and laid the foundation for the Reconstruction Finance Corporation which was later organized by President Hoover.

#### ACQUAINTANCE WITH GOVERNORS AND MAYORS

During this time I had direct personal contacts with the governors of nearly all the states and with the mayors of most of the large cities. They were a most interesting group of men, and I certainly learned much from them. All the addresses and proceedings were printed by the government, and may be secured from the Government Printing Office or read at the Library of Con-

gress. As an illustration of a new "trick" that I learned, let me relate the following: At the first session the Secretary of Labor was presiding and I was sitting by his side at the speakers' table, serving as secretary. Calvin Coolidge, who was then governor of Massachusetts, happened to be sitting directly in front of me. Soon after the conference got well under way, word came of the death of James Withycombe, Governor of Oregon; whereupon an intimate friend of his arose and suggested that the conference adjourn "out of respect to Governor Withycombe."

These governors and mayors had come from all parts of the country for this important conference. They were all assembled and had just got under way. Secretary Wilson, who was presiding, was flabbergasted and did not know what to do. He was of a very kindly nature, and did not want to offend the two Oregon Senators who were present. I thereupon immediately appealed to Governor Coolidge in a whisper to help me out. He at once calmly arose and said: "Mr. Chairman, I move that when this conference adjourns it will adjourn in the honor of the Honorable James Withycombe, that worthy Governor of Oregon to whom we all desire to pay our respects." The motion was immediately seconded, presented to the conference by the presiding officer, and unanimously passed. Surely Calvin Coolidge took a load from my shoulders that day and taught me something.

#### LESSONS LEARNED

Whether or not my two years in Washington were of much use to the government, I leave for others to say; but those two years taught me some great lessons. One was that politics is just as much of a profession and a business as engineering, surgery, or merchandising. Politics has a technique which must be studied and followed in order to get results. Business men say: "What's the use of going into politics; politics offers no opportunity for an honest man." That is a mistaken way of viewing the problem. The business man's difficulty is that he is attempting suddenly to enter a line of work for which he has no training. Even at its worst, the business man gets on in politics better than he would if he had suddenly switched to surgery or law, or even to painting or music.

During those two years in Washington I learned that the government, like most businesses, is run by a few people. These usually consist of the President of the United States, one or two members of his Cabinet, a couple of Senators, and three or four leaders of the House of Representatives. In those war days, President Woodrow Wilson, when he was in good health, was actually President of the United States, Samuel Gompers, president of the American Federation of Labor, and William G. McAdoo, Secretary of the Treasury, were perhaps the actual Vice-Presidents. Certainly they both held keys to the back

door of the White House. Vice-President Thomas R. Marshall was a nonentity, and was said to be interested chiefly in giving the people a good five-cent cigar! When President Wilson became ill, Joe Tumulty, with the assistance of Mrs. Wilson, became President, while Colonel House continued in charge of all foreign relations. The President and his affairs were then guarded, as during so many other administrations, by that most efficient and loyal secretary, Rudolph Forster. But how that good soul "lied" to me, and in fact to all of us, to protect his chief!

## OUTLOOK FOR SOCIALISM

Certainly "large bodies move slowly." Private interests, who efficiently and honestly operate their business, have little to fear from government ownership in the long run, *if their industries are fairly capitalized*. My Washington experiences taught me that socialism is most impractical, with people as ignorant and fearful as at present. When I see any experienced government official, Senator or Representative, arguing for government operation, I feel that in his heart he cannot be sincere. His experiences in Washington must have shown him that such operation is clumsy, wasteful, and inefficient. If the entire world could suddenly be organized on a socialistic system and kept thereon by an iron dictator, then socialism might stumble along. Any nation, however, *which now attempts to operate under a socialistic system in competition with nations operating under private control and initiative* would be licked to a frazzle. The people of a nation may steal the property which has been accumulated by generations under the present system, and operate thereon so long as this capital lasts, but when it is gone they will reach the end of their rope. Remember that the Communists of Russia did not start from scratch; but for a foundation confiscated the capital which private interests had been accumulating for hundreds of years.

After the Armistice, the Democrats themselves saw that this great bureaucracy which had developed in Washington during the war must be curtailed. They thereupon arranged for the House Committee on Appropriations to hold a series of extensive hearings. It might even be said that these hearings began some months before the Armistice was signed. I personally was first called on the carpet on Friday, May 31, 1918. I shall never forget that day at the Capitol when I was grilled unmercifully both by Chairman Byrnes of that committee and by the hot weather of that year. The real slaughtering came after the Armistice. Although I put up a fight for those in my employ who were dependent on the work for their bread and butter, yet my sympathies were with the Democratic leaders working for economy. They found that it is difficult to "trim," and that it is much easier to abolish a department or bureau altogether than to determine who shall stay and who shall go. Therefore, speaking frankly, we were all "thrown out the window" with the close of 1919. This

was entirely proper. I went back to Wellesley to attend to my own business, and my associates went to their respective homes. We all were satisfied with having a part in "winning the war."

#### A BOOMERANG

I thought on December 31, 1919, that I was saying good-by to Washington, but I was mistaken. The Republicans began to get busy. The Republican National Committee put a force of men at work to dig up every foolish, extravagant, or questionable thing that was done during the Democratic administration. Different political leaders were appointed to institute specific investigations. Senator Smoot of Utah was assigned the task of investigating the government printing expenses, and he certainly did a good job. Among his star witnesses was your humble servant who is writing this book. When a man was putting out millions of printed words a month, as I was during the war, he naturally said a good many things which looked foolish after the war was over. All of these Senator Smoot dug out in his campaign to curb the government printing bureau and restrict the use of same by government departments. I agreed fully with what Senator Smoot was trying to accomplish, although I naturally disliked being used as the leading horrible example. However, this was all a part of my education.

I always think of my experience with Senator Smoot when seeing the advertisement of the florists, "Say It With Flowers." When I went to Governor Coolidge for sympathy and advice, he replied: "Babson, you should learn always to save the letters of others, but never to write letters yourself." This investigation gave me considerable unfavorable publicity. I was not disturbed by its effect on my reputation, as I have always been subject to keen criticism and my hide has become thick and hardened. I was worried, however, as to what my good father would think who lived in Gloucester, Massachusetts, and had not been to Washington for over forty years. I was greatly relieved, when, going down there to see him, to have him smile and point to that motto hanging up in the back of his desk which read:

REMEMBER THAT CODFISH WOULD NEVER  
HAVE BEEN CAUGHT IF IT HAD NOT  
OPENED ITS MOUTH

Considering that my father was living in the largest fishing-port in the world, the principal business of which was catching codfish, the thought is admirable. At any rate, it allayed all my fears, although, unfortunately, I have not learned as yet the importance of letting the other fellows do the talking.

## UNITED STATES BULLETIN

Although I severed all connection with the government on December 31, 1919, I did take over, at the request of certain Cabinet members, the publication of the *United States Bulletin*. This was started by the Committee on Public Information as a daily, but I continued it as a weekly. This weekly I put on a subscription basis, and published it from 10 Jackson Place throughout the reconstruction period. Later, the name was changed to *United Business Service* and it was transferred to Boston. Our interests in this were afterward purchased by my cousin, Paul T. Babson, who developed it into a splendid service. Its character has, of course, changed since I operated it in Washington. It now is devoted to commodity and investment information. My cousin puts out his Washington news through the Kiplinger Service, of which he is a part owner.

Although my family had moved back to Wellesley, I still kept an old negro as housekeeper at 1115 Sixteenth Street so long as I operated the *United States Bulletin* from Washington. After the election of Warren G. Harding as President and Calvin Coolidge as Vice-President, I learned that Edward T. Clark, who was with Stone & Webster in Boston and who served as secretary of a company in which I was interested, had become the personal secretary of Vice-President Coolidge. Mr. Clark had excellent training, having served a long number of years as private secretary for Henry Cabot Lodge. Mr. Frank W. Stearns, who was handling the Coolidge campaign, suggested that I might like to have Mr. and Mrs. Clark live in my house at Washington. I was delighted, of course, to have them do so, and I learned to love and respect them. At that time Vice-President Coolidge was living at the New Willard Hotel, and Mr. Clark had his office at the Capitol.

## WASHINGTON FRIENDS

When Calvin Coolidge succeeded to the Presidency, Mr. Clark moved his office to the White House. He was a wise man, and I surely learned a great deal from him, under both Republican and Democratic administrations. Usually I took his advice. Once, however, I failed to do so, and I have always regretted it. Let me tell of this. Directly after the Roosevelt inauguration I went to Mr. Clark and said: "Ted, what would you do if you had your money in utility stocks?" He replied at once: "I would sell them today and invest the money in gold stocks." Let me add that within two years these public-utility stocks went down almost to nothing, while gold stocks multiplied in value tremendously. Ted Clark seemed inconsistent at times, but I have learned that inconsistency often means trying countless different methods to accomplish a steady purpose. In doing this he was truly consistent.

Like a general directing the movements of an army in storming a position, a

successful politician will first attack in front, then from the flank, then from the rear, then from beneath by sapping, and finally overhead from the air. Many politicians who are criticised for inconsistency are really remarkably stable. They are consistent as to the fundamental purposes they desire to accomplish. I left Washington with a really solid respect for politicians; *also with the knowledge that no layman should try to compete with them.* To succeed in politics one should, by inheritance, training, experience, and "digestion," be prepared for the task.

