

## *Chapter XXXIV*

### CONCLUSIONS OF A BUSY LIFE

**M**OST of what we learn probably comes through experience, and much of this is sad experience. Yet I have learned much from observation. It has been my good fortune to be acquainted with the most successful captains of industry, and in this closing chapter I will record a few things which these men have taught me.

#### EMOTIONS AND RECORDS

Perhaps the foremost lesson which I have learned is that emotions rule the world, rather than statistics, information, or anything else. Emotions are a very important factor in causing the economic cycle. When recognizing the great power of emotions, in our own lives and in the lives of others, we should also learn to master these emotions and not let them master us. Fire can be either a great constructive or destructive force, according to whether or not it is properly used and controlled.

The evils of an economic depression cannot be cured during such a depression. The evils of a future depression can, however, be prevented or reduced by taking proper precautions during the preceding era of prosperity. I am not a fatalist. I believe that every future cycle can be controlled, but that little is accomplished by closing the barn door after the horse is stolen. Furthermore, "stabilization" is a dangerous and tricky word. There is always a conflict between security and progress. Either one, too greatly emphasized, kills the other. The best conditions exist when progress and security go hand in hand, without too great emphasis upon either.

Records are of great value, but they should not serve as a substitute for judgment. Records are of use in conserving and supplementing the mind, but they should not be used to replace the mind. It is equally a mistake to attempt to carry everything in your head, or to carry nothing in your head. This need of balance applies to every phase of life. Happiness does not come through any one thing, such as health, power, wealth, friendship, or even religion. Happiness comes from having all these things in proper balance. Successful men are noted for being neither pessimists nor optimists.

## TRENDS AND TESTS

The ability to make definite decisions quickly and firmly is an outstanding characteristic of successful people. They teach that success can be attained in spite of all inadequacies and deficiencies, if only there is correctness in major decisions. Deciding questions correctly is of paramount importance. The rest of life and business usually takes care of itself. It must not be forgotten, however, that both power and profit come from doing things that are hard to do, and doing them when they ought to be done, neither too early nor too late. It is useless to attempt to buck trends. Successful people devote their energies to discovering trends, aligning themselves with such trends as are in the right direction, then helping them along and profiting by them.

Before staking much on any venture, it is important to make tests. Before sending out fifty thousand circular letters, prepare five different letters, and send out one thousand of each, noting which secures the best results. It is impossible for anyone to sit in an office chair and decide correctly what kind of letter or advertisement will pull the best. This applies also to diagrams, pictures, and especially to statistics. Slogans and catch phrases are not manufactured; they are merely discovered. Hence, I have been taught to learn only through adequate tests whether a plan will work. Successful men in all walks of life must be masters of mass psychology, and able to develop the essentials of a complex subject in a way so simple that the public will easily grasp it.

I often seem to get things by intuition. Perhaps this can be explained by my powers of observation, a retentive memory, large experience, and an active mind. Sometimes, however, it almost seems as if, through prayer and worship, I have received an instinctive "sixth sense." Good health is, of course, an important factor. For the mind to see clearly and act quickly, one must have a healthy body. Good judgment is very dependent on good food, outdoor exercise, and general hygienic living. Nothing warps one's judgment as do worry and fear. Faith, hope, and serenity provide the ground in which progress and security develop. No man can possess good judgment or good health if some one else has a rope around his neck because of debt, unwise commitments, or hidden sins. Possibly there are certain periods of the month when important decisions should be made.

## ESTIMATES AND RULES

My work with captains of industry, political leaders, and scientists, has taught me that it is a mistake to insist on too much exactness. Einstein says that there is no such thing as exactness or perfection; that it is always a question of comparison. Therefore, I have been taught to work with estimates and approximations. I was never a real mathematician, but my guesses have been very good.

A trained mathematician can always excel me in working out a correct answer. I, however, am often able to guess a 95 per cent correct answer before the trained mathematician gets his problem started. Yet I am not criticizing the importance of correct theory, which should underlie all estimates and approximations. Courage and the spirit of inquiry should be combined with theory and judgment.

When anyone wishes to sell you a gold mine, always ask: "If you have such a gold mine, why do you want to sell it?" The greatest profits seem always to come from doing the unpopular thing and buying the unpopular property. Perhaps the simplest rule is to buy a thing when it is not wanted, and then to sell it when it is wanted. This, of course, assumes that one is rendering a needed service or selling a useful article.

Our real happiness depends on how we feel inside, not on how we look outside. To feel right, one must know that his labors are making people healthier, happier, and more prosperous. This requires character; hence, the real prosperity of a nation, community, or individual ultimately depends upon character. All other things follow. Certainly no more important message was ever given than Jesus' teaching: "Seek ye first the kingdom of God and His righteousness; and all these things shall be added unto you."

#### CENSORSHIP AND EDUCATION

Looking into the future, one thing which troubles me greatly is the abuse of the movies, radio, T.V., and even printed pages by using them for destructive purposes with the intention merely of making a profit. These industries—whether we like it or not—are an important part of the nation's educational system. They perhaps have a greater influence on the youth of today than have even the schools, homes, or churches. My first impulse would be to have the cities or states take over a portion of the work of these industries, or organize competing movies, radio stations, and possibly newspapers, which would definitely cooperate with the public educational system. Certainly the taxpayers will not indefinitely stand for spending hundreds of millions annually on maintaining schools, and then permit irresponsible movie, radio, or other outfits to undermine the character of the school children for mere personal profit.

I have thought a good deal about censorship. Censorship works to a certain extent within limits, but censorship is dangerous. In the process of saving the morals of our youth, we may lose democracy itself. During the many years that I have lived, great advances have been made along material lines which have not been equaled along educational lines. Many of the material inventions and discoveries are being used to pull down or retard the educational system which our fathers instituted. The great need of the hour is to speed up character building by the home, the school, and the church, to keep pace with the scientific

work of the laboratory, the factory, and the advertising writer. I doubt whether this can be accomplished by restrictive legislation, and I am not sure that censorship is wise. Nevertheless, the problem must be met in some way, or democracy, *as now set up*, will surely go on the rocks. The success of any republic depends absolutely upon the character, motives, and ideals of its people.

#### SCHOOL AND HOME TRAINING

Because a boy is brought up near the water is no reason why he should get drowned. There is no greater percentage of deaths from freezing in northern Canada than in New York City. I was brought up in Gloucester surrounded by rum shops, but I am still a total abstainer. It may even be that I have a stronger moral courage than if I had been brought up in a closely-guarded suburban residential town like Wellesley. I do not know for a certainty; in fact, I am merely thinking out loud as I write these words. My feeling is, however, that the solution of most problems depends upon the home and school making a determined effort to warn children against evil influences. I know it is hard for parents to warn children against habits in which they themselves indulge. It is also difficult for public-school officials to urge students to refrain from attending movie houses, restaurants, and other local resorts owned by large taxpayers who are influential in local politics.

Many parents have entangling business alliances which make it awkward to take definite stands for integrity, temperance, and clean living. I sometimes think that it is impossible to operate, under our present city governments, a public-school system which will develop the character of our children. Certainly the private school and the endowed college are performing a great service today in holding up standards. These private schools, in my opinion, should all be exempt from taxation, whether or not operated for profit. The older I get, the more I feel that the success and happiness of each individual is almost wholly up to the individual. Congress, legislatures, and city governments may help to some slight extent, but young people are ultimately dependent on their own resources, self-control, judgment, and courage.

