

Chapter V

WHAT ABOUT COLLEGES?

I ALWAYS had a longing for the great open spaces of the West. I wanted to attend one of the Western state universities, such as Colorado or Arizona, or possibly California. My father, however, strenuously objected. He was not keen, anyway, about colleges. He felt that they were more like country clubs than workshops. I tried to compromise on some midway institution, but without avail. He decided to make an investigation himself. He had never functioned in education, but he tackled the problem as he would tackle any manufacturing, merchandising, or banking situation. He sent for catalogues of various institutions, talked with many people, and finally concluded that the best institution for me would be the Massachusetts Institute of Technology at Boston. This was a disappointment to me; first, because I have always hated large cities and wanted to get out in the open; and second, because I had heard that M. I. T. was a very difficult school. My father did not attempt to boss me in many things. In a general way he let me work out my own life. When, however, he made up his mind, after careful consideration, you could not change him. Finally, he frankly told me that "it is the Massachusetts Institute of Technology or nothing."

HARD-BOILED M. I. T.

My life at M. I. T. was a tremendous change from the happy days which I had enjoyed at the Gloucester high school. This Boston educational institution was operated by a group of hard-boiled and conservative business men. They needed to give no thought to politics of any kind. Although later they received a little state or federal aid, they received none when I was there. The more students they had, the more it cost them. Unlike other colleges, it was not endowed. Therefore, these men went on the principle that they were glad to put up their money to help boys who wanted to work and learn something, but they desired to help no others. Hence M. I. T. was no parking-place for rich men's sons. Only workers—no shirkers—could stay there. At this institution I received another real taste of rugged individualism. I am sure that all those trustees must have been Old Guard Republicans.

There were no "New Deals" at M. I. T. in those days. There were no dormi-

tories; there were no recreation-rooms; and of course there was no football, baseball, or anything of the kind. We had a glee club, and a small, weak Y. M. C. A.; but my recollection is that even these were frowned upon by the trustees. I surely would enjoy taking one of the students who now complain of the meals at the Walker Memorial to the M. I. T. lunch-room of those days. It was located underground in the basement of the Rogers Building. The food was good and simple, but often we would have to use the dishes that some other fellow had used before they were washed, and of course there was no service. How I longed for my home in Gloucester!

HAD MY EYES OPENED

Every student was obliged to hunt up his own boarding-house and restaurant. The M. I. T. authorities did not even bother to suggest a list of approved houses. We boys simply went along the streets, and when we saw a house that looked decent with a sign, "Rooms to Rent," in the window, we went in. I was fortunate in finding a house on West Canton Street, which was operated by Mrs. Charles Paul. Her husband had been one of the wealthy men of Minnesota and had made a great deal of money during the 'eighties. He was caught in the panic of 1893 and completely cleaned out. Mrs. Paul, a stately and beautiful woman, decided to leave her friends in the West and come to Boston and take boarders. Her husband loafed around the house most of the day and was very glum, but Mrs. Paul was always cheerful. I roomed in her house for one year. Then I got so tired of the city that I went out to Jamaica Plain and lived during my sophomore year with Mr. and Mrs. Frank E. Bridgeman, two fine Christian people. Mr. Bridgeman was then working as a stenographer in the State House, but was gradually promoted until he became Clerk of the Massachusetts Senate. During my junior year I was a resident of South End House, a college settlement on Rollins Street, Boston. During my last year, owing to the pressure of work, I had a small room in the Berkeley Hotel, Boston.

The Massachusetts Institute of Technology in those days was located on Boylston Street, between Berkeley and Clarendon, opposite the Brunswick Hotel. Some years later it was moved to Cambridge. Most of us got our meals at a restaurant known as Priest's, on the corner of Dartmouth Street and Columbus Avenue. Surely my eyes were opened during those four years. Although I had seen a tremendous amount of commercial vice and drinking in Gloucester, I had never before been tempted myself. Those conditions at home were wholly apart from the group with which I associated. When I was a boy in Gloucester it never occurred to me that decent people indulged in such things. While at M. I. T., however, I surely saw the world. The "chapel" of the Brunswick Hotel was headquarters for the students' drinking parties, while Columbus Avenue was a red-light district for about six blocks. I certainly owe much

to my parents for the lessons concerning the evils of liquor and vice which they taught me in Gloucester before I went to Boston to live.