Although while in Washington I did continue to have my daily rest after luncheon, I failed in other respects to give my health the care that it required. This neglect, together with my working indoors, broke me physically, and culminated in an appendicitis operation at the Massachusetts General Hospital in Boston on September 9, 1918. Before this collapse, however, I had the privilege of getting acquainted with Mr. George J. Babson and family, who had a beautiful estate at Leesburg, Virginia. He was a real friend, and it was a pleasure to spend a week-end with him and his family. Visiting him was about the only recreation which Mrs. Babson and I took during those two hectic years. As I look back on those war years, it is evident that I made two major mistakes; first, I took the foreign war propaganda too seriously; and second, I neglected both my own health and that of others. It is a great thing to be able, under all conditions, to avoid getting excited or getting sick. Perhaps the two go together.

At any rate I left Washington with a determination to devote my entire time to the clients of *Babson's Reports*. There have been periods—as explained in the latter chapters of this book—when I gave much energy to what may appear as outside affairs, but these really were not. They were *fundamentals* upon which all business and investments depend. Whatever I do, I have in mind both my clients' immediate welfare and insuring the future of *Babson's Reports* after my demise.

I was never intimate with President Truman.

## Chapter XXI

### MY LABOR EXPERIENCES

**D**URING my boyhood days there were no such things as labor unions or labor troubles in Gloucester, Massachusetts. All the industries of the city were locally owned. The employers called their wage-workers by their first names; and in many instances the wage-workers likewise called their employers by their first names. I never heard of a labor union until 1894—at the time of the “Haymarket” troubles in Chicago and the great Pullman strike. This was the year when I entered the Massachusetts Institute of Technology. The fishing business—which was the main industry of my home city—was operated “on shares.” When a vessel had a good trip, the owners and the crew both made money; but when the trip was a failure, neither got anything. The fishermen received no wages, although they were fed aboard ship by the owners.

Labor troubles in Gloucester and other cities seem to start when either the second generation comes along to operate a business, or when it is sold to absentee stockholders. This has especially been true of the woolen, the cotton, and the shoe industries of New England. I had no labor troubles in connection with the highway work in which I was engaged during my four summers at the Massachusetts Institute of Technology. I have thus far had no labor troubles of any kind in my own business, or, in fact, in any of the other lines of business with which I am connected. Therefore, when I went to Washington as a war worker in 1917 and was assigned to the Labor Department, I began and continued as an impartial worker.

#### LABOR HISTORY

My first task was to get acquainted with the history of the Department. The Department of Labor really started with the Bureau of Labor Statistics, which was a part of the Department of Commerce. I found, however, that between 1864 and 1902 over one hundred separate bills had been introduced into Congress providing for a Department of Labor. The story of the organization of this Department is given in detail in Chapter XV of my biography of William B. Wilson, the first Secretary of Labor.<sup>1</sup> It is interesting to note that the formation of such a Department was constantly and desperately fought by employers.

<sup>1</sup> Published by Brentano, New York, 1919.

Not until March 4, 1913, was the Labor Bureau separated from the Department of Commerce, thus bringing a new member into the President's Cabinet. This new member was William B. Wilson.

The arguments of the "brain trust" of those days are exceedingly interesting in the light of what has since happened. They believed that production had reached its maximum by 1912; that further new inventions were probably unlikely; and that no new industries could be expected. Therefore, they felt it vitally necessary to have some department "devoted exclusively to the protection and stabilization of labor." Is it any more reasonable to believe that employers, labor leaders, and welfare workers may not be as mistaken today as they have been so many times before? However, I cannot take more space in discussing labor history, but must hasten to tell what I learned during my work in Washington. Briefly, I learned that there are five vital questions in connection with labor relations. It happens that these are best illustrated by different Secretaries of Labor. Let me explain them to you as they appear to me.

#### WILLIAM B. WILSON

The first Secretary of Labor, William B. Wilson, had a most romantic life. As we would sit together in his office, after all the employes had left, I loved to hear him tell of his experiences. He was born during a labor strike in Scotland, in 1868. His mother and father were evicted from their little two-room brick house the day before he was born. His schooling ended when he was nine years old, at which time his family emigrated to this country, where he was put to work in the coal mines at Arnot, Pennsylvania. For some twenty years he toiled underground, going to work before sunrise and not leaving the mine until after the sun had set. Yet there was never a speck of bitterness in the life of William B. Wilson. His whole philosophy was that only intangible things, rather than material things, stand between labor and capital. He continually stressed that labor troubles could be eliminated only through the development of love, hope, sympathy, understanding, and recognition. Almost every labor difficulty, he believed, hung about these words. He was a very emotional man and believed that labor troubles were largely emotional. We together attended many conferences where employers and labor leaders were so bitter that they would not speak one to another. Yet I never knew an instance where Secretary Wilson would not unite them in common agreement.

The attorneys and experts representing either employers or wage-workers would come armed with tables of figures and volumes of facts. These papers they would lay before Secretary Wilson. But would he look at them? No. The Secretary knew that men are reached only through their hearts and not through their heads; and that few people can be convinced by statistics. He realized that both wage-workers and employers are actuated by sentiments and not by

facts. Hence he would appeal to both sides as trustees of a community or industry and as fathers and brothers of a family. He would appeal to the patriotism, to the hope, and to the sympathy of both sides, realizing that both employers and wage-workers are honest from their own points of view. He would often say to me: "Babson, every side has some good points; let's try to bring them out. Both sides can agree on a few facts; let's talk about those few upon which they are agreed. Wage-workers are not fighting for more wages or shorter hours so much as for recognition. Although they insist on recognition of their labor union, they are primarily interested in the recognition of themselves as individuals." Secretary Wilson was always poor in worldly goods, but much beloved and respected by both employers and wage-workers.

JAMES J. DAVIS

The second Secretary of Labor with whom I worked was the Hon. James J. Davis. He was born in Wales in 1873, his father being an ironworker. In 1880, the family emigrated to this country, and Jim began work at Sharon, Pennsylvania. In temperament, James J. Davis was entirely different from Secretary Wilson. Secretary Davis was a born optimist of the salesman's type, rather than of the philosopher's type. Although he was always proud to tell me that he still carried a union card, yet he did not long remain an iron-puddler. When a young man he became interested in the Loyal Order of Moose, and finally became its head. He was a good business man and a shrewd investor. I assume he was quite wealthy when he was chosen by President Harding as the second Secretary of Labor.

Secretary Davis always preached the necessity of increasing production. He would urge me to inspire the workers to produce more, and would insist that only through new inventions and increased production would labor make real headway. He would tell labor leaders that unless production increased, increased wages would result only in increased prices. In his talks with me he would especially emphasize the importance of building up foreign trade as well as trade in this country. Once he sent me a personal memorandum on this subject, which read:

Labor's welfare depends upon *improving the quality and increasing the quantity of its output*. We are in competition with the workers of every other part of the world. If we propose to go into the world markets—as we certainly must do if we are to do business on any large scale—then we must push this national slogan "Increase the quantity and improve the quality! Better work, and more of it!"

We American workers who put confidence in a full day's work for an honest day's pay, and are accurate, earnest, and enthusiastic in our work, must see to it that no shirkers disgrace us. They not only disgrace us, but land themselves on our backs. Instead of finding fault with our employer, let us all find some way of helping him to put the products of our own country into the markets of the world.

There are some who must give up the old fallacy that restricting output helps to keep wages high, by keeping prices high. It does nothing of the sort. The one great economic law we all need to learn is that the more we make the more we have. The more goods we turn out, the more wealth we create. We cannot have wealth unless we make it. By cutting down output we make ourselves poor, as certain as fate. The truth of this will come home to every worker, and hit him squarely in the pocket-book.

I was a happy worker in a tin-mill. In those days I was inclined to fall in with restricting output. It did not take me long to learn that if I restricted my output of tin, I had to pay higher for the tin pans in my house and for the tin roof on top of it. The ironworker who restricts his output only forces himself to pay much higher prices for everything of iron. Another thing: All workmen have not the same ability or skill to produce alike, and the tendency in some places has been to regulate production by the output of the poorest workman; but this also creates high prices. We should remember that the workman himself has to buy the goods which he makes.

*We must produce* if we want to prosper. Each man must produce his utmost according to his skill and ability. The one guarantee of the best wages and the ability to buy goods at the right prices comes back to this—we must all raise the quantity and the quality of our output. But let the business man and employer remember that human strength has its limits and that the man who toils with his hands cannot do more work at top bent every day of the year than the professional or business man. Allowance must be made for human frailty in the day laborer who needs a vacation as much as the business man. The utmost that a man can do, if he does it conscientiously, is all that can be asked. If we do produce to our utmost, then for this generous production we have a right to demand a generous wage, so that when old age approaches and the time comes for the final lay-off, that lay-off is what it should be—the well-earned vacation.