#### DEMOCRACY VS. ARISTOCRACY

Surely democracy, in its present form, with everyone having a vote, irrespective of character or intelligence, is likely some day to collapse. Only a great religious revival can save it. This danger of collapse is accentuated by the fact that the ignorant, the weak in character, and the poor in health are breeding more rapidly than those with strong character, good health, and intelligence. Our college graduates are not reproducing themselves, but parents in the slums are having from four to eight children. I would not tolerate a property test for the voting franchise, but certainly it is against the best interests of all honest

people to have everyone vote simply because he is twenty-one years of age. The privilege to vote is a sacred right which should be treated far more seriously than it is at present. A voter should be free from a criminal record, should have a knowledge of government, and perhaps should be a parent. To bring this change about may require a temporary dictatorship or some form of fascism. If such comes I hope my descendants will cooperate therewith. Such a dictatorship should result ultimately in a better and stronger democracy. Let me add: All else being equal, those parents of today with four or more children, now making up 10 per cent of the population, could become the grandparents of 80 per cent of the voters in three more generations.

Some believe that the solution of the problem is in teaching birth control, but this is only one of the needed few aids. There must be real logic in teaching self-control and sacrifice, but such a doctrine should be used to encourage a greater birth rate among those with character, health, and intelligence, as well as a smaller birth rate among the unfortunate and unfit. In the last analysis, children and land are fundamental. Little else counts in the long run. When we restrict our birth rate to improve conditions temporarily we may be selling our birthright for a mess of pottage. In my humble judgment the solution of the problem of government and the saving of America will come through the building up of an aristocracy of character, health, and intelligence. Such an aristocracy would consciously become the Royal Family of America. It would consciously be guided by the realization that upon it the responsibility of saving America rests. I sincerely hope that my grandchildren and their children will strive to be a part of such an aristocracy. Let us now consider what must be done to become a member of this select group.

#### FIGHTING AND BREEDING

We should develop independence, self-control, and courage. It is not necessary for us to learn to fight others. Through such warfare we may only destroy ourselves. If the American Indians had concentrated upon developing their own race instead of fighting the white man, they would have absorbed him and through him would dominate America today. Certainly this is an instance where the practice of the Sermon on the Mount, even by the Indians alone, would have saved an entire race. We should, however, continually fight temptation of all kinds and become strong physically, mentally, and spiritually. Please carefully get my point. The spirit of fighting, high courage, and the joy of fearlessness should be developed; but these qualities should be used primarily to combat temptations, weaknesses, and luxurious living. If we make ourselves strong, hardy, and courageous, no other nation will ever attack us. If America falls, it will be due to the enemies within her—namely, luxury, fear, and love of the easy way of doing things and living. These latter are the traits which foreign enemies are hoping America will develop.

To become a worthy member of this aristocracy, one should take great care in selecting a mate. This means that we should marry only some one who likewise belongs to this new aristocracy and who has the same motives, purposes, and ambitions that we have. Then, after marrying, we should start at once to raise a large family of little aristocrats! Never mind how humble a home we have or how much we have to pinch to make both ends meet in order to raise a good family of children. The real traitors to America today are those young people who are avoiding families merely to live easier lives and to have a good time. Nature's life-insurance policy is a family of good children. Some day every other asset may be wiped out, and lucky will be those then who have a family of worthy children. Hence the importance of training these little aristocrats to be healthy, intelligent, and courageous. Teach them the principles of hygiene, train them to develop their intelligence, and ground them in the spiritual life. Hold family prayers in our homes, make the Sabbath different from other days, and bring them all up to love the church and to be good citizens.

One thing that has saved me has been the fact that it never bothers me to be laughed at. My parents used to tell me that I was always more or less of an "off horse" and did things differently from what the other children were doing. This resulted in my sometimes being called a "sissy" and sometimes a "bossy," and in often being ridiculed. Being called names, however, never bothered me. When I was laughed at, it seemed a good joke. Then I have always found real joy in the struggle with things, human opponents, and even economic forces. I have found the fun to be in the striving rather than in the arriving.

#### PLOWING AND SACRIFICING

When working on the farm, I have enjoyed most the plowing up of the ground in the spring, and the smell of the new-turned soil. I have always wanted to be around when plowing is going on. When constructing a building, I have always personally superintended putting in the foundations, and have left to others the building and furnishing of the structure. My special job with all my companies and departments is to "wind the clock." I put my special energy into getting a project to run, and then am content to guide it. And in guiding it I have always used my intuition more than I have used the stereotyped rules of the game. Often I have swept aside the customary way of doing things, and have said, "I have a feeling that the real thing to do is—" When so guiding my own life and the lives of others, the deepest satisfaction has come from the feeling that something definite, valuable, and lasting is being accomplished.

To succeed, one must practice at times a certain amount of self-sacrifice. I have done many things that I did not want to do when I did not want to do them. Willingness to sacrifice is surely one of the fundamentals of success. The

importance of sacrifice should be written on the walls of every home, school-room, and church. Although my parents were strict in a few essential things, yet they gave me a great deal of latitude as a whole. They would allow me to fight my own battles, make my own trades, and argue my own cases. If I have a good memory, keen wit, and an instant command of resources, it is due to inheritance and the training which my parents gave me. As steel is sharpened on a whetstone, so characters and minds are developed by rubbing against others. As an understanding of the Law of Action and Reaction, in connection with human relations, is spread throughout the world, the nations will make real progress.

#### RELIGIOUS TEACHING LAGGING

Scientists realize what Sir Isaac Newton has done for civilization, but we laymen do not quite appreciate what his work has meant for each of us. In 1642, when that boy was born in a little English village, science was in a state of chaos. Superstitions and prejudices ruled. Newton came into that world of superstition and prejudice, and left it a world of science. He took magic and turned it into physics. He changed alchemy into chemistry. He changed legend into history. He found a world where there were no tables for latitude and longitude, and no books on algebra or higher mathematics. He left it with practically the same mathematical tables and books as are used today.

Newton, of course, was criticized. Only during the latter portion of his life was his work really and truly appreciated. This is one reason why most of his early publications were in languages other than English, although he himself was born and died in Britain. Let me say that the ideas that underlie my work were selected from the Bible and the writings of Sir Isaac Newton. His courage and manner have been a source of constant inspiration to me. After many years devoted to the compilation of statistics and the study of economics, this one fact stands out most prominently: *The study of the spiritual life is in the same condition in this twentieth century that the study of the physical sciences was in when Newton expounded his Law of Actions and Reactions.*

#### OUR YOUNG PEOPLE

As Newton changed astrology into astronomy, we today must change superstition into worship, creeds into science, prayer into power. Not only has the influence of the church declined during my lifetime, but it seems, as I look over the world today, that opposite forces are developing and going forth at tremendous speed. I have in mind the disrespect for law, the literature that we see on sale, and the general attitude of the younger generation, who apparently feel that the thing to do is to give vent to their emotions without restraint, with-

out regard for parents, teachers, law, or history. That is the situation with which we are confronted. Yet I want to defend these young people.

There is nothing that will take the place of those fundamental qualities of intelligence, industry, thrift, honesty, and willingness to do what we do not want to do. These fundamental qualities are the basis of success and happiness. This does not mean, however, that the emotions of these young people must be suppressed. It does not mean that these young people are wrong in their desire to cast aside convention, or in their unwillingness to be interested in creeds. Not at all. They have a latent spiritual power and are filled with emotion. The only way they can express themselves is through emotional channels.

#### A CONFESSION

When Charles P. Steinmetz was the chief electrician of the General Electric Company, he spent a few days in my home. On his last day there I asked him what the next great invention will be. He said: "It will not be along mechanical lines; it will not be along electrical lines. It possibly may be along chemical lines. But my feeling is that it will be along spiritual lines." We talked about such wonderful machines as the radio, the airplane, and the automobile, but agreed that they are all piffle compared with the machine that every child has in his head—the human brain! Not one in a thousand brains is working at even 25% capacity, because of the lack of spiritual motive power.