THE DEVIL TAKE THE LEFT-OVERS

There probably was too much rugged individualism in the operation of the Massachusetts Institute of Technology in those days. Certainly the officials of that institution should have known something about the houses where we students innocently roomed or boarded. They could have provided us with at least an "approved list." They could have given us some good advice as to the dangers of liquor and sexual diseases. Their theory was that most of the boys who got mixed up with drink and women were unable to keep up in their studies, and hence were automatically thrown out and returned home. Those trustees believed in the Ten Commandments, but they let them operate through the law of supply and demand and the law of the survival of the fittest. They did no censoring whatever in my day in connection with our eating, drinking, or sleeping. There was no course on hygienics, there was no religious instruction, there was no student aid of any kind. If we kept up in our studies, well and good; if we did not, we were thrown out.

The rich and poor were treated alike at the Massachusetts Institute of Technology in those days. The trustees claimed that *experience* is the best kind of censorship; or, as one expressed it to me, "We let our students learn by *doing*." The same principle of shop work and laboratory experience, as used in the testing-rooms in connection with materials, was allowed to operate in the restaurants, dance-halls, and boarding-houses in connection with morals. I do not uphold those trustees. I believe that the Massachusetts Institute of Technology is operated far more efficiently, in the interests of the students, today than it was in the "gay 'nineties"—that is, during my time from 1894 to 1898. However, a happy medium between the system of those days and today may be worthy of consideration.

STATE UNIVERSITIES

The state universities, even in those days, were operated with one eye on politics. Today most of these state universities have gone wild. They may follow the M. I. T. in not censoring or regulating the students' life, but, unlike the M. I. T., they have not the courage to throw out the boys who live foolish lives. State universities today may be preaching the Ten Commandments, but they are trying to suspend rewards and punishments. I am beginning to wonder whether an efficient educational system is possible under democracy as set up today. Probably many state universities and certain colleges are today doing more harm than good. In their race for greater public appropriations and larger enrollments, they are lowering their standards. As a result, they may make weaklings, cowards, and morons out of the youth of America.

Unless there is a complete change in the educational situation, I can visualize our college system undermining the character of the American people. With the liquor interests busily engaged in expanding sales, with the cigarette manufacturers employing the ablest advertising copy-writers, with commercialized vice operating along its present efficient lines, and with the uncensored and indecent movies and broadcasting, there is small chance for young people today in the average college or university. I am not now prepared to recommend censorship or prohibition or any other concrete method for handling the problem in an arbitrary manner. I do, however, strongly believe that our schools and colleges should fight these vices with distinct courses operated by "fanatic" instructors. As the advertising of these vices increases, proportionately greater effort and time should be devoted by schools and colleges to explaining their dangers. The future of America, in the last analysis, will depend upon the industry, thrift, hardiness, and courage of its people. To develop these qualities along with reading, writing, and arithmetic should be the fundamental purpose of education. Unless we can build on a hardy and wholesome foundation, the superstructure will ultimately collapse.

Unlike many of my conservative friends, I do not object to the economic and sociological departments of our colleges teaching a certain amount of socialism. Students should go out into the world with a knowledge of socialism, communism, fascism, and the other "isms," as well as with a knowledge of capitalism. To have these colleges, however, ridicule rugged individualism is a crime. Yet this is being done more and more every year. Some day our young people may need rugged individualism to save themselves from internal revolution. They certainly will need it to save themselves from invasion by some foreign nation. There can be a division of wealth only so long as captains of industry continue to plan and develop. Whatever the prevailing economic system may be, the individuals with character, judgment, strength, and courage will be the leaders and survivors. The rest will become slaves, if not employes.