#### WILLIAM N. DOAK

The third Secretary of Labor, with whom I was also acquainted, was the Hon. William N. Doak. Mr. Doak was born in 1882, in Wythe County, Virginia. After elementary schooling, he went to work for the Norfolk & Western Railroad Company as a yardman, and soon joined the Brotherhood of Railroad Trainmen. He seemed to have a natural turn of mind toward legislative matters, and shortly was employed by the union to give his entire time to such problems. He therefore became thoroughly trained in the technique of labor legislation. Hence, when he was appointed Secretary of Labor by President Hoover on December 9, 1930, he brought to the Department a point of view different from that of either of his predecessors.

Secretary Doak was not an adept in settling labor disputes as was Secretary Wilson. Neither could he make an inspiring speech like Secretary Davis. His great interest was to preserve freedom for the wage-workers of the country. Compulsory arbitration was anathema to him. I was inclined to believe that only through compulsory arbitration would labor troubles be solved. I felt this

especially applied to disputes affecting the railroads and other industries vitally bearing on economic life. Secretary Doak assured me that I was wrong and that compulsory arbitration would be suicidal to all parties. If William N. Doak had lived, he certainly would have disapproved of the various New Deal experiments under the Roosevelt administration. One of the last things he said to me before he died was:

In times of great prosperity, such as we enjoyed in the years 1928 and 1929, the claim is made that the functions of government in human and economic affairs are limited in character. The reverse, however, is preached as a sure cure-all in times of depression. Certainly such a change of position does not square with the rules of consistency. If, during periods of prosperity, the strong hand of government should be withheld from interference with the financial and business world, it seems surely to follow that when financial and business conditions are depressed the hand of government likewise should be restrained from interference. Or, presented in another way, if governments should be restrained from collecting large sums from industry when industry is best able to contribute, why should governments be expected to assume burdens to meet reverses of industry in periods of depression? If the law of supply and demand is an infallible rule for the proper conducting of business, then this rule should be able to stand the acid test just as well in times of depression as in times of prosperity.

#### FRANCES PERKINS

The fourth Secretary of Labor was Miss Frances Perkins (legal name, Mrs. Paul C. Wilson). She was appointed Secretary of Labor by President Roosevelt on March 4, 1933. She emphasized security as the great thing that labor desires. She traveled from the Atlantic to the Pacific, urging unemployment insurance, sickness insurance, maternity insurance, and old age insurance. She was a graduate of Mount Holyoke College, and brought to the Department the best educational background of any Secretary of Labor. But she seemed imbued with the idea that everything could be straightened out with proper legislation. Even in her personal relations she appeared best before congressional committees. She always appealed for the under dog, yet personally she seemed hard-boiled and void of the sentiments and sympathies which make life worth while.

Frances Perkins would attack labor problems as a surgeon would operate on a sick patient. Her sympathy was intellectual rather than from the heart—at least this is the way it seemed to most of the employes of the Department of Labor. However, her addresses and writings have presented this feature of security in a way never before emphasized by other Secretaries. She had a distinct “program” which the Department of Labor never seemed to have before, although it is to be questioned whether her *programs* accomplished as much as the *heart throbs* of former administrators. Her program included old

age pensions, unemployment reserves, public-work expenditures, free employment exchanges, stabilization of employment by industries, and an industrial agricultural policy. She stated this as follows:

Let us take the question of provision for old age. Elderly people who are past the years when they are expected to work hard should have some sort of security. They should not be competing with young workers and those of middle years in a market for the relatively few jobs. Certainly every state should have legislation providing for persons who are no longer able, on account of advanced age, to earn for themselves or, on account of meager pay and heavy responsibilities, have been unable to save for the future.

This question of the older worker brings up another aspect. The age at which men and women have been considered undesirable for many types of work has been creeping lower and lower. This trend has been working considerable hardship and injustice. With the increase in automatic machines and labor-saving devices, cutting down the number of required workers, it is imperative to formulate a program to safeguard the interests of these workers.

With proper functioning of adequate government employment agencies, greater effort can be made to adjust and retain many of the so-called older workers who are still capable and for whom there should be a foothold in the occupational scheme of things, with proper value upon their experience and mature judgment.

Let me now take up another innovation—the matter of establishing unemployment reserves. I believe that some form of compulsory reserves against unemployment should be built up by employers when business is good again. They build up surplus funds for payments of dividends in an industry over lean years. It is to be expected that they will provide for supplemental compensation to be paid people out of work through no fault of their own in the future.

Some kind of fund—unemployment insurance or whatever it might be called—that would compel employers to sharpen their wits and prevent these valleys and peaks of activity, is highly desirable. We Americans are an ingenious people, as proof of which witness our mechanical inventions and system of mass production. Surely a people that can point to such achievement could evolve satisfactory schemes to take care of the other side of the problem—the human equation—to guarantee steady employment and an adequate system of mass consumption through a maintained purchasing power.

#### FIVE GREAT PROBLEMS

From these four personalities I learned about the four outstanding problems in the relations of employers and wage-workers. These are: (1) The question of recognition; (2) the results of increased production; (3) the inadvisability of compulsory arbitration; and (4) the desirability of legislative pensions, insurance, etc. Since "graduating" from the Department of Labor, I have functioned with labor only directly in connection with my own affairs. My business interests have continually broadened, and naturally labor problems have come up. I am no labor expert and may be all wrong, but my reactions are that the first Secretary of Labor was far sounder than any of his successors. I remember once

being asked to speak on labor problems before a Washington audience and going to the Hon. William B. Wilson for some suggestions. He replied: "You might begin by telling them that one hundred years from tonight someone will be speaking on the same subject on the same spot. You can close your address by telling them that labor problems will never be settled by legislation, but only as more of the spirit of Jesus Christ gets into the hearts of all groups." Surely the only security which any group ever gets comes through integrity, industry, and intelligence. Congress may legislate pension and insurance benefits of all kinds, but what good will such legislation do unless the money is available to pay these obligations? What good is the money unless it has a value to purchase food, clothing, and shelter? How can these things be purchased unless they are first produced?

I said early in this chapter that there are five questions in connection with labor troubles. I have just referred to four of them. Let me now comment on the fifth, which no Secretary of Labor has yet had the courage to emphasize. I refer to the need of better labor leaders—labor leaders of integrity, intelligence, and courage. Every labor union has started from just causes and has grown from real needs. Too many of these labor unions, however, have ultimately got into the hands of officers who are interested primarily in their own incomes. When they see that it benefits them personally to favor employers, they favor employers; but when they see that it benefits them most to stir up trouble, they stir up trouble. Labor unionism, like capitalism, is based on the fundamental law of self-preservation, but both have too often developed into rackets. Hence I say that the fifth problem is the question of leadership—leadership among both wage-workers and employers.

#### COOPERATION PLUS STRUGGLE

All labor problems, as I see them, will be solved only through cooperation. I remember a little skit at a Gridiron Club dinner which I attended in Washington, the night of December 8, 1934. At the time there was great discussion about the famous Section 7-A of the National Recovery Act, which section referred to collective bargaining. At this dinner a Pullman car was set up on the stage, with the berths made up and the green curtains down. Both Henry Ford, who had fought Section 7-A, and William Green, president of the American Federation of Labor, came into the car, each with a Pullman ticket entitling them to Section 7. A row immediately developed, and the poor porter did not know what to do. Finally, the conductor came in dressed up as Uncle Sam. He called both Henry Ford and William Green to him and whispered something in their ears. They then both shook hands, undressed, and climbed into Section 7 together.

Another story which was commonly related in the Department of Labor to

aid in settling disputes in this. The officers and crew of a vessel were wrecked on a South Sea island. When the natives put them into captivity, they strapped long iron spoons on their arms, so that they could not bend their arms. One group they threw into one camp, and another group into another camp. In both camps they set each day a pot full of soup. One group starved and the other group fattened. The reason was very simple. The group which starved thought only of feeding themselves, and, being unable to bend their arms, could not do so; while the other group developed the cooperative plan of feeding one another. As it was not necessary to bend their arms to get the spoon up to the mouth of another chap, these all got fat and prospered.

Another illustration which we used was in connection with the catching of birds by nets, as is common in some tropical lands. The net works because each bird, thinking only of itself, starts to fly away in a different direction. Hence the birds get all mixed up and the net catches them. Some flocks of birds, however, seem to follow a leader and all fly in the same direction, carrying the net with them. Then when they and the net are in the air, the birds reverse their flying and become free from the net. I really am not an authority on labor and should not attempt to advise on the subject, but I firmly believe that cooperation, rather than strikes, legislation, or any other plan devised by man, is the solution of the labor problem. This solution, moreover, must be depended upon *whatever the form of social organization we are to work under in the years to come*. On the other hand, no group should underestimate the importance of struggle and competition.

#### LABOR LEADER'S SECRET

The fact that both employers and wage-workers seem for the most part to lack this spirit of cooperation makes me rather bearish on the securities of highly-organized industries. For instance, it became very evident during my association with the Department of Labor that there is very little hope for stockholders in most railroad companies. As fast as cream would rise to the top, the railroad employes would make a demand for increased wages and the cream would be taken by labor. Hence I endeavor to keep clients' money invested in the stocks of industries which are not highly organized. As soon as an industry is operated under a closed shop, we find it is usually well for stockholders to liquidate. This does not necessarily apply to bondholders, as labor leaders do not like receiverships.