Somewhere, sometime, some one will discover a method of awakening the brain of every child. There could be a hundred thousand Edisons, a hundred thousand Fords, a hundred thousand Kiplings. It is largely a question of getting our brains aroused and functioning. The difference between individuals lies in the influences which supply the motive and directive power for our brains. As I look back on my long life, the question naturally comes to my mind, What has been true in my case? I must confess that what success I have had has been largely due to certain emotions. It was not statistics nor money which built our buildings, organizations, etc. It was inspiration, courage, vision, and faith. As I look back on my failures, including my impatience and inability to get along with some people, an analysis shows clearly that those failures have likewise been due to unstable emotions, such as anger, jealousy, and callousness.

#### EMPLOYER'S ATTITUDE

The worst things in life are not struggle, sacrifice, even poverty; but rather jealousy, fear, and discouragement. The greatest things in the world are not railroads, factories, and cities; but rather love, sympathy, and courage. The time may soon come when, through heavy taxes or other legislation, young people will be unable to depend upon property inheritance. This may be a good thing for the children of the well-to-do as well as for the children of the poor.



Therefore, are we doing right by our young people in giving so much time to teaching them material things and so little time to guiding their spiritual lives? Whatever the answer, I urge my descendants to remember that the Babson coat-of-arms stands for struggle.

Employers should be actuated by some motive more worth while than the profit motive. I do not blame any man for wanting to build up a large and successful business. The best interests of all concerned may depend more or less upon autocracy in the management of business. We employers, however, should have sense enough to realize that after we have a certain amount of money, any excess is only a source of trouble to ourselves and families. After securing a profit which gives a fair recompense for the services which we render, our efforts then should definitely be directed to aiding our employes and customers.

I look forward to the time when a man will operate his business in the same spirit in which he holds a public trust or serves as the director of a hospital or library. This changed attitude on the part of employers would unconsciously change the attitude of wage-workers also. Today these workers are not interested in increasing production because they feel that the benefits from such increased production would go only to the employers and stockholders. If, however, they were convinced that the benefit from increased production above a certain point would be divided fairly between the customers, stockholders, and themselves, life would have a different aspect. We must think more of others.

#### POSSIBILITIES THROUGH WASTE ELIMINATION

As a statistician I have been impressed by the great waste which has needlessly been going on during all of my lifetime. Misdirected production and distribution have resulted each year in a total loss to the people of our country of about half the annual national income. Many billion dollars of this is annually lost through foolish investments, preventable business failures, contagious diseases, unnecessary fires and accidents, ignorant buying of adulterations, and inexcusable advertising and managerial errors. To save these billions of dollars a year requires only greater knowledge and common sense among the people.

There is a second group of wastes, including harmful and needless eating, excessive drinking and smoking, unnecessary expenditures on the criminal and insane, harmful entertainments, useless clothing, cosmetics, and quackery, all of which make up many more billion dollars of loss annually. To save this second great sum annually requires character-training and education. Yet this training could easily be accomplished if we went at the problem properly and systematically. This even applies to eliminating hurricanes.

In addition to the wastes in the above two groups, there is a third huge amount wasted annually through lack of proper planning and control in industry. This results from needless overhead costs, failure to standardize on

simple necessities, unnecessary employment turnover losses, improper plant location, waste of light and fuel, and other forms of mismanagement.

In other words, this means:

(a) That the cost of the present standard of living in the United States can be reduced about 50 per cent—by merely the elimination of waste. Furthermore, by the elimination of this waste, the general health, comfort and happiness of all the people would be increased, while real estate taxes could be cut one-third.

(b) That with a reasonable amount of planning the people now employed in the above useless industries could be transferred to making goods and performing services which are truly useful. Then everyone could enjoy the necessities and comforts of life, with no abnormal unemployment.

(c) That hours of labor for executives and workers could be reduced so that there would be more time for spiritual, physical, intellectual, and cultural development by all. The nation's interest charge would likewise proportionately be reduced by the wiping out of these parasite industries.

America has every natural resource to make everyone healthy, prosperous, and happy. America needs to revive that creative spirit which causes men to have confidence in themselves, confidence in their brothers and in their God. America needs that spiritual creative power which causes men to want to pull the cart instead of ride in the cart—to work, think, promote, and build instead of to depend upon interest, bank accounts, pensions, and government aid. From now on in the United States, *activity* will be at a greater premium, while *passivity* will get a lesser reward. Men and women will be more anxious to own homes, farms, and factories than to hold stocks, bonds, or mortgages. Real estate and commodities will be worth more than money hoarded in bank vaults; while industry, initiative, courage, and confidence will count for far more than securities, legal opinions, family trusts, or even the Constitution of the United States. As money values depreciate, human values appreciate.

#### YESTERDAY AND TOMORROW

Water from a well, light from a kerosene-lamp, heat from a stove, that was the way people lived when I was a boy. Today we get water from a municipal reservoir, light from a public plant, and we shall presently get heat from a central system. The whole trend is toward centralization. One thing after another has gone this same way—spinning, weaving, washing, cooking, storage, nursing, educating. In the future, as in the past, we shall see this increasing tendency toward cooperation, organization, and efficiency. The reason why I expect this present trend will continue is because, in the main, it is sound and beneficial. The more we can shift the mechanical loads of life onto the backs of machines, the more chance there will be for mental activity and spiritual achievement. The way to make man more than a machine is to

liberate him from machine-like tasks. Since I was born, in 1875, much has been accomplished along these lines in connection with physical labor. From now on the developments will be to help men in other ways.

I foresee that the immense advantages of cooperation will be applied in a widening variety of ways. Looking ahead, there will be astonishing developments of personal service. When Mrs. Babson and I, alone and unaided, first undertook—over a half of a century ago—to establish a central staff for the study of a man's investments, this was an entirely new field. Today such work is an accepted part of modern economic life. With this history in mind, it seems entirely practicable to extend the same principle of a central staff for character-building, health, travel, reading, and other elements of true success. Some day these forms of personal service will seem just as matter-of-fact and inevitable as do economic services today. Let me describe how such a service might be developed. In 1904, by allowing me to worry about their investments, I relieved clients of a burden and greatly increased their wealth. Let me now discuss ways in which some organization could help clients in affairs far more essential.

#### ESSENTIALS OF SUCCESS

For many years I have analyzed the causes of success and failure. Experience has shown that there is one chief reason why some succeed and others fail. The difference is not one of *knowing*, but of *doing*. The successful man is not so superior in *ability* as in *action*. So far as success can be reduced to a formula, it consists in this: *Doing what you know that you should do*. Although a great many persons are able to plan their work and make good resolutions, only the successful few have the self-discipline to work their plans and carry out their resolutions. Successful men are as different from one another as the myriad forms of matter. But these men have this in common: *They systematically and effectively attend to certain fundamentals*. These fundamentals fall into four groups: (1) financial, (2) physical, (3) mental, and (4) spiritual. The qualities underlying these four groups may be divided into twelve simple divisions. These are as follows:

*Preparing a Budget:* A first step toward making any year of one's life successful is to prepare a proper budget. Start each year right. "Tell your dollars where to go instead of asking them where they went." Aim to accomplish more than budgetary control—budgeting that is creative no less than restrictive. People could be *followed up* to see that they prepare and use such a budget.

*Planning Progress:* In some cases this should consist of a talk with one's employer regarding one's situation and outlook. If one is still in school or college, it should consist of a talk with the teachers. The angle should be that of the employer reviewing and projecting his organization plans. The professional man,

too, should look ahead. The important thing is *systematically* to have a talk each year at the right time with the proper parties as to one's future. People could be *followed up* until they report that this has been done.