WHY I SELECTED COURSE I

At the Massachusetts Institute of Technology all students take practically the same studies the first year. Although there is little difference the second year, yet during the second year one must definitely determine which course he is to take. There were about a dozen courses in my day, the leading ones being civil engineering, mechanical engineering, electrical engineering, chemical engineering, and mining engineering. There were also courses in biology, physics, geology, etc. I knew nothing about any of these courses. As I was attending M. I. T. purely at my father's request, I hated the place and all the courses. I took Course I because it was the first course described in the catalogue; it happened to be civil engineering.

This course for its last year had three options—one for railroad engineering,

one for sanitary engineering, and one for structural work. Here again I took the first of the three, partly out of spite. During my senior year I became fond of Professor George F. Swain, the head of Course 1. I kept up my acquaintance with him to the very week he died in 1931. He was a wonderful man. He believed in rugged individualism carried to the *n*th degree; but with it he had a heart and a kindliness excelled by few. Another splendid teacher was Professor Alfred E. Burton, who had charge of the drawing department. Professor Burton later became dean of the Institute; no institution ever had a better dean.

I also shall always feel kindly toward Professor Spofford, who helped me get through the final examination. Most of the Institute's work was very hard for me. I was not a natural student and did not care for much of the work. However, I seemed to get through every semester by the skin of my teeth. When it came to the final examinations, I was tired, having been engaged in outside work in order to earn a little money. One difficult subject was "structures," and my brain simply would not work the morning of the last examination on structures. I came near to giving up the examination. This would have meant flunking the course, thereby making it impossible for me to graduate. I decided to take one chance by going to Professor Spofford, who had charge of the examination, and telling him of my difficulty. He concluded that it was nervousness, and let me go in a room and lie down and rest. When I felt like myself again, I got up, and he personally let me take the examination by myself. Fortunately, I had a good mark and graduated in June, 1898, but I never would have except for Professor Spofford.

I did not see Professor Charles M. Spofford again for over thirty years. In 1929 I was approached by the Water Board of Gloucester in an attempt to purchase from me for a reservoir some five hundred acres of land which I owned in the heart of Cape Ann. I was told by real estate people that I could get from sixty thousand to one hundred thousand dollars from the city for this property. When I found, however, that Professor Spofford's firm were the engineers, and that he was anxious that I should make it a gift, I decided to present it to the city, taking no pay whatsoever. The city reciprocated by naming it the Babson Reservoir. It will also be a monument to Professor Spofford, who had such an important part in connection therewith.

HOW M. I. T. FAILED

The Massachusetts Institute of Technology at that time was the leading technical institution in the country. Its professors and instructors were the ablest men in their respective fields. There was no ballyhoo or politics in the institution. It was run by a board of intelligent, independent, and wealthy trustees, who had one goal in mind—namely, to make it and keep it the best institution of its kind in America. *Yet these professors and instructors apparently entirely*

overlooked the great industries which were to develop in the twenty years following my graduation. There were a few "horseless carriages" about in those days; but none of those famous professors then dreamed that a great automobile industry would develop. The Edison and the Victor Companies were then marketing a phonograph, but none of those professors anticipated its future growth. I never heard the "moving-picture machine" suggested while I was at the Institute, yet it has also developed into a tremendous industry, with great possibilities for good and evil. Of course the radio was not thought of; yet think of the tremendous influence of this industry today. I remember hearing of experiments at flying, but no one visualized that airplanes would be hovering over this country and going from coast to coast in a few hours.

The Massachusetts Institute of Technology, although the leading technical institute in America, was content to teach railroading, electrical engineering, theoretical chemistry, and other fully-developed subjects. The instruction was given to discussing what had already been accomplished, rather than to anticipating future possibilities. This especially applied to the course in metallurgy and chemistry, where the professors did not dream of the tremendous developments ahead. This is not said in a critical spirit, but merely to illustrate how little even experts know. Those men were apparently oblivious to the developments ahead. Many of them actually felt that invention and science had about reached the limits. What is the lesson from this? The lesson is that the changes ahead of us today may be just as great as were those ahead of us in 1894-98. I am reminded of what Thomas A. Edison said to me the last time I saw him before he died. He put his hand on my shoulder and said: "Babson, remember that we don't know nothin' about nothin'." At another time, when he was more talkative, I asked him what he would specialize on were he a young man today; he replied, immediately, "Chemistry." The fact that in those days I was taught that "heavier-than-air machines could never fly," makes me hopeful that scientists are now wrong in their beliefs that "gravity can never be harnessed."