In the last analysis, ninety per cent of the strength of organized labor is political. Samuel Gompers, the greatest president that the American Federation of Labor ever had, knew this very well. He realized that without political interference, the law of supply and demand would settle every labor difficulty, irrespective of the desires either of employers or wage-workers. Hence this policy

was to threaten a great strike and get the public all stirred up, so that government officials would be obliged to intercede. Samuel Gompers never wanted great strikes. He knew that such strikes would be useless and only bring hardship to all parties concerned, including the public. He further realized that the public themselves would ultimately become impatient and put an end to these conflicts. Samuel Gompers, however, figured that it was necessary to threaten strikes, and perhaps start them, with the idea of bringing the government into the picture and forcing arbitration. In this way the wage-workers always got something, although in the long run the law of supply and demand should determine who will finally win.

As an employer, I have never tolerated indifferent work, but I have tried to be fair, friendly, and appreciative. If I have worked my people too hard, it is because I became too enthusiastic at times. It has been like working with a jig-saw puzzle, and becoming so absorbed in fitting in one more piece that one is soon working into the small hours of the morning. I have never asked persons, however, to do anything that I was not ready to do myself; and, furthermore, I have tried to share the glory or blame with them. I have been sorry for losing my temper at times, but even my "temperament" has always been followed by repentance and shame. Business has taught me that success comes not through a drafting-board or stop-watch organization, but through the spirit of cooperation, whereby all pull together under a common leader. The most important step in connection with employment problems is determining who is to be employed in the first place.

#### EXPERIENCES WITH HENRY FORD

I sometimes think I have spent too much time in conferences and powwows. I remember once a man entered my office at Babson Park and went to the switchboard operator, saying he would like to talk to me. The switchboard operator replied: "I am sorry, but Mr. Babson is at an important conference." The man asked the telephone operator to phone in to me, "Conferences are a waste of time." In the course of five minutes, hearing nothing, the man again went to the switchboard and asked the operator if she had sent the message in to me. She had the presence of mind to say: "No, I have not; but who shall I say sends in this message?" The man meekly replied: "Henry Ford." She then got busy and relayed to me the message. Of course, the conference immediately broke up and I did some important business with Mr. Henry Ford. This man has been pictured as austere, remote, and mechanical. The Roosevelt administration looked upon him as an impossible Bourbon. The fact is, however, that Henry Ford turned statistics into dynamics; dynamics he enlarged into humanics. Actions and reactions again!

The Law of Action and Reaction, as applied to human relations, was the

cornerstone of Henry Ford's success. He was a veritable wellspring of humanity. Although a natural dictator, he always believed, like Burns, that "a man's a man for a' that." Nevertheless, Henry Ford, like most self-made men whom I have known, was sorely tempted "to worship his creator." Labor troubles, like bankers' tips, have taught me that we cannot take things for granted and cannot believe even what our friends tell us. The only safe way is to find out for oneself, rather than blindly to take the advice of others. It is important to develop the habit of making decisions rather quickly and of standing by them until they have been proved wrong. The real question is not whether we are ever wrong, but what percentage of the time we are right. Certainly labor problems emphasize the great importance of common sense. After Miss Perkins' resignation the Labor Department became too much involved in politics for me to follow it further. Besides, the clientele of *Babson's Reports* were learning to look elsewhere.

#### IMPORTANT PERSONAL LETTERS

In closing this chapter, permit me to present three letters from my files of those Labor Department days. The first is a letter which I wrote to a prominent manufacturer; the second is a letter which I wrote to a prominent labor leader; and the third is a letter which I wrote to Dr. Charles W. Eliot, then president of Harvard University. President Eliot had written me, appealing for the *laissez-faire* doctrine "under all circumstances." Although I have always fought for those fundamental laws concerning supply and demand, rewards and punishments, and the survival of the fittest, yet I did feel compelled to write the president of Harvard College as stated in this letter.

#### A LETTER TO A PROMINENT MANUFACTURER

November 9, 1918.

DEAR MR. JONES:

After you left last night, I could not get out of my mind your statement: "To hell with dividends or profits. I will shut up the plant and let the machinery rust before I'll ever give in to those workmen. It isn't a question, Babson, of wages or hours; it is a question of self-respect. I have always run my business, and I am always going to."

Of course I understand why you feel this way. The indomitable energy and determination which you are now displaying in this labor conflict has been doubtless a great factor in your success. When your associates have been discouraged about the condition of business, you not only kept up your own courage, but you kept your whole industry from going to pieces. Your disposition "to fight it out whatever the cost" has been of great service to your community and to the whole country. Therefore, I feel toward you now as I do toward my daughter when I see a school-teacher trying to knock the individuality and will-power out of her. Your general attitude should be encouraged rather than discouraged.

On the other hand, there has been an additional factor in your success in the past—namely, you have been fighting a fight which you thoroughly understood. You know steel, you know the transportation game, and you are thoroughly acquainted with your industry. Hence, being headed in the right direction, your energy and determination make you invincible.

But when it comes to labor problems, you are dealing with something very different—namely, human nature. Not only are you not an expert on human nature, but you know little about the lives, aspirations, and temptations of the special human nature which you are up against at the present time. It is all right to drive ahead when you are sure you are right; but, if you are not right, the driving ahead means disaster. When one is running a locomotive on the right track in the right direction, he can open the throttle wide; but, if he gets on the wrong track, and another locomotive is coming toward him on that same track, then beware!

However, I am not going to lecture you on human nature. I do not know much about it myself, except what I have learned from a few masters. But I want to remind you of this fact, *that the same fundamental motives of self-respect, self-preservation, and self-propagation which today are actuating you, are likewise actuating your employes.* It is not a question of wages and hours with them; it is likewise with them a question of self-respect. If you have any doubts about this, read the history of the nation's great strikes. No body of men, women, and children would, for any direct economic advantage, go through what some of these groups have voluntarily gone through. The slightly higher wage could never offset the loss and privation which they have suffered. They realized this all the time they were fighting the battle.

The real question before you is not whether ultimately you are going to win or they are going to win; but rather, whether, in this first conflict, you will both win or will both lose. If you and your associates insist on damming the stream, sooner or later the dam is going to break. Then this country will witness a reign of bolshevism such as exists in Russia and is spreading to other nations. On the other hand, if you would only realize that these people are not trying to get your property, but are simply striving for an opportunity to develop the qualities of self-respect, self-preservation, and self-propagation which are the basis of your own life, then you both will cooperate together to the benefit of all concerned.

These people want a new heaven and a new earth; but, really, you want the same thing. Your motive is just as high as theirs. But you think that you must be the father of that new heaven and that new earth. You forget that it must be worked out through cooperation. You remember when you were in your teens and finally broke with your father because you wanted to develop your own individuality, you thought the old man did not understand you and was hard-hearted. So you left him. Now, these workers of yours feel the same about you. Give them some rope. Do not insist on their being tied longer to your apron strings. Recognize that they have some self-respect, as well as you, and are willing to suffer for it as much as you are. They are as interested in self-preservation as you are, and are as much entitled to it as you are. They love their wives and children and want to perpetuate their family name just as much as you love your family and want to perpetuate your name.

Of course, the risk is that you will not agree to this. If so, there may some day be a clash of property rights and you may lose all; but this is unnecessary. If you would only meet your employes on the fundamental issue, we could easily show them that

there is not property enough in existence to make a new heaven and a new earth, and that better conditions cannot be brought about by redividing what already exists. If you would only help Secretary Wilson, he could show these people that the only way truly better conditions can come is by all of us getting together and cooperating. But before they will listen to him, I must convince them that you are willing, that you do recognize that they are entitled to self-respect, self-preservation, and self-propagation.

You have built up a great industry, so that you now have power and wealth and every physical thing that you want. You have no possible selfish motive for acquiring more. If I had your opportunity, do you know what I would do? I would just try to feel toward these people working in the plant as you feel toward your family, or as a good army officer feels toward his men. Now that you have acquired all that your blood relations can possibly spend, why not, with the same energy and determination, fight the game for these workers in the plant? Why stop until they have at least the opportunity to have what your own children have? Why would it not be just as big a thing to do this, as to try to beat the other fellow in putting out a little more steel? Surely there would be lots more fun in it.

Very truly,

ROGER W. BABSON.

A LETTER TO A PROMINENT LABOR LEADER

November 22, 1918.

DEAR MR. GOMPERS:

During the war I patiently sat at your feet and shaped my course largely in accordance with your suggestions. We all had the whip of patriotism to use in those days. You could use it to whip the wage-workers into line, and I could use it to whip employers into line. Those days, however, are now over.

From now on, instead of the danger of a common enemy holding us united, the scramble for the general booty will send us all in different directions. Not only has the rope been cut which, during the war, has been keeping different interests together, but there is bound to be a general stampede for the spoils. Capital will try to get back anything it has lost during the conflict; labor will try to hold what it has secured during the conflict; while the general public will wail for lower prices. I have this morning written a letter to some of my wealthy friends, advising them very strongly not to attempt to sit on the safety valve. I have explained to them that in their attempt to return to pre-war economic conditions, they will run the risk of losing everything. Bolshevism is simply the reaction from Bourbonism. I am, therefore, urging my friends to loosen up, to give up some of their special privileges and try to make opportunities more equal for everyone.