*Specialized Reading:* One of the requests which I receive most frequently is to recommend reading giving information on certain subjects or which will arouse or check certain emotions. Successful men do not discard books upon leaving school. From constant contact with all groups of men during many years one can come to know the type of reading which is most productive. This experience could be embodied in reviews and recommendations of the books, reports, and other material which should be *followed up* by careful checking.

*Setting-up and Other Exercises:* In this section could be included also the subject of sports and recreations. Business and professional men are giving increasing attention to sports, but the mortality and health statistics show that there is a problem here which is still far from solution. Therefore, people should be given the best information and suggestions existing on this truly vital subject, and be *followed up* to make sure that definite exercise and adequate recreation are being taken.

*Physical Examinations:* In the same attitude with which he demands balance sheets on his business, the successful man wants a periodic audit of his own physical condition and needed diet. If there were more examinations, there would be fewer operations. A methodical check-up is excellent insurance. Once a year is none too often for such examinations. People must be *followed up* in order to get them to take these examinations.

*Friendship and Correspondence:* No one is so driven with other affairs that he cannot stop at least once a year and give some thought to fostering old friendships and forming new friendships. This refers both to business connections and to human relationships cherished for their intrinsic value. The occasion, too is a fitting time for taking care of personal correspondence in arrears. One should systematically be interested in family genealogy and heirlooms. All these things, however, need to be *followed up* in order to get action.

*Constructive Travel and Hobbies:* Few methods of mental development are more efficient than travel, and few are treated in a more haphazard way. People usually travel wherever business duties or random choice happens to take them. It is a characteristic of successful men to arrange their business and personal affairs so that they systematically become acquainted at first hand with the nation's key localities. When planned for a purpose, travel and hobbies become a liberal education in themselves. People should be *followed up* and guided as to trips.

*Personal Hygiene:* The importance of oral and other hygiene is a comparatively modern discovery. If records were available, they would show that some of the greatest men in history died untimely or failed strangely because of un-

cleanliness outside or inside. Cleanliness is an important factor in both efficiency and health. Correct information and a forceful reminder on this cardinal topic are well worth providing. The evidence on this point is overwhelming; but people need to be *followed up* in order to act.

*Cultural Life:* The theme here is art, music, and other cultural interests. For business and technical men, this is especially important. It is not merely that the specialist is in danger of becoming too narrow-minded and one-sided, thus failing of a successful life in the broadest sense. Even from the standpoint of success in his own specialty, a man cannot afford to become overtrained and stale. It makes for efficiency to get some totally new reactions. Rest is found in new activities. People need *following up* as to the proper use of leisure.

*Worship:* Church and charities should continually be brought to one's attention. Whatever the differences of creed, all the great religions of the world are united on the point that no amount of material success can compensate a man for the impairment of spiritual values. In all lines of worthwhile activity the most successful men have systematically spent time in meditation. I believe that any program looking toward well-rounded success is wholly inadequate without recognizing this power and *following it up*.

*Investing:* Beginning the year with budgeting and planning, I would conclude each year with collecting and investing. Such assistance is especially valuable to business and professional men. Often men are eminently successful in their own specialties, but reap little lasting financial reward therefrom, because they fail to collect their bills and properly invest their savings. Having one's collections and investments *followed up* is of prime importance.

*Miscellaneous:* I would assign an "indefinite section" to avoid too rigid a schedule and to give an opportunity to cover important subjects of current interest. We are entering upon an era of extraordinary invention and discovery. The world is changing more radically, more easily, more rapidly, and more constantly than in any previous period. In anticipation of vast new interests, I would make in the life program of everyone a provision for future discussion of future subjects.

#### CHARACTER-TRAINING POLICIES

Whereas a life insurance policy provides future funds for beneficiaries, a *character-training policy* could provide continuous information and constructive action on the fundamentals of true success. These fundamentals are at the base of practically all of life's major problems. Although such a work could be adaptable to all persons, regardless of age and position, it is especially important at the outset of a man's career, when success habits are being formed.

I am too old to inaugurate any such new work. If, however, I were twenty-five years younger, I certainly would organize such a movement to "insure"

the character, health, and intelligence of our children after they leave school, and especially after we ourselves pass on. With all the organizations which now exist for supervising the financial investments of our children and grandchildren, there ought to be organizations to supervise the more important things of life. When young people leave school today they are thrown on the world without further care, except possibly in connection with material inheritances. We have learned to leave property in trust to our children, so that the money will be watched over by experts. Yet our children's health, education, and habits are far more important than their land, stocks, and bonds.

Of course, an organization to issue *character-training policies* would have much to learn; it would probably make many mistakes; but even at that it might make no more mistakes than do banks and trust companies. In short, there should be organizations in which we could take out a policy or annuity which would insure guidance to our children as the ordinary life insurance policy now insures them a certain amount of money. Based on the law of averages, these new training insurance companies could make a flat price to parents which would provide for this guidance so long as the children live. Of course, the children might not properly use the advice given, but neither do they always properly use the money which comes through the usual form of life insurance.

#### OUR INSURANCE ORGANIZATION

In previous chapters I have referred to the Business Statistics Organization, Inc., with its holdings in Babson's Reports, Incorporated, in the Gamewell Company, and also in the Public Welfare Trust, which latter stock was exchanged for stock in the A. P. W. Products Company. I have often recommended to clients that they either invest very broadly in a large number of stocks, depending *wholly on the law of averages*, or else that they confine their investments to a few carefully selected and diversified industries and *then watch these few carefully*. In view of the fact that I want to avoid so far as reasonable the buying or selling of stocks which *Babson's Reports* recommends clients to buy or sell, I have mostly followed the second method. To a large extent the Business Statistics Organization, Inc., has been used in this connection. But my real reason for developing this Organization is to have sort of an endowment which will insure the continuity—under all conditions—of *Babson's Reports*, to which my life has been devoted. This thought is explained further in the last parts of a previous chapter on Hobbies.

A large part of the income earned by the Organization is derived from services rendered to its direct clientele. Such activities are devoted to keeping about two thousand large business concerns informed as to the future of commodity prices, sales opportunities, labor conditions, Washington outlook, etc. To be efficient in this work and better serve our clients I have found it necessary to

acquire more practical experience and first-hand information by having a large interest in other companies than the three above mentioned. Furthermore, I believe our experience can be of great benefit to the stockholders of such corporations. With this insurance feature in mind, the Business Statistics Organization and the Babson family have been purchasing stock in certain other corporations, without forgetting that *Babson's Reports* were the seed from which all I possess really grew and that these reports must constantly be strengthened and expanded. Furthermore, our valuable files must be protected and to do so we have a supplemental library and compiling offices at New Boston, N. H. Thus clients will be protected in case of World War III.

I repeat that an interest in many industries and a close-up knowledge of what they are doing enables us to serve better the clients of *Babson's Reports*, described in a previous chapter. Its growth has resulted in its now having probably the largest clientele of any personal investment advisory service. This Service has been in continual operation for over forty years and has sought absolute accuracy, honesty, impartiality, and consistent speed of operation. *I hope that this company will continue, through the Organization, to remain in the control of the Babson family or its various trusts or educational institutions. It should always be treated as an important public responsibility.* Allied with these, we own the Publishers Financial Bureau, which syndicates insurance, manufacturing, investment, and other weekly columns to nearly 400 newspapers. This Bureau also publishes an Annual Forecast which I hope will become more in demand each year. It will thus be seen that our investments and services are interrelated—each very important to the success of the others, but all contributing to the well-being of the clients of *Babson's Reports*.