BUSINESS ADMINISTRATION

Since I graduated from the Institute, two or three more courses have been added to the curriculum, especially Course 15, known as Business Engineering. For some years I had been earnestly advocating such a course, and was instrumental in designing it. It was the course which I should have taken had it been in existence when I entered the institution. I worked strenuously to get the trustees to adopt it as a help to boys in the same predicament that I was when entering in 1894. The course immediately became popular, and for many years I gave one or more lectures each year to the senior students. I sometimes think that the course was too popular. Boys thought that it offered an easy

way for making money. It has been interesting to see how many of the courses became popular and then dropped off in popularity. In the early years, the civil engineering course was the most popular; but when I was at the Institute, the electrical course had the most students. Later, chemical engineering seemed to offer the greatest opportunities.

Finally, this new course on business administration had a larger registration than any. With the business depression, however, some of the other courses again began to pick up, while business administration began to slide. I wonder what other courses will be added in years to come? I should like to visit the Institute in 1998. Will the institution then exist at all? If it does, I hope it will not be operated by any political body and be under government or state control. Those who want the government to take over educational institutions should read the history of church and state for the past few hundred years. The success of both came only with their separation. I am certain that the final success of both our political and educational institutions will depend upon keeping them separate. People cannot vote themselves an education.

GENERAL FRANCIS A. WALKER

I cannot close this chapter without paying my respects to General Francis A. Walker, who was president of the Massachusetts Institute of Technology when I entered. He was a wonderful man. His office was at the left of the corridor on entering the Rogers Building, and his door almost invariably was open. He sat facing this open door by a long table, and any student could enter at any time. For some years his son, Francis Walker, has been chief economic advisor to the Federal Trade Commission in Washington. Before writing this chapter, I called upon the son personally to acknowledge my indebtedness to his father. At the beginning of my sophomore year I had a talk with General Walker, explaining to him that I am not of a scientific turn of mind and had come to the Institute only at the request of my father. He asked me if I liked business, and I told him yes, very much. To this he replied: "You should be very thankful, because the graduates who succeed are those who can tell a quarter from a half-dollar, rather than those who can tell a strut from a tie."

General Walker was followed by President Pritchett, who involved the institution in a consolidation row with Harvard College. President Pritchett favored this consolidation, but the M. I. T. alumni checked it in the bud. For this everyone should duly be thankful. To consolidate Harvard with the Massachusetts Institute of Technology would have been like trying to mix oil and water. President Pritchett was succeeded by two or three other presidents.

Then came President Stratton, who for many years had been head of the Bureau of Standards in Washington. During his presidency I had the honor to be elected by the alumni to become a member of the Corporation, equivalent to

being a trustee. Attending the meetings of this board was a great pleasure. We of course did not have much to say, as the Institute was being ably run by the Executive Committee under the guidance of Mr. Everett Morss, the treasurer. Let me here add that the Massachusetts Institute of Technology is tremendously indebted to Everett Morss. He was a great worker, a wise administrator, an independent thinker, abounding in common sense and yet possessing a very kind heart. Incidentally, a Gloucester boy, Mr. Horace A. Ford, who used to be in my Sunday-school class, was elected to be Mr. Morss's successor. As I write this book, Dr. J. R. Killian Jr. is president of the institution. He succeeded Dr. Karl Compton, an able man, trained as a physicist, and belonging to a very useful family. Certainly one cannot study his ancestry without believing in the great value of good inheritance.