Let me, however, suggest that labor has its evils which it must correct. You must teach your men, for instance, that they can get richer only by producing more. As the Secretary of Labor has so often said: "If nothing is produced, there is nothing to divide." Hence, before we discuss distribution, we must have production at a maximum commensurate with decent hours and conditions. As you, yourself, know, labor has not bettered itself, and never will better itself in the long run, by restricting production. On the other hand, it may be folly to preach economics to the men. Possibly, they can learn only from sad experience. But I wish that you might discover some way to revive in them the real desire to produce.

Man, by nature, loves to make things—to hunt and fish, to build huts and to raise

a family. Physically, the masses are still anxious to propagate; but economically they are eunuchs. The factory system has, from an economic point of view, castrated the working-people. The hope of the nation lies in reviving that desire to produce in the hearts of these people. Cannot you get your associates to recognize this truth and devise some plan which will again revive in the working-people of America a desire to produce and a joy in production?

I have just been talking with a boy who voluntarily is regulating his diet at home, putting himself through a most ardent course of training, to help his school win a footrace. He has paid absolutely no attention during the past year to the advice which his parents have given him regarding taking care of his stomach; and, when his mother used to ask him to run an errand, he thought he was killed. Yet now he voluntarily is training himself. It's not work to which people object. It's not short hours that your people need. The real thing for which they are hungering is joy in their work. When one gets joy from his work, it ceases to be work; it is a pleasure. We talk about ambition, initiative, enterprise, and such things, as lacking in the masses. The real truth is that these qualities are simply the reactions of loving your work, that's all.

Just one thing more in closing. Employers do not object to high wages. Every successful employer will tell you that the man to whom he pays the most is his cheapest man, even if the salary is \$24,000 a year. It's not hours in which employers are primarily interested. They realize that one man working an hour a day, one day a week, could easily produce an idea which would be worth to them a thousand times what the average man produces working eight hours a day six days a week. Cannot you get this fact across with your unions? In other words, cannot you show the unions that all they have got to do to have their unions generally recognized, and to have collective bargaining become a permanent part of business machinery, is to "sell" these ideas to the employers? Instead of *arguing* that the union, and collective bargaining, etc., are better, *just demonstrate that plants operating under such ideal labor conditions produce the most goods*. This is the way every big movement has ultimately been put across. Of course, this is just a suggestion which I pass along for what it is worth; but please think it over.

Very truly,  
ROGER W. BABSON.

January 29, 1919.

DR. CHARLES W. ELIOT,  
Cambridge, Massachusetts.

DEAR MR. ELIOT:

I am very much interested in your letter of January 27, defending the *laissez-faire* system. As usual, you have gone to the heart of the matter, and it is well that you should. Our points of view, however, are radically opposite, and, in the interest of the truth the matter should be thrashed out. You say:

"Employment is a waste when the unemployed are incapable of earning the current wages, or are unwilling to. . . . To pay them more than they can possibly earn is also a waste. . . . Secretary Wilson's advice to towns and cities that they build as much as possible immediately at present prices of labor and materials seems to me unbusinesslike, and indeed immoral. . . ."

I am frank to say that this statement is in accordance with the economics which I was taught at the Massachusetts Institute of Technology. Assuming that human relations are similar to property relations, such teaching may be correct. I, however, do not apply such economic teaching to relations with my children. In my relations with my children, I put the development of the child first, and the productivity of the child second. I realize that the child must be made self-sustaining; but keep in mind that the ultimate purpose is to develop the child as a human soul rather than simply to add another producing piece of machinery to the world's manufacturing capacity. When it comes, however, to dealing with somebody else's child, we all consider, not the good of the individual, but simply the product of the individual. It is not my place to tell a man of your wider experience and knowledge which is the proper method. You, however, must admit that there is no reason why we should treat our children in accordance with one system, and our neighbors' children in accordance with another. If the economics which you preach—and which I was taught—are sound, then we should apply them to our children and the other members of our family, even if they crushed those finer sentiments of sympathy, love, hope, and understanding. On the other hand, if we insist on putting the human welfare of our families ahead of their productivity, then we should apply the same humane principle to the working-classes as a whole. They, in many ways, are children not having had the advantages with which so many of us have been blessed.

Very truly,

ROGER W. BABSON.

President Eliot's criticism especially is interesting because leading Harvard professors, only fifteen years later in 1934, stated "there is nothing in the *laissez-faire* doctrine and never was." Probably this debate will go on for centuries. In the meantime six colleges have graciously awarded me honorary degrees of Doctor of Laws. These are as follows:

University of Florida	1927
Elon College	1937
Hendrix College	1938
American Theological Seminary	1939
Lebanon Valley College	1940
Stetson University	1940

## Chapter XXII

### TRAINING MEN FOR BUSINESS

IN THE fall of 1908, I was building a garage in the rear of my home at 31 Abbott Road, Wellesley Hills, Massachusetts. The contract had been let to Mr. Charles A. Norwood, of Gloucester, Massachusetts. Among the carpenters whom he brought from Gloucester was a bright young man named Sidney A. Linnekin. This chap made an impression on me because, when I wanted to have some carpentering done on the house on a certain Saturday afternoon when I was at leisure, he was the only carpenter who would remain at work. His doing so not only won for him a warm spot in my heart, but gave us a chance to talk and get acquainted.

#### LINNEKIN AND LONDON

Gus Linnekin after graduating from the Gloucester High School wanted an opportunity to study economics and especially train to be a bond salesman. His ancestors had all been seafaring men. His father was then captain of the steamer *City of Gloucester*, which plied between Boston and Gloucester through fair weather and foul. I was so impressed with Gus Linnekin's desire to study that I finally decided to start a Correspondence Course on bond-selling. Therefore, while he was at work on the garage I spent my time preparing lessons for such a course. Finally, when the garage was completed, Gus retired from carpentry. He studied my courses in the evening and sold them by mail in the daytime. As a result, we developed the first courses on bond salesmanship ever offered in this country. We later took over the poster and pay-envelope work which I had developed at Washington and which Senator Smoot threw out the window at the close of the war. Correspondence courses on economics, finance, and distribution were added. Mr. Linnekin finally became sales manager of this department of business education which was to grow to very large proportions.

When I went to college—that is, the Massachusetts Institute of Technology—no endowed school of business administration existed anywhere in the United States. Later, the Tuck School at Hanover, New Hampshire, and the Harvard Graduate School of Business Administration at Cambridge, Massachusetts, and the Wharton School in Philadelphia, Pennsylvania, were organized. Gradually,

state universities, led by Northwestern University, at Chicago, opened such schools. These latter were four-year courses. The only undergraduate endowed business school in the world that existed when the Babson Institute was founded was the London School of Economics, at London, England. I attended lectures at this institution when I was in England studying the writings of Sir Isaac Newton in connection with the Law of Action and Reaction, and the laws of gravity. My Gloucester carpenter and this London institution planted a seed in my mind which lay dormant until an event happened which I must now relate.

#### "KICKED UPSTAIRS" IN 1919

For some years after my severe illness in 1901-02, when I was stricken with tuberculosis, I took excellent care of my health. With a sensible diet, lots of fresh air, and plenty of rest I became stronger every year, until I went to Washington at the time of the World War I. The pressure of work in Washington, combined with too great ambition to make a success, made me careless about my daily routine. I again overdrew on the reserves which I had stored up during those preceding fifteen years. In the fall of 1918 I came back to Wellesley to take charge of our Annual Clients' Conference. These conferences had already become quite a feature, and were attended by clients and friends from all over the country. They then lasted for one strenuous week. At the end of the closing session of this 1918 Conference, I went to bed sick. I soon became worse instead of better, and the physician diagnosed the case as acute appendicitis.

I was immediately taken by ambulance to the Massachusetts General Hospital and was operated on by Dr. Hugh Williams. When I came out of the ether, a nurse for whom my brother-in-law, a distinguished surgeon, had asked, was sitting by my side. She was my nurse for the three weeks that I was in the hospital, during which time we discussed nearly every question. When I was ready for discharge from the hospital, which was on October 1, 1918, the "flu" was raging throughout the country. People were dying right and left. Mrs. Babson thereupon urged this young woman to come to Wellesley and take care of me in a camp house on our estate to prevent my getting infected with the "flu." I, however, did not long have her services exclusively, because over thirty of my own employes soon fell sick and could get neither doctors nor nurses to take care of them. Within three weeks she became the beloved nurse of all. As a result, she remained with us and organized a First-Aid Department in our compiling plant at Wellesley Hills. In connection with this work she inaugurated all our welfare activities. She later became employment manager and finally became purchasing agent and treasurer. Her name is Nona M. Dougherty.

## FOUNDING THE INSTITUTE

Up to this second illness I had thought only of business. I had gone more or less on the principle which most business men assume—that I was going to live forever. It never occurred to me that I would die some day and leave all my earthly possessions to others. As this new thought took root in my mind, it was watered and cultivated, with the aid of Mrs. Babson, by this young lady. They both saw that for once in my life I was in a humble mood and would listen to reason. When I asked what I could do to nail down my life-work, the founding of a school for training young men for business was suggested. If Mrs. Babson and I had had a large family of children, we probably would not have founded an educational institution; but with only one child, we decided to do something for young people in general.