#### A FUTURE OPPORTUNITY

An important and perhaps dangerous change has been going on in connection with certain American industries, especially those whose stocks are now mostly held by small investors. Many of the successful corporations were started by one man, or a local group of men, who owned most of the stock; they were the officers and directors. Gradually bankers and lawyers came into the picture. Finally the founders died, and the stock was divided among many heirs or sold. Recently these changes have been rapidly increasing due to heavy estate taxes and other considerations. Furthermore, owing to S.E.C. rulings, many responsible men now hesitate to take a directorship, even though they have a large financial interest in the corporation.

Instead of there being only two important factors in industry, Capital and Labor, there now are developing three factors: Management, Capital, and Labor. In too many companies, management now is completely in the saddle and, by the use of proxies, intends to hold its position *without having much of*

a *financial interest*, while labor is fast organizing to get its share or more. As a result, the stockholders of some companies may have no one really to represent them.

The Business Statistics Organization believes that, as the above situation develops, it can be of real service to these outside stockholders, without attempting to manage the corporations. The plan would be for these stockholders to pay a reasonable annual fee to the Business Statistics Organization for studying and interpreting a corporation's statistics in the interests of all stockholders, as a safeguard to offset the encroaching influence of any one group. The financial statistics are now well audited by firms of accountants. My suggestion is to supplement such by "audits" of management and labor activities. I hope that such a department, entirely apart from the companies above described, will some day be formed by the Business Statistics Organization. This work should be of great value to the subscribers to *Babson's Reports*. Some persons criticize the Babson Organization for having so many interests even though they are closely interrelated. My answer is that this program gives a breadth of vision by which all clients now benefit, and insures efficient continuance of *Babson's Reports* after I have departed. The Organization increases efficiency, provides insurance, and can serve as a future endowment.

#### SOMETHING TO RECOGNIZE

I cannot close this chapter of Conclusions without referring to an event of great importance which took place during the 1930's. I refer to the world "going off the Gold Standard" and accepting Paper Currency. Gold may have little intrinsic value, but it served as a "ceiling" on debt, inflation and speculation. By abandoning this ceiling we have entered—for good or evil—a new era where current economic conditions are determined largely by politics. The Law of Actions and Reactions will continue to apply in the long run, but the cycles may be very much longer. This fact may cause many businessmen and investors to be misled by charts and experiences relating to pre-World War II years.



## Chapter XXXV

### PLAYING WITH GRAVITY

AS A closing chapter to this book, may I tell of my final dream? The Gravity Research Foundation was organized by me in 1948 under the laws of Massachusetts as a non-profit institution to collect and distribute information in connection with gravitation. Its headquarters are at New Boston, New Hampshire. This is about sixty miles north of Boston and was recommended as a safe distance from Boston in case that city should be bombed in World War III. In deciding upon this distance not only were the atomic dangers considered, but it was desired to get a self-sustaining community, free from industrial plants, able to feed, clothe and heat itself under any circumstances, and independent of uncertain water, light and power utilities.

A location sixty miles to the west of *old* Boston, Massachusetts would conflict with the congestion of Worcester and surrounding industrial towns. A location sixty miles to the south would enter the Providence section which is highly industrialized with a large population. Hence southern New Hampshire to the north was chosen. New Boston was selected of several other southern New Hampshire localities for these reasons—although it is only fair to say that the name of this little community was a partial factor in its favor!

Now let me describe some of the aims and purposes of the Foundation.

#### THE SIR ISAAC NEWTON LIBRARY

For over twenty years Mrs. Babson and I have been much interested in the experiments and writings of Sir Isaac Newton. As a result, one of the largest collections of Newtonia may now be found on the campus of Babson Institute at Wellesley, Massachusetts. In the Institute Library are two rooms devoted to the works of Sir Isaac Newton. One of these is the actual parlour of the house in London where Newton spent the last years of his life. When the house was torn down for the erection of a large modern building, Mrs. Babson purchased the portion most used by Newton and had it brought to Wellesley. It has been re-erected exactly as occupied by Sir Isaac Newton, with the same walls, doors and even the identical shutters containing the hole through which he carried on his first experiments in connection with the diffusion of light. *It was this "hole" which first interested me in Tiamonds and Titanium stones.*

In connection with the above Newton collection, there have gradually been accumulated writings by Newton and others on GRAVITY. Strange to say, whereas the writings on optics, mechanics, astronomy, mathematics and other of Newton's studies have developed into great industries, almost nothing has been done since Newton's day in connection with gravity. To separate the books that refer to gravity from the regular Newton Library, and to bring them to New Boston, was one of the reasons—and perhaps the first consideration—in establishing the Foundation. It may be said, therefore, that the primary purpose of the Foundation is to have the most complete library on gravity in existence and one which shall be open freely for consultation by all. In addition to the above about 200,000 miscellaneous books are stored there in case Boston should be bombed.

#### THE CORRESPONDENCE DIVISION FOR RESEARCH

Those who have been interested in the study and harnessing of gravity have been disappointed with the attitude taken by many college professors and engineers in connection with it. The mention of gravity too often brings a smile as if the inquiry were not taken seriously. This has discouraged a frank discussion of the subject. Much experimenting which has been going on has been under cover. Hence a second purpose of the Foundation has been to get in touch with the interested people scattered throughout the world and let them know that they have a sympathetic friend. The Foundation today corresponds with a group of over two hundred whom it is encouraging in their gravity research work and with whom information is being freely exchanged.

For some reason "perpetual motion" has been tossed off as if it were impossible and anyone who attempted to harness gravity would be grouped as "perpetual motion quacks." Yet there are many illustrations of "perpetual motion" in everyday life. One of the most potent is the generation of power by falling water. The water which goes through a water wheel is raised from the ocean as vapor by the heat of the sun and accumulates as clouds. These clouds (by winds which are also caused by the sun) are blown to hilly country where they condense and fall as rain. This water, by gravity, flows down streams and, at natural falls in these streams, flows through turbines for the generation of power. This same water, after passing through the turbines, flows into the ocean where it is again evaporated into clouds and goes through the same process of being condensed and operating turbines. Certainly this is a perfect illustration of obtaining power through perpetual motion. The old fashioned tide-water mills, used in certain bays along the sea coast, are the only "water powers" that can technically be classed as working solely by gravity.

## CONCERNING GRAVITY AND ITS EFFECTS ON HEALTH AND AGE

Physicians and surgeons are becoming more and more interested in the relation between gravity and the physical conditions of individuals. Certain circulatory and other troubles are now recognized as directly due to gravity. Those of us, moreover, who have no special complaints are at least faced with old age! Gravity may be called Enemy Number One for those over sixty years of age. It is even being thought that there is a correlation between accidents and disease and the different phases of the moon, which, if so, means that our chances of getting hurt varies with changes in the gravity pull on our bodies. Yet no actual data exists as to this possible relationship and its allied complications. The Electronics Medical Foundation of 1200 Hyde Street, San Francisco, is at work on such problems.

Therefore, one of the tasks of our Gravity Foundation is to collect from hospitals, insurance companies and physicians the day and, if possible, the hour, of a fracture and learn how this time correlates with the phases of the moon. Not only does the pull of the moon and sun counteract (or relieve) at certain times the downward pull of the earth on an individual, but this same gravity may affect the temporary judgment or awareness of the individual. After ascertaining definite data on the above, it must further be recognized that the variation in this gravity pull of the sun and moon may affect the judgment of individuals differently according to their mental capacity and development. In connection with gravity and health our posture becomes an important consideration. When one studies gravity he soon becomes interested in sitting and walking with care and using a cane more often. As one becomes self-conscious along these lines, his health and efficiency naturally improves.