Chapter VI

IMPORTANCE OF SUMMER WORK

ALMOST every boy worked during school vacation when I was being brought up in Gloucester. Of course, the sons of the few rich families did not work, even though in some cases the boys wanted to. Their mothers thought it was beneath their dignity. For their own pride's sake they handicapped their children.

CHINAMEN AND CIRCUSES

The normal young person loves to work, if the work is something for which he is fitted. It is as natural to work as to eat or to sleep; in fact, one cannot be enjoyed without the other. I well remember when my father "put me to work." Coming along the street one day, he found me carrying a bucket of water into a Chinese laundry. When I came home to dinner, he inquired the reason for it. I told him that the Chinaman had offered me a cent for every five buckets of water I would bring to the laundry from a pump near by. Those were the days when there was no water system in Gloucester. Most homes had cisterns, but every neighborhood had a common pump owned and maintained by the city. People from stores and homes without cisterns went each day to this common pump to get their water.

The Chinese laundry was a large consumer of water, and hence had to get much from the nearest town pump. I suppose there was a fascination about Chinamen to boys. Their Oriental dress and pigtails, the quaint characters of their writing, and their whole set-up made their laundries seem to us boys more like a museum or miniature circus than a store. Hence, we were all glad to carry water at the rate of five buckets for a penny in order to be on the inside and see the workings of these interesting Orientals. I also sold newspapers for a while. This was the day of the *Cape Ann Breeze*. My mother, however, put a stop to this. She was not going to have "my boy" selling newspapers.

The climax came, however, on a day when Barnum's circus was in town. We boys always used to get up at four o'clock in the morning and go to the railroad station to see the elephants and other animals unloaded. It truly was a great event. We then were supposed to be home to breakfast at seven o'clock. My father's great fetish was to be prompt at meals and early to bed. I could

have done almost anything during the daytime, if I were prompt at meals and early to bed! Well, on this fatal morning I was not at breakfast at seven o'clock. The family waited fifteen minutes, and still I failed to appear. The truth is that I had forgotten all about breakfast or, in fact, my home, until a policeman touched me on the shoulder at the circus grounds about ten o'clock and said, "Come with me." When I asked him what it was all about, he said that I was under arrest and that he was to take me to the police station. This he did. He then sent for my father, and my father came and took me home. Of course it was a put-up job by my father, but it certainly put the fear of God into my heart.

When my father asked me for an explanation of my not returning to breakfast, I told him that I had been hired at the rate of a cent a bucket to carry water for the elephants! I was so enticed by the sudden increased demand for my services and by being given five times my former "wage," that I could not resist the temptation. The circus, however, was at "Stage Fort." It was near enough to water; but the water was salt—that is, it was near the ocean. Unfortunately, elephants would not drink salt water, and I had to go a long distance to a brook to get fresh water. When breakfast time came, I went to the circus man to get my pay, having carried ten buckets of water. To my chagrin, he told me that he paid only in tickets. As the price of the ticket was twenty-five cents, I must carry fifteen more buckets of water or else all my labors would be lost. So I gave up the thought of breakfast and continued to plug along until I got my twenty-five buckets and the ticket. Fortunately, I had the ticket in my pocket and was waiting for a chum when the policeman took me to the station. My father might have concluded that I was destined to go into the water business. I am surprised that he did not get me a job with George Norman when Norman later built a water-works system for Gloucester!

ORIGIN OF VACATIONS

There is a tendency for us all to forget the real purpose of the school vacation. It was not to give either teacher or children a few weeks off. The welfare of the teacher or the children was not even considered in the matter. The sole purpose of these school vacations was to give the parents the use of their children at certain times during the year. Originally there were only two vacations—the spring vacation and the summer vacation. When my father was a boy, Christmas was barely observed. The banks and most of the stores were open on Christmas day. Christmas has since been developed by the commercial interests, the same as have been Mother's Day, Father's Day, and various other days. Therefore the present custom of taking care of children with camps, vacation schools, etc., is putting the cart before the horse. The real purpose of the vacations was to allow the children to help their parents. Otherwise there

would have been no vacations. The time, moreover, may come again when there will be no vacations among school children in cities. The spring vacation was given because it was mud time when the ground was thawing and it was difficult to get to and from school. The summer vacation was given to enable the children to work in the fields and help their parents.