As soon as my health came back, it was necessary for me to return to Washington; but when my work at Washington was completed in 1919, I immediately concentrated on founding the Babson Institute. The Institute opened on September 3, 1919, in our old home at 31 Abbott Road, Wellesley Hills, Massachusetts. This happened to be vacant, as we had just completed our new home at 67 Wellesley Avenue. I take pleasure in quoting from the first page of the first catalogue ever issued by this institution. Any mistakes that the institution has made have been due to forgetting the objects for which it was founded and as originally outlined. One thing more: Whatever may become of the institution during future years, it must always be recognized that it was the first school of its kind in this country, and perhaps the first in the world.

## OBJECT OF THE INSTITUTE

The object of the Babson Institute is to provide a two-year intensive course of training in the fundamentals of business for young men who by inheritance or other circumstances are to occupy positions of authority and responsibility.

The above was the opening sentence of the first catalogue, which then went on to read, in my words, as follows:

The majority of the schools of business administration give courses primarily for men who regard their business education as the prospective lawyer regards the law school or the doctor the medical school. That is to say, they consider their business training a stepping-stone to entrance into professional business in which they expect to begin at the bottom and eventually climb to positions of authority and responsibility.

What of the men, however, who by inheritance or other circumstances are to step immediately into responsible places, without preliminary experience? The Babson Institute provides a two-year course of intensive training for such men, with the idea of giving a comprehensive survey of the fundamentals of business. The work

especially treats of the law of equal and opposite reaction, with particular emphasis upon the following:

1. Business cycles and their effect on industry, commerce and prices.
2. Finance, banking and investments.
3. Psychology, handling of men, salesmanship, and advertising.
4. Personal efficiency, physical and moral well-being.

The Institute is founded upon four clearly defined ideals:

1. To develop a man physically, mentally, and morally.
2. To instruct him how to finance his business and take care of his property wisely.
3. To help him become a leader of men.
4. To impress him with the fact that it is the fittest who survive.

These principles permeate all the instruction given at the Institute. Physical and moral development is just as essential for a well-rounded life as mental achievement. The Institute does not attempt to impose any particular creed or religion, but insists on high moral standards. The teaching staff includes an instructor in hygiene. There is no specific gymnastic work assigned, but students are taught proper methods of caring for their physical well-being.

#### ERECTING LARGE BUILDINGS

The Babson Institute was founded, of course, as a day school, as at first it had no dormitories. It took over the correspondence courses which had previously been started. Unfortunately, this day school at first did not grow so rapidly as did the correspondence courses. The day-school tuition was too high and we were entering a field about which we knew little. We may have been well informed on finance, but we knew nothing about education. We soon found that education was a very old art, bound by the strongest traditions and controlled by the most self-satisfied men in the country. The Babson Institute operated with a deficit from the first. This deficit Mrs. Babson and I were obliged to make up. Having started the work, we could not retreat. Instead of curtailing, we moved the following year to the brick building on Washington Street, Wellesley Hills, now known as the Stuart apartment house. The Institute continued to operate at a deficit, and we came near to giving it up.

At this point I wish to acknowledge my indebtedness to three persons—Ernest T. Gundlach of Chicago, who encouraged us when most of the established colleges were ridiculing our work; Dr. George W. Coleman for his willingness to become president of the Babson Institute; and Mr. Henry P. Smith, who urged us to purchase a large tract of land and build a real campus in 1921 and 1922. This campus consists of about two hundred and twenty-five acres, beautifully located. The grounds were laid out by Mr. John Nolen, a famous landscape engineer of Cambridge, Massachusetts. The buildings were designed by Mr. George F. Marlowe of Boston. A Georgian style of archi-

ecture, which should be just as attractive a hundred years hence, was selected. In the course of a few years the following structures were built: Two school buildings, Lyon Hall and Bryant Hall; a beautiful auditorium, presented by Mrs. Babson and named after her father, Richard Knight; a gymnasium, which was named after Mr. Leroy D. Peavey; and a complete dormitory. Later, this dormitory was followed by another much larger dormitory. Miss Nona M. Dougherty was the first secretary.

#### THE GREAT MAP

A large map and exhibit building was erected in the center of the campus and named in honor of Dr. George W. Coleman. This building contains the Great Map of the United States; this map is some sixty feet long, and is built on a curvature. This curvature corresponds identically with the curvature of the earth's surface. This great map is not only the first map of its size to be built on a curved surface, but it is the first to show all elevations *correctly*. Its horizontal scale is four miles to the inch, while its vertical scale is four miles to the foot. The map is now used for direct teaching purposes and for photographs for use in geographies, road books, and in numerous other ways. This map performed great service during World War II, supplying *vertical* data to aviators and weather stations. This saved thousands of lives.

The campus roads were built and the buildings were located to provide a perfect institution accommodating ultimately four hundred students. There are two quadrangles, one for the seniors and one for the juniors. As the work of each year consists of four courses, the plan provides ultimately for four school buildings about each of these quadrangles. One building would be devoted to production, one to distribution, one to finance, and one to personal efficiency. At the start, only one school building was erected on each quadrangle. As the total enrollment increases it will someday be necessary to decide whether to build new buildings or to enlarge existing ones.

#### PROVIDING ENDOWMENTS

Up to the summer of 1925, Mrs. Babson and I had been pouring money into the institution when and as it was needed, without any definite endowment program. Since that year we have consolidated these advances and added to them, so as to make a total of about three million dollars. We have presented our gifts to the institution, on certain definite conditions, which were duly accepted by the trustees. Although I knew nothing about the teaching side of education, I had learned something about its financial side. I had learned, among other things: (1) That most educational institutions are land and buildings poor. Friends have presented them with buildings as memorials for themselves or families, but have left them without endowment funds for their proper

maintenance. (2) That the best test of whether or not an educational institution is making good is whether or not it is self-supporting, especially during its early stages.

With the above two thoughts in mind, we provided by our Endowment Fund Agreement: first, that for every dollar put into land and buildings, a corresponding dollar should be put into the endowment fund. Second, that, to insure that the Institute is fulfilling a demand, the income from the endowment fund should not be used for operating expenses as long as both Mrs. Babson and I lived. When one of us should pass away, the trustees would have the use of one-half of the income; and when we both should pass away, the trustees would have the use of the entire income. I feel that this Endowment Fund Agreement blazed the trail for proper college financing. Therefore, whether or not we succeed in discovering and training the desired young men, we have provided an endowment program for the trustees and executives of every higher educational institution in the land.

#### FORLORN HOPES

The Institute may go down in history as our most important work, and yet, up to the time of this writing, it has been somewhat disappointing. We have a campus and fine buildings, a conscientious board of trustees and an able group of instructors. The Institute, however, has not as yet operated along the lines which were originally intended. Instead of having the patience and courage to give mainly practical and dynamic training, the tendency of the trustees and instructors has been to copy the work and customs of other institutions. They forget that business men are "born," like surgeons, artists, and musicians, with the result that many students have been accepted who are not "by inheritance or other circumstances" designed to become business men. My theory then was, and still is, that it is not *knowledge* which young men need for success, so much as those basic qualities of integrity, industry, imagination, common sense, self-control, with a willingness to struggle and sacrifice. Most men already have far more knowledge than they use. They need the inheritance and development of a *character* which will cause them properly to apply this knowledge. Our desire was to found an institution which would concentrate on discovering and developing such character. Real business success comes through the qualities above mentioned, not through money, degrees, or social standing.

The sad fact that very few college professors who are teaching business administration can themselves make a success of business administration is proof that present business educators have much to learn. It is not what a man knows in the way of book learning that determines his future; it is whether or not he has character, judgment, and the guts to sacrifice. His success depends

upon whether he is continually growing stronger physically, mentally, and spiritually, or whether, in these respects, he is growing softer. Yet too many educational institutions give practically no attention to these fundamental character subjects. They will graduate a man with honors, even though he has deteriorated physically and spiritually, yes, and even as to common sense, during his years at college. My fondest wish is to see the management and teaching force of the Babson Institute have the moral courage to select and train men for business in the fundamental principles which I originally had in mind. The trustees have done one thing which pleases me; namely, they are giving, after a student successfully completes an intensive three-year course, a standard degree of "B.S." Most colleges hold students four years before giving this degree and give the students no more than we do.

#### KNOWLEDGE VS. TRAINING

I am interested in permanent results. To do something which would be permanent, we founded the Babson Institute. In order, however, for any institution to become permanent, it must render a fundamental service. Labor put into making a stick of candy lasts only a few minutes; labor put into building an automobile lasts only a few years; labor put into erecting a building may last fifty or a hundred years; labor spent on developing a water power may last for centuries; but labor spent on spiritual attainment lasts through eternity. It was with this thought in mind that we established the Babson Institute.