## THE HARNESSING OF GRAVITY FOR FREE POWER

Thousands of attempts have been made by earnest inventors to develop a machine to operate by gravity without the aid of any fuel or other power. These attempts have been unkindly called "perpetual motion" machines and have been a source of much unfair criticism. These machines, as a rule, work by levers and weights. None of these have been really satisfactory; although the one that has been most publicized was that known as "Kelley's Motor." There are, of course, many motors operated by magnetism, by air, the sun and other forces, but these do not come within the range of the Gravity Foundation's work.

In order to keep in touch with these past and future gravity developments, I purchased control of *Invention Incorporated* of Washington, D. C. This company has three investigators at the Patent Office at all times scanning through all of the patents issued from week to week. These investigators are

constantly on the watch for any machine, alloy, chemical or formula which directly relates to the harnessing of gravity. The general impression is that gravity will not be harnessed until a partial insulator, reflector or absorber is discovered to develop a *differential*. It is further believed that this discovery will be accomplished through stumbling on some alloy which will give the desired results. Hence, the Foundation is encouraging all engineers and chemists who work with alloys to be on the watch for such a discovery. It surely would be a great blessing to mankind.

#### ORNITHOLOGICAL MUSEUM

Shortly before his death, Thomas A. Edison, when discussing aviation with me, pointed to a bird flying in the air and remarked, "That bird can do what no man can do—namely, fly with its own power. I wish, Babson, that you would take a greater interest in birds—not solely from the viewpoint of their beauty and song, but concerning their power to fly." This caused me to collect and study birds; I now have such a collection on the campus of the Babson Institute. It is hoped that this collection will ultimately become the property of the Gravity Research Foundation. In addition to mathematical comparisons of the weight of birds to their wing area, studies should be made as to the birds' diet and what gives them their abnormal muscular flying powers.

Since starting the Foundation, various cartoonists have portrayed the Foundation's trustees as flying through the air with wings; in fact a humorous book has been written on the subject known as "The Flying Dutchman." Yet these stories should not be taken merely facetiously. It is very possible that a wing will someday be constructed of some partial anti-gravity alloy which will enable lightweight, muscular persons to fly under their own power. Animals such as "flying squirrels" are an illustration of what may be accomplished along these lines. As a matter of interest, although not directly connected with Gravity, the *Boston Post* of October 16, 1949, stated that homing pigeons become confused and lost if magnetized metal plates are attached to their wings. It further stated that this is not due to the weight, as non-magnetized copper plates have no such direct effect.

#### OUR LITTLE MILL

The Foundation has purchased a small water power mill at New Boston, which is in perfect running condition although the horse power is small. This may be used for some secret experiments of an interesting nature. It should be understood, however, that the Foundation does not expect to operate a laboratory or develop inventions or make discoveries on its own. It must avoid such work in order that inventors and others may feel free to send to the Foundation their own ideas knowing that the Foundation will not take unfair ad-

vantage thereof. *The purpose of the Foundation is to encourage others to work on gravity problems and aid others in obtaining rewards for their efforts.*

The Foundation is interested in the ocean tides at Gloucester, Massachusetts, where I spend my summers. As a result of such studies an Annual Reminder is being published giving the phases of the moon for the year and how the variation in the gravity pull and weather on certain days should affect the emotions, judgments and awareness of individuals.

#### AWARDS AND LECTURES

The Foundation is offering several Annual Awards for the best two thousand word essays on the possibilities of discovering some partial insulator, reflector or absorber of gravity waves. The First Award is for \$1,000.00. The selection is made by the trustees of the Foundation after technical advice and consultation.

Babson's Reports Inc., entirely apart from the Foundation, has purchased in the center of New Boston a brick building which is used summers as a Conference Hall. Here free lectures are given on economics, industry, natural resources and other subjects relating to investments. Once a week, in August, a lecture is given on gravity with an opportunity for anyone to ask questions pertaining thereto. A house has been purchased in New Boston which could serve as a center for those interested in coming there to study gravitation and its possibilities. It is hoped that this little community will gradually become a center where physicists, engineers, metallurgists and others especially interested in the causes and possibilities of gravitation, will come in the summer.

#### SPECIAL BULLETINS

The following publications have thus far been issued:

- |  |   |
|--|---|
| <i>Gravity—Our Enemy Number One</i>    | <i>Gravity and Health</i>                   |
| by Roger W. Babson                     | by W. Stewart Whittemore, M.D.              |
| <i>Gravity Aids for Weak Hearts</i>    | <i>Gravity and Posture</i>                  |
| by Grace K. Babson                     | by Mary E. Moore                            |
| <i>Gravity and Psychology</i>          | <i>Gravity and Ventilation</i>              |
| by Dr. Raymond H. Wheeler              | by Roger W. Babson                          |
| <i>Possibility of Free Heat</i>        | <i>Gravity and Sitting</i>                  |
| by William R. Esson                    | by Roger W. Babson                          |
| <i>Weather Conditions and Politics</i> | <i>Gravity and Your Feet</i>                |
| by Oscar S. Brinkman                   | by William Drake, M.D.                      |
| <i>Is Free Power Possible?</i>         | <i>Gravity Effect in Relation To Health</i> |
| by George M. Rideout                   | by Arthur D. Baldwin, M.D.                  |
| <i>Gravity and the Weather</i>         | <i>Annual Report of President Rideout</i>   |
| by Dr. Raymond H. Wheeler              |   |

## *Addenda*

### HOW \$2,000 CAN BECOME \$831,545 WITHOUT BORROWING A PENNY

**E**FFINGHAM WILSON was born in Yorkshire, England, in 1783, and died in London in 1868. He was the first publisher and vendor of financial publications in the English language. It is probably fair to say that he blazed the trail for the financial services, manuals, and books of all kinds that are published today throughout the world. He first intended to become a doctor, but had an opportunity to study books with the Aspens of Cornhill. His first real position was with Mr. Thomas Hurst of London. Later Mr. Hurst went with the Longmans and Mr. Wilson went with him to this well-known book house.

In 1805 Effingham Wilson started in business for himself in Chapter House Court, Paternoster Row, London. On June 30, 1812, he removed to the Royal Exchange near the Bank of England, taking space on the southeast corner of the ground floor. Here he remained until January 10, 1838, when the Royal Exchange burned. While this structure was being rebuilt he had his business nearby on Bishopsgate Street. He returned to his former location in the Royal Exchange in 1844.

Effingham Wilson became such an authority on books of finance, taxation, insurance, and investment that, in 1834, he established two agencies abroad, one of these in the United States. To these he consigned large numbers of his books and other financial works. Both of these foreign agencies succumbed during the great panic of 1836-37 and Effingham Wilson suffered considerable loss. Then came the great fire of London in 1838 which was another severe blow. All of these he survived, living to a ripe age of eighty-five years. He died on June 9th, 1868.

Effingham Wilson was courageous in forecasting and a Liberal in politics. He won great attention when he published in 1830 the extraordinary *Black Book* which exposed pensions and other inside details of government affairs. The first edition of this book was published by Fairbairn in 1820, but that firm apparently had not the courage to publish the 1830 edition in view of the agitation caused by the Reform Bill. Effingham Wilson, however, published the book. The tale is told that a man in high position came to Effingham Wilson's bookstore directly after his publication of the *Black Book* in 1830 with a horse-

whip and threatened to beat him, but Wilson did not falter. He published whatever he believed to be the facts—including some remarkable financial cartoons—regardless of whom they affected.

After the death of the elder Wilson, in 1868, the business was carried on by his son William Wilson until his death in 1885, when it was sold by the executors to a Mr. Richards. He operated it until 1894, when it was purchased by J. F. Mathieson & Sons who were becoming important competitors. The two Mathieson brothers were personal friends of mine and I worked closely with them. Shortly after the turn of the century, the business was moved from 11 Royal Exchange to 54 Threadneedle Street, nearer the Bank of England. Later it was moved to 16 Copthall Avenue where J. F. Mathieson & Sons had their financial printing plant.