Public-school systems must some day tackle this question of school vacations. Schools should be operated for the scholars and not for the teachers. I fully sympathize with teachers for wanting vacations in view of the strenuous strain under which they work for forty weeks. On the other hand, if these teachers worked in banks, offices, or factories, they would be happy with a two weeks' vacation during the year. To set up the school system on such a program would require smaller classes and more intensive instruction. This latter program should be better for the scholars in the long run. Scholars undo during their summer vacations much that they accomplish during the school year. Under such a program more time would be available for teaching children how to live and for developing them physically and spiritually as well as mentally.

PROPER USE OF VACATIONS

Boys' camps and girls' camps are today doing splendid work along these lines. Yet all these camps are more or less expensive and are a drain on the purse of people in moderate circumstances. They should be used, however, by all parents who can afford to do so. Vacation schools operated by churches are now doing good work, while the Y. M. C. A. and the Y. W. C. A. and various other organizations are coming to the rescue. Supervised play is as necessary as supervised study. During school time children are taught how to get on with books, but during vacations they can be taught how to get on with people. The latter is more important than the former. Our whole system of education needs complete overhauling. It was designed for a period when children worked at home doing chores every day of the year and were further employed in the fields during the summer. This home and field work was a large factor in developing their character and their health. As our population has gradually changed from rural to urban, this great asset has been lost.

Summer work is not only a great factor in developing a boy's character and health, but is also useful in helping him ascertain for what he is best fitted. He should not be allowed to graduate from high school until he has discovered the work for which he was created. This decision should be written on the diplomas. Nine-tenths of the unhappiness, and a large proportion of the physical breakdowns, are due to people being in lines of work for which they are unfitted. Young people graduate from school and college without any concrete ideas as to their inherited talents and desires. They take the first job that comes along, and are very likely to continue in the same wrong line of work throughout their lives.

Misfits in business are developing a most chaotic condition. They account, in part, for the irrational action of the business cycle. Our booms would be less reckless and our depressions less severe if we all were in the line of work for which we were created. Some good work has been done in vocational guidance, but such efforts have been largely in the line of "hospitals" and clinics. A young person should naturally find that for which he is best fitted. To get into the right line of work is important. Vocational guidance classes are necessary as hospital clinics; but a boy or girl who will work every summer in different lines soon finds out for which he or she is best fitted. Another method of accomplishing this is the Webber College Work-Study System.

INITIATED INTO BUSINESS

My father did not worry much about vocational guidance or any other theory. He simply said: "Roger will stop this nonsense of carrying water for Chinamen and elephants. Tomorrow morning he will go to work." And to work I went. He took me up on the farm, gave me a hoe, and said: "You see this is the beginning of a row of potatoes." "Yes, Father," I respectfully replied. "Then take this hoe and go to it until you reach the other end," were my father's orders. That was my initiation into business. That entire summer I spent working in my grandfather's fields, for which work my father paid me twenty-five cents a day. Frankly, I was not very keen for it. Farming never appealed much to me. Chinese laundries and circuses were far more inspiring. The sweat poured off my brow and my back ached, but I knew my father. He gave me a lot of rope and freedom, but when he once took a stand, it was final. The sooner I fell in line and obeyed orders, the better off I was. But while I was working with that hoe I had a lot of time to think. My thoughts primarily were concerned with how I could escape that hoeing and at the same time please my father. This is how I reached my goal.

My grandfather's main source of income was from a profitable milk route in Gloucester. He had a small herd of cows and sold milk to the best families. Ordinarily only one man was necessary to run this milk route. When my uncle George was alive he handled it himself, but when he died a man by the name of Joe Butler assumed this job. During the summer season my grandfather would stack the cart with a lot of fresh vegetables such as beets, peas, and string beans. Under these conditions it was necessary to have two men on the cart, because the time consumed in peddling the vegetables delayed the delivery of the milk. The customers howled when the milk came late. One day this assistant who sold the vegetables failed to show up. I volunteered to go on the milk wagon with Joe Butler and handle the vegetables. This was my first great chance at business and I had sense enough to realize it. I believed that if I could make good at the peddling, I could graduate from the hoeing. I certainly worked like a Trojan to sell those vegetables; I begged, I entreated, and I fought.