It is necessary to be practical. I tried to be "realistic" long before the word was applied to furniture or buildings. The realistic and the spiritual must always be kept in balance, or, better still, should be one and the same thing. Since my days at M.I.T., when I was taught to learn by doing—that is, by laboratory work—I have always believed that all forms of teaching, to be successful, must be through laboratory work. It also gives one tremendous satisfaction to be able to *do* things. Executives should be able to do things themselves before they turn them over to others to do.

I have always refused to go into an activity which somebody else is already carrying on satisfactorily. It may be true that pioneering is an expensive luxury, but there is a lot of fun in it. Besides, the world does not benefit when you are merely trying to copy someone else in a way which results only in depriving him of business. The world as a whole benefits most when you do something new or when you do it better or differently. I am interested most of all in developing a new race of business men. Whether industry is ultimately operated privately, cooperatively, or by the state, its future will depend upon the personal character of its managers. The power of character starts with an individual as a very small circle; but the ripples gradually become larger as we accomplish results by working through others. Finally, the larger ripples extend

indefinitely through the spoken and written word to the lives of others. With this thought in mind, we founded the Babson Institute to *discover* and *train* men for business, not merely to fill them with knowledge. For fifty dollars one can purchase a set of encyclopedias which contain more knowledge than do the heads of all the college professors in America. *Knowledge* can be purchased by anyone at any time; but *character* can be secured only through inheritance and discipline, or being "born again."

Just one more idea—I believe that allergies apply to *thought* reactions as well as to *physical* reactions. The time will come when the Institute will have a resident allergist who will help students develop better brains with pills, inoculations, and certain diets.

## Chapter XXIII

### TRAINING WOMEN FOR BUSINESS

I WAS brought up as a boy with the idea that a woman had no place in business. I told my father that his own practice was inconsistent with this principle, as he had in his own store a woman bookkeeper named Miss Sarah Rowe, and a woman sales clerk named Miss Ada Tarr. There were no typists, because there were no such things as typewriting machines. As a general rule, only school-teaching positions and housework were open to women. In those days the idea of a woman working while she was married was looked upon as disgraceful. Certainly the men of this world were successful for many thousands of years in hoodwinking the women. Although the pendulum may now be swinging too far in the other direction, we certainly cannot blame the women for at last asserting their economic independence.

The fact that so many women entered industry, during and following the World Wars, was largely responsible for the unemployment among men during the depression of 1929-35. On the other hand, these women secured their foothold in industry by being more efficient for a given rate of pay than were the men. Unemployment resulted because these men were willing to loaf about the streets instead of having the guts to go home and do the housework, cook the meals, and take care of the children. Only as industrial positions and domestic responsibilities are allotted impartially, without relation to sex, to those best fitted to do such work, will the employment situation be stabilized. There is enough work for all of both sexes only as each person will do the work for which he or she is best fitted.

#### STARTING WEBBER

The second important phase of our work for training young people was the inauguration in 1927, with the encouragement of our daughter and some friends, of Webber College. The idea of a school of business, of financial, executive, and secretarial training for girls, had been in Mrs. Babson's mind ever since 1922, when our daughter informed us of her educational desires. She was at that time a student at Boston University. While we recognized the excellent work the women's colleges were doing along cultural lines, yet a fact was forcefully brought home to us: *Our daughter was receiving little training*

*which would prepare her to be a good wife and mother or which would fit her for financial responsibilities.* Furthermore, we wanted her to be in a position of independence to the extent of being able to care for herself should her husband die prematurely or should anything happen to Mrs. Babson and me.

We therefore asked our daughter to study a year at Babson Institute in order that she might learn the difference between working and loafing, and between deeds and mortgages. She at least would then be capable of talking intelligently in years to come with the executors of our estate or with her own attorney. If the man she might marry was to enter general business, she would likewise secure an appreciation of his problems. She would be more of a helpmate to him through their common understanding of business and financial principles than if she continued for two or more years at Boston University. My daughter fell in with this suggestion and consented to spend a year at the Institute. The results of her instruction there completely justified our faith in this particular type of practical training for young women. Consequently, Mrs. Babson decided to start a new type of college for women. We named it after our first granddaughter, Camilla Grace Webber, who was born on the day when the college was organized—April 6, 1927.

#### NEVER GIVE UP

The first announcement relative to the opening of this college for girls was sent out in July, 1927. The interest aroused was sufficient to enable us to state definitely, on August 23, 1927, that the school would be started during the winter of that year. While over one hundred inquiries were received from those who signified a desire that their daughters have this proposed training along business lines, yet on the opening day only five students enrolled! Mrs. Babson and our daughter were in general charge of the activities of the college, and the first term opened on Monday, January 9, 1928, at Babson Park, Florida.

We shall never forget the despondent report from my daughter stating that only five girls had registered. This, however, did not disturb us nearly so much as it did her. We had been checking the initial enrollments at other colleges and found that Smith College started with fourteen, and Harvard College with only nine! These figures we gave our daughter, and it was decided to proceed with the original plans. Moral: *Never give up.* The first student enrolled at Webber College was Miss Irene O'Connor, of Minneapolis, now Mrs. Chester J. Neumeier. She was the daughter of Mrs. Thomas O'Connor, who passed away in 1928, but who was at the time president of the Purity Baking Company, with general offices in Chicago. Even though our work that first year was far from complete, yet Mrs. Neumeier has frequently testified as to the practical value of the training she received. Its worth was fully proved as problems arose in connection with the settlement of her father's affairs.

## FLAGLER'S ORCHESTRA

At this point I must tell a story. Mrs. Babson and I were then spending the winter at the Mountain Lake Club, in Florida. Among our friends at the Club was Mr. George D. Webber, of New York City, a tall, thin, droll, but exceedingly interesting man. He had been private secretary to the millionaire Flagler, who built the Florida East Coast Railroad and its string of wonderful hotels. One of the first of these large Florida hotels was the Ponce de Leon, at St. Augustine. As this friend bore the same name as our infant Webber College, he was likewise must disappointed that we had only five students our opening year.

This friend greatly cheered us up, however, by telling of Mr. Flagler's experience when he went to Florida some thirty years before to open the Ponce de Leon at St. Augustine. Each day Mr. Flagler wired from New York to St. Augustine, asking how many guests were at the hotel. As only two or three had arrived, they did not have the courage to break the sad news to Mr. Flagler. Finally, Mr. Flagler insisted on a report, and the hotel replied that the occupants consisted of only the orchestra and five guests. Thereupon Mr. Flagler immediately wired back, "Hire another orchestra." Mrs. Babson and I did not "hire another orchestra," but we did hire some more instructors. From that day Webber College has gone ahead each year. Moreover, the credit for its success is due to Mrs. Babson, who took general oversight of its work from then on.

## ORIGINAL PROGRAM

Webber College was organized under the laws of Florida in order that a charter might be secured enabling the school to be a real college rather than just one more private school. It has full right to grant the degrees of A.B., M.A., and S.B., but is specializing on an Intensive Two-Year Course which entitles the student to a standard degree of A.B.S. The first work offered by Webber was a three months' course in the principles of finance, with classes held during the winter months at Babson Park, Florida. The second year, there was added a three months' fall term at Boston, Massachusetts, comprising work in business principles and administration. This meant that students spent three months in Boston and then went to Florida for the three months' winter term.

It was thought wise to proceed slowly during the formative years. While we had some experience in educational matters in connection with the Babson Institute, yet the training of young women presented an entirely different problem to all of us in active charge of the work. Beginning with the fall term in 1932, the work was reorganized. Dr. George W. Coleman served as president

and Dean Edith Samson was the executive head. Mrs. Babson was in charge of the business management and advised as to instructors and instruction.

#### FRESH AIR AND SUNSHINE

The permanent location for the College was a matter of vital importance. We had long been visitors to Florida each winter. Because Mrs. Babson realized the physical value to students of being able to spend a large part of each day outdoors in the healthful sunshine, she decided that Florida should be the home of the College. Webber College now owns about two hundred acres on the shores of Lake Caloosa, a nine-mile-long lake, where its campus is located. The land and various buildings are owned free and clear by Webber College. We hope this campus will some day be one of the most complete and beautiful in the United States. Having the Webber girls in Florida for the winter not only permits them to spend much time in the fresh air and sunshine, but enables Mrs. Babson to give them considerable personal attention. Furthermore, we are trying to prove that, under these fresh air and sunshine conditions, a girl can there get as much in twenty weeks as she would get in thirty weeks at the conventional college.

Beginning with the fall of 1940 the fall term in Boston was given up as the trustees felt the work should be concentrated in Florida on account of the uncertain conditions caused by the European War. It was expensive to operate in two places. This meant, in a sense, starting over as we had recruited our students on the basis of Boston and Florida. The next year came the war and Webber went through the same difficulties other colleges had. We are now, however, on a firm basis in Florida, giving intensive twenty weeks training plus certain home reading and an A.B.S. degree at the end of two years.

Webber College has a real problem to provide the training needed by a young girl for a position of responsibility in the business world or for management of her own business. Both Mrs. Babson and the college recognize that serious attention should be given to the spiritual and physical development of students. A woman cannot give too much attention to her character and health. I have told Mrs. Babson, even, that she needs only four courses at Webber: "How to Keep Your Character"; "How to Keep Your Health"; "How to Keep Your Husband"; and "How to Keep Your Money"—that is, after one secures all these blessings!