Although primarily a publisher of financial and other economic books, Effingham Wilson and his successors had a vital cultural interest. In fact, he was the first to “discover” both Tennyson and Browning, being the original publisher of their works. He saw the value of their writings when no other publisher was interested.

Effingham Wilson issued what was probably the earliest Investment Manual. It was *Fenn's Compendium of the English and Foreign Funds*, compiled first in 1837, and regularly thereafter until 1898. Then corporation securities became much more important so that Fenn's statistics were included in a more comprehensive manual. The Wilson firm continued to export its numerous financial publications to the United States and all parts of the world. It also represented in England, Poor's Manuals, Moody's Manuals, and other American investment services. *Babson's Business Barometers* appears in the Effingham Wilson catalog for 1910.

The Babson organization had so many clients abroad, previous to World War I, that the Barometer Letter was cabled each week to the House of Effingham Wilson, which printed and distributed it to our overseas clients. The owners of the business were then J. F. Mathieson & Sons, who are still believed to be the most accurate and comprehensive publishers in London of investment statistics. A few years ago the building at 54 Threadneedle Street was torn down. Thereupon the business of Effingham Wilson was sold to Sir Isaac Pitman and Sons, Limited, of London. This famous firm is now probably the largest publishers in England of textbooks on business and economic subjects. In 1938 the name Effingham Wilson and the good will accompanying same was purchased by Business Statistics Organization, Inc., which now has exclusive rights to use it to sell financial books and services throughout the world.

#### FAMOUS ENGLISH BANKERS

Effingham Wilson was in active business when London was the financial center of the world. He was personally acquainted with the old London bankers

whose families had built up great fortunes. During my many prewar visits to London, I met the sons or grandsons of many of these famous financiers. I refer to these firms and their modest old-fashioned offices in Chapter XVI of this book. The chief assets which visitors saw were the oil paintings of ancestors to which I have already referred. These bankers may have had a ticker, but no private wire system and only two or three poorly paid "skinny" clerks. After becoming acquainted with them through my Effingham Wilson connections, I would venture to ask: "How, with these old, dingy offices, did your family build up an investment business which has made you all such very rich men?"

The reply always was: "It is because our family never had any overhead expenses and could always afford to wait years if necessary before buying or selling. This enabled them, and now enables us, to make millions. We refused to let anyone beat us in waiting! We always patiently watched the tides flow in and out and never attempted to fight their rise or fall. *Yet our policy made every boom less dangerous and every panic less severe.*"

They then explained to me how they and their clients entered the market only once about every six or more years to buy securities. This would be when prices were very low. These securities they would keep for a few years until there was a boom when the younger and less experienced brokers were buying; then these old families would sell. The cash received they would "loan out on call" for several years until another crash came when they would again enter the market to buy. By this custom they not only made millions for themselves but developed the great British financial system.

This slow but all-powerful system of investing built those great estates throughout England which were the show places of the world. Strange as it may seem, these families, having most humble offices in London, owned palatial homes and thousands of beautiful acres in the country. I might well here give a closing warning to the readers of this book because today many of these great estates have become deserted. This has partly been due to the families' failure to continue the financial policies of their ancestors. Too many younger generations speculated and lost all through impatience and greed. There surely is a lesson here to the investors of the United States who are tempted to speculate in order to offset high income taxes and high living costs. However, I will not expand upon this lesson. This story of my life and work already contains too many preachments!

I am interested, however, in showing readers that this English system could have been as well applied to the United States. Let us assume that in June, 1900, when I first became interested in London finance, I had invested \$2,000 and bought and sold according to the best investment practice of the Effingham Wilson days. By this old English system I would have gone into a broker's office to buy American stocks only nine times during the following forty-eight



years. I would have bought only for cash *without ever borrowing a penny*. Yet this \$2,000 would have amounted in forty-eight years to nearly a million dollars without considering either dividends and interest received, or taxes paid. Of course, under our present tax system, it would take longer to reach the million, but it now would be easier to get the \$2,000 with which to start than it was in 1900! In fact, at the time of my graduation from the Massachusetts Institute of Technology in 1898, all graduates started work at not over ten dollars per week, compared with four times that in 1948. Hence the Effingham Wilson system continues to have great possibilities for those who will combine courage, patience, and economy with the aid of experienced investment counsel. In fact, the following of this system is largely responsible for such funds as I have accumulated, given away, and spent.

#### INVESTMENT ADVISORS

May I close this chapter with another suggestion, although this is mainly to investment advisers who may read this book. The present system used by most such advisers is to assign a certain number of accounts or portfolios to one man in the office to watch. A good man should be able to watch, that is, to serve, at least fifty such accounts. This means he can go through these fifty accounts once each month—or to put it another way, he can service fifty clients. The result of this system is that if an investment adviser has five hundred clients, then ten good men would be needed to service the five hundred accounts. But here is the difficulty: with each of these ten men working independently there is much duplication of effort, as most of the clients have many of the same stocks and bonds. Yet each of the ten men are independently and hurriedly studying the same corporations at the same time. This not only results in much wasted effort but often different clients are given contrary advice by these different men. Yet this is the method followed by nearly all of the investment advisers at the time these pages are being written.

The Babson Organization follows a different practice. Believing we are making a real contribution to the profession, I wish to explain our method in contrast to the older method above described. I believe the Babson method greatly increases efficiency, accuracy, and speed. Here is the way it works: When you become a client of *Babson's Reports* you register the names and amounts of the stocks and bonds which you own. You have no hesitation in telling us the truth as we charge by the *number of companies*, irrespective of the *amount of shares* which you hold. This list of companies goes immediately to our addressograph department to have plates made with your name and address thereon.

Assume you register twenty-five companies which you desire to have carefully supervised. We thereupon make out twenty-seven plates. One of these goes to the bookkeeping department; one to the mailing department; and the

other plates are distributed among steel filing drawers. There are about two thousand of these drawers; one or more for each of the companies which we are watching. As an illustration, if you hold bonds of the Pennsylvania Railroad, one of your plates is put in the Pennsylvania Railroad drawer along with the names and addresses of hundreds of other clients who hold these same bonds. *In short, we reverse the system used by most investment advisers:* we segregate according to the different corporations rather than the different clients. We use the corporation as a unit instead of the individual investor. Our method is not only more up-to-date and accurate, but it enables us to render a better service to clients at a lower annual charge.

Our investment experts are assigned to watch *corporations* rather than *individuals*. Practically speaking, they are all *continually* watching all of the companies in which any of our clients are interested. Such supervision therefore may be said to be "daily," rather than once a year, or even once a month. As a result, each day *certain* reports coming in indicate that the securities of *certain* companies should perhaps be bought or sold. They at least are worthy of attention by the investor who holds them. Hence, we immediately revise our report on such a company and mail the new report to each client holding that security. By a system of colored borders, clients know whether they should consider buying, or selling, or merely holding what they now have.

How is this analysis work done so quickly—all perhaps within a few hours? The answer is that after the revised report has been prepared, our mailing department goes to the drawer, or drawers, holding the plates for the clients who own such security. These drawers are taken to the mailing room, envelopes are addressed from such plates, and the revised reports are immediately inserted. In a few minutes the new reports with accompanying recommendations are in the mails and speeding to your home or office. This Babson system, therefore, provides three features of great value to every client:

1. Your securities are watched *daily*, instead of once a quarter or once every month.
2. Our investment advisors, by avoiding the duplication of work, can serve the total clientele much more efficiently and accurately.
3. By the use of addressograph plates and our system of mailing, the cost of the service to clients is greatly reduced.