#### A QUESTIONNAIRE

Some years prior to starting Webber College, we felt that the "good old days" were over when the daughters of well-to-do families would be content to stay at home and wait for a man to marry them. Much as some business men may regret it, women of all groups are destined more and more to manage

economic enterprises. Men and women are constantly reaching a more equal plane. This has been true particularly during depression years, when men have taken a greater interest in children and the home and when women have taken a greater interest in business and politics. I am frank to acknowledge that over a period of thirty years much that I have done in the conduct of my personal and business affairs has been done as a result of suggestions from women.

To check our own ideas of the problem, a questionnaire was prepared outlining some twenty-one subjects that we were considering to include in Webber's curriculum. They were divided into three groups—(1) those pertaining to secretarial subjects, (2) those pertaining to executive subjects, and (3) those pertaining to cultural subjects. Business men were asked to indicate and check the subjects which they believed are of greatest value either to their own daughter or to a well-bred girl whom they might wish to employ. Of the thousands of questionnaires sent out, a large percentage were returned and carefully checked. In establishing this curriculum, the advice of these business men throughout the country was followed quite literally. This has resulted in having graduates so well prepared that little difficulty has been experienced in obtaining for these girls positions of a substantial nature.

#### SECURING ONE'S FIRST JOB

Every successful institution is more or less in a constant state of flux. If it is to progress with the times, it cannot stand still. It must adopt all worth-while improvements. At least for the time being, however, I believe Webber College is soundly established. It is capable of preparing young women for their great moral, social, and economic responsibilities, and also of training them for positions of trust. A young girl may not immediately after graduation secure an executive position. Hence, any college of business administration, such as Webber, should include secretarial subjects in its curriculum. A knowledge of such work enables a girl in many instances to secure her first job. As a further preparation, girls must have also a working knowledge of the fundamentals of business, including financial and merchandising management. Such girls are bound to advance at a more rapid rate when they enter the business world than they would if they were classed simply as clerks or stenographers. Webber, therefore, goes considerably farther with its training than the old-fashioned type of secretarial or business school.

#### HINT TO PARENTS

Mrs. Babson and I live at Wellesley, Massachusetts, which is the home of Wellesley College, one of the largest and best educational institutions for women in the country. Each year our employment manager interviews several Wellesley College girls who have been writing for their various college publica-

tions. They thus feel that there may be an opening for them in some one of our editorial departments. Unfortunately, we can do nothing for these girls in the way of employment. They have no comprehension of business as a whole, and they lack even a knowledge of customary business terms and phraseology. Even the ordinary typists and stenographers, whom we secure largely from local secretarial schools, must spend approximately a year in our office before they are capable of taking practical financial and business dictation.

Parents of girls now in the academic colleges and universities, as well as of those who are about to graduate from high or preparatory schools, should realize the importance of their daughters securing tangible instruction along business lines. It would be far easier for them to secure a worth-while position and to reach a degree of independence if, instead of spending four years in the pursuit of purely academic and cultural studies, they would attend a school like Webber or follow their cultural training with some courses at Webber. It has long been Mrs. Babson's premise that a Webber business education represents the best possible form of insurance a girl can have. Those of us who have reached mature years have seen how stocks and bonds, real estate, bank deposits, and other forms of investments—acquired gradually during a lifetime—can quickly depreciate and become valueless. A girl trained to take care of herself and to get a true conception of the social, political, business, and financial problems of her day has an asset that can never be lost.

#### AN IMPORTANT QUESTION

Now for some biological thoughts! As I explained in an early chapter, we all inherit from one or more strains of ancestry. As a simple illustration, let us assume that a child has only four grandparents, although, in reality, every child has thousands of grandparents. Let us assume also that one of these grandparents comes from an agricultural strain, the second grandparent comes from a mechanical strain, the third grandparent comes from a business strain, and the fourth grandparent comes from a domestic strain. Let us assume that the family is an ideal family of, say, two boys and two girls. This is my important question:

*Is there any biological reason why the two girls should inherit from the domestic strain and the two boys from the agricultural or mechanical or business strain?* The answer definitely is, "No." Biologically, the girls are just as likely to come from the mechanical or business strain as from the domestic or any other strain. This is something that my parents and the rest of the good people of Gloucester completely failed to realize when I was growing up. Statistics show that one of the principal causes of both ruined businesses and ruined homes is the custom of fathers to leave their business to sons to operate, irrespective

of whether these sons inherit business ability; or to expect their daughters to be housewives, irrespective of whether these daughters inherit domesticity.

FINALLY

No Congress, soviet, or dictator can suspend the basic law assuring the survival of the fittest. Competition has always ruled since this earth was a mass of heated gases. From the very beginning of life in its lowest form progress has come only through struggle. Only the best of the lowest species have survived. They have produced a still better species. This has been going on for millions of years. Only two or three hundred years ago brute force held sway. During recent generations wealth has been a greater power. Today good health and political influence seem to be most potent—that is, those who are in public service with iron constitutions, able to stand the racket, have taken the place of many who heretofore held their power through the inheritance or accumulation of force, property, or special privilege. This means that intelligence and character, when combined with good health, will be the determining factors.

Another final thought: Looking into the future I visualize that many semi-endowed private colleges must either eliminate religious instruction and look to the State and Federal Government for support, or else emphasize religious instruction and look to some Church Denomination for support. This will be the natural result of the U.S. Supreme Court Decision of March, 1948.

## Chapter XXIV

### OUR INSURANCE COMPANY

I USED to love to talk to Thomas A. Edison. He was a great philosopher as well as inventor. One day I talked with him about my plans for the Babson Institute. During the conversation he asked what we had done to *insure* our properties. I explained to him that we carried simple fire insurance, purchased on a scientific basis, for all our buildings; at which he replied: "That's not what I mean, Babson. Fire is only one of many things which you should insure against. You should form a company to own and operate other enterprises which are factors in the character, health, and happiness of people. Besides, you should protect all your interests by buying additional property, which could be used either for expansion of your own enterprises or for the building of homes by your people. Most business men make the mistake of thinking that fire is the only thing to insure against. There are many things to insure against. This can be done only by buying property and taking a financial interest in various enterprises." One thing more Mr. Edison suggested was that this new "insurance company" should be owned, so far as possible, by Mrs. Babson and me.

#### MORE ABOUT B.S.O.

Babson's Statistical Organization, Inc., founded in 1904, has been used for such a purpose, although its name was later changed to Business Statistics Organization, Inc. This is a Massachusetts corporation. We also organized in 1933 another Massachusetts corporation known as Babson's Reports Incorporated to take over the Reports. This latter step was taken to comply with the regulations of the Securities and Exchange Commission. I first outlined our enlarged plans at a meeting held one evening at the Alice Phillips School, in Wellesley Hills. To my great surprise, a distinct opposition on the part of the older residents of the town immediately developed. This opposition was led by John W. Decrow, one of the ablest attorneys in the community. Further opposition developed among most of the other substantial people of Wellesley. Why they were so much against me I was never able to fathom; but they attempted to block me at every turn.

Our greatest fight was over a dinky little bus company which owned only

one bus and which was to operate from the Wellesley Hills railroad station to the community which became known as Babson Park. If you had attended the hearings at the Town Hall on this bus permit, you would have thought that the greatest international questions were being decided. This conflict between the Babson interests and the aristocratic old families of Wellesley was finally compromised by the adoption of a Zoning Act. This Zoning Act gave me more or less freedom in a certain section of Wellesley. About this section they erected a barbed wire fence, beyond which their "bad boy" could not go. On the principle employed in connection with the control of commercialized vice, the Babson interests were "segregated and regulated."

#### BROUGHT FIRST "MOVIE" TO TOWN

After this local row had subsided, we went to work purchasing land and securities and other property. Most of this land was in the vicinity of the Babson Institute campus. This property served both as an insurance against undesirable neighbors and provided also that our employes would always have land available for good homes and small gardens. The main difference between the local interests and me was that I was willing to pay real money for my protection while they were not. They tried to protect themselves first through persecution and later through legislation. Remembering Mr. Edison's advice, the Business Statistics Organization immediately began to extend its operations to insure the community against undesirable movies.

The first moving pictures ever shown in Wellesley were shown in the auditorium of our office building, where we had "movies" two nights a week. The Babson interests then built a modern theater and arranged with the Wellesley Woman's Club to select a censor for the films. This is still the only motion-picture theater in Wellesley. It is known throughout New England for the exceedingly high standard of its films and its good influence. Near our office building was a modern public garage, which the Babson interests purchased and developed into the most efficient garage in the town. These same interests also purchased houses in the vicinity, which were remodeled into rooming-houses for our employes.

Gradually the community of Babson Park developed until it had its own post-office, telegraph-office, and branch bank. For the housing of these and other facilities, the company built several buildings. The same style of architecture—that of the Georgian period—was used throughout. To insure against failure to have sufficient building material in the future, the Babson families purchased two gravel pits and some standing timber. In the early days there was never any thought that this company should become very active or even a management company. For several years, it was operated purely as an "insurance" company along the line of Mr. Edison's plan.