In addition to the above, every Monday our editors and department heads meet and discuss the trend of the market and of special industries. Through these meetings the entire system is welded together and *all clients have the advantage of the experience and judgment of all our best experts*. I repeat that this is the most accurate, impartial, and up-to-date method of serving client's accounts, *irrespective of prices or fees charged*.

It is true that a new client may not appear to get much from *Babson's Re-*

ports in only one year or perhaps a longer time. We do not send clients as much material as do the other services. But those who are patient and stick with us, year in and year out, are greatly helped. Therefore, whether or not you—the reader of this book—are a client of *Babson's Reports*, I do urge, (1) that you follow the buying and selling program of the old English bankers which I have described above, and (2) that you select as investment advisors some firm which uses the Babson supervisory system, developed after a half-century of experience.

#### A POSSIBLE EXAMPLE

The following tabulation traces the long swings of the stock market averages. That there might be no possibility of bias in the selection of stocks I have confined myself to the Dow-Jones market averages of 30 industrials<sup>1</sup> and of 20 rails. In making this study, I have selected the period 1900 through 1946. This period covers 46 years, an investment lifetime, and also represents typical conditions.

I have not taken the lowest point for purchase, nor have I taken the highest point for sale, for in the exercise of ordinary judgment it is impossible to pick the absolute lows and highs. Instead I have assumed purchase at the average price of the rail group and of the industrial group for the low month of the stock market movement, and have sold at the corresponding average prices of the high month for each swing.

In practice, however, instead of trying to pick out the exact *high* and *low* months of these long swings, we advise our clients to take profits gradually and change their holdings to cash or reserves gradually as prices become abnormally high; then to reverse this gradual process as prices become abnormally low. This will not give as rapid a growth as the above illustration; but the results are exceedingly satisfactory to those who have the patience to follow this Babson Program.

#### *Potential Profits Plus Dividends and Interest*

1900 June	Available for stock purchase @ 76.49 for rails, @ 56.53 for industrials .....	\$ 2,000
1901 June	Stocks bought 6/'00, sold @ 116.02 for rails, @ 77.17 for industrials. Investment to date .....	2,974
1903 Nov.	Available for stock purchase @ 91.95 for rails, @ 43.81 for industrials .....	3,188
1906 Jan.	Stocks bought 11/'03, sold @ 135.36 for rails, @ 98.72 for industrials. Investment to date .....	5,630
1907 Nov.	Available for stock purchase @ 84.27 for rails, @ 55.74 for industrials .....	5,927
1909 Aug.	Stocks bought 11/'07 sold @ 131.59 for rails, @ 97.78 for industrials. Investment to date .....	10,340

<sup>1</sup> We have not included the abnormal boom of 1929. Twenty industrials were used prior to October, 1928, and 12 industrials prior to August, 1914.

1911 Sept.	Available for stock purchase @ 111.96 for rails, @ 76.61 for industrials .....	11,192
1912 Oct.	Stocks bought 9/'11, sold @ 121.96 for rails, @ 92.24 for industrials. Investment to date .....	13,268
1914 Dec.	Available for stock purchase @ 89.85 for rails, @ 54.97 for industrials .....	14,362
1915 Dec.	Stocks bought 12/'14, sold @ 106.47 for rails, @ 97.00 for industrials. Investment to date .....	20,806
1917 Dec.	Available for stock purchase @ 75.31 for rails, @ 70.17 for industrials .....	22,522
1919 July	Stocks bought 12/'17, sold @ 88.26 for rails, @ 109.70 for industrials. Investment to date .....	33,683
1921 June	Available for stock purchase @ 68.95 for rails, @ 69.21 for industrials .....	35,876
1923 Mar.	Stocks bought 6/'21, sold @ 88.89 for rails, @ 103.87 for industrials. Investment to date .....	54,510
1923 Oct.	Available for stock purchase @ 79.23 for rails, @ 88.11 for industrials .....	55,736
1928 Dec.	Stocks bought 10/'23, sold @ 147.32 for rails @ 278.69 for industrials. Investment to date .....	164,173
1932 April	Available for stock purchase @ 24.73 for rails, @ 64.06 for industrials .....	188,799
1946 May	Stocks bought 4/'32, quoted @ 64.77 for rails, @ 206.62 for industrials. Value .....	\$831,545

*The ideal investment policy would be to have (1) a small sustenance farm as insurance, (2) an expert knowledge of some trade or profession, and (3) about \$2,000 cash for use in the stock market according to the above long-range system devised by the English bankers.*

#### ANCESTRAL TRAITS

The above covers in a nutshell what I have learned about investments during my many years of active life. There is, however, another "investment" which is even more important than the three mentioned above. I refer to our children and grandchildren. For those readers who have the patience to help guide them intelligently, I close with forms which Mrs. Babson and I have used for our own guidance.

I am convinced that heredity is an important key to character and success. If the ancestral background has been good, we know that the environment has been of a satisfactory type. We inherit our environment as much as we do the color of our eyes. We can overemphasize the importance of the great names on our family tree, but not the significance of the dominating traits and characteristics. The data can also be used for helping our descendants obtain a better personal understanding and knowledge. A copy should be filed with our wills.

## ANALYSIS OF MALE ANCESTORS

Father's name .....  
 His present address .....  
 His business address .....  
 The place of his birth.....  
 Boyhood home .....  
(City, Small Town, or Farm)  
 Extent of social activities .....  
(Neighborly or Exclusive)  
 Type of religious background ..... Church membership  
 Types of business positions held .....  
 Has he been happy in his work? .....  
 Extent of education .....  
 Thrifty or in debt? .....  
 What are his strong characteristics? .....  
 What are his weak characteristics? .....  
 What are his hobbies? .....  
 Is he interested in public activities? .....  
 Habits:— Liquor ..... Smoking..... Gambling..... Others ..  
 Moods: .....  
(Serious, Gay, Hopeful, Depressed, etc.)  
 How many times has he been married? .....  
 How many children has he? .....  
 Has he any chronic illnesses? .....  
(What Type?)  
 If he is deceased, please give cause? .....

COMMENTS:

ANALYSIS OF FEMALE ANCESTORS

Mother's name .....

Her present address .....

The place of her birth .....

Girlhood home.....

Extent of social activities ..... (City, Street, Town, or Farm)

Extent of education ..... (Vocational) or (Religious)

Type of religious background ..... Church membership

Types of business or professional positions held .....

Has she been happy in her work? .....

Does she carry on activities outside the home? .....

In what type of activities is she most interested? .....

Thrifty or in debt? .....

What are her strong characteristics? .....

What are her weak characteristics? .....

What are her hobbies? .....

Is she interested in public activities? .....

Is she most interested in social or service clubs? .....

Habits: — Liquor ..... Smoking ..... Gambling ..... Others

Moods: ..... (Stressful, Happy, Depressed, etc.)

Number of times she has been married.....

How many children has she? .....

Has she any chronic illnesses? ..... (What Type?)

If she is deceased, please give cause? .....

COMMENTS: .....

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(OVER)

**ANCESTRAL CHARACTERISTICS**

Indicate those characteristics which an ancestor had by placing an (X) in the space. If an ancestor lacked the trait, leave the space blank.		NAMES, ADDRESSES AND OCCUPATIONS			
Self	Traits				
		Parents	Grandparents	Great Grandparents	
	Many Changes of Residence				
	Seriousness				
	Selfishness				
	Patience				
	Popularity with People				
	Popularity with Opposite Sex				
	Trading Instincts				
	Mechanical and Handy with Hands				
	Lover of Nature				
	Musical, Literary or Artistic Ability				
	Dependability				
	Unselfishness				
	Scientific Attitude				
	Domesticity				
	Executive Ability — Leadership				
	Athletics				
<b>TOTALS</b>					