At any rate, when Joe and I returned into the farmyard, every box was empty and I dumped into my grandfather's hat more cash than he had seen for many a day. I was never asked to hoe another row of potatoes! Finally I was assigned a plot of land "for my own" from which I was to have all the profits.

EXPERIENCES AT SELLING

My eyes were then opened to this fact: although there is more profit in selling than in producing, yet, best of all, it is well to be in business for oneself. At any rate, for the next two or three years I had my own tract of land, which during the April vacation I plowed and planted. My grandfather gave me the necessary manure (he really wanted the land turned up and fertilized so as to give a good hay crop the following year), but I paid for the seed and did all the work. My father always had an extra horse and, for taking care of both horses, he allowed me to use the democrat wagon and Nellie to peddle my vegetables. Hence these vegetables were nearly all profit; or, to speak more correctly, my wages consisted of all I could collect. I gathered and prepared the vegetables as they came along and I personally marketed them. I first began to sell them among our family friends; but, unfortunately, found that these were my grandfather's customers. Grandfather was agreeable to me, provided I did not cut prices; but of course it was not quite fair for me to take his trade at any price. I therefore started out to build up a trade of my own.

There was a portion of Gloucester which in those days was known as Portuguese Hill. Today it is labeled Friend Street, and I may have been the one to name it! These Portuguese certainly proved to be good friends of mine. Up to my time no one had deigned to come around with a cart and offer them vegetables. My grandfather and the other native farmers felt that these "furriners" were not worth it. I was the pioneer merchant to Portuguese Hill and reaped a handsome reward, although they were terribly close traders. However, that trading with me was an important part of my education. Many boys who were never forced to trade in their younger days, lost the family fortune in years to come. I spent my afternoons gathering, cleaning, and preparing the vegetables for market. I got up early the next morning and brushed my father's horses before breakfast, and then spent the forenoon with my "real friends," the Portuguese of Portuguese Hill.

My mother was continually complaining about my friends on Portuguese Hill. Whether the neighbors twitted her on the subject or not, I do not know. Mother was proud and I fear that I disgraced her many times. At any rate, somehow or other I was euchered out of peddling vegetables. It did not bother my father; in fact, I think he was proud of me. It was evident, however, that mother did not like it and that I must hunt around for something else.

I had always had an interest in electricity. The telephone and electric light

had just come to Gloucester. The telephone manager of those boyhood days was George O. Stacy. He had an assistant named George Honnors, who, as a side line, installed electric bells in new houses. I was always fascinated by the work and used to help him, despite the fact that I then received no pay for my services. Finally, his regular telephone work required so much of his time that he was unable to take any more of these outside bell-wiring jobs. Thereupon I became an electrical contractor!

ELECTRICAL CONTRACTING

My first job of the kind was on a new house being built on Summer Street by Dr. George H. Newell. He was the leading dentist in the city and we children all liked him. He was a kindly man who sang in the Congregational church choir. As I am writing this book, he is mayor of the City of Gloucester, although now about eighty years of age. Therefore, either for good or evil, Dr. Newell started me out in the public utility business! I especially liked to wire new houses in order to do the work while the house was being built; but most of my work was in old houses. Doorbells were my specialty, but I also installed table bells, although only a very few families then had maids. I purchased my supplies from the Holtzer-Cabot Electric Company, of Boston. These supplies consisted of wet "Sampson" batteries with merely carbon and zinc electrodes, ordinary bells, push-buttons, and wire. To my great surprise and joy, the first shipment came to me with a forty-per-cent discount! I surely had my eyes opened when I got that bill. I suppose it was due to the fact that I had the sense to print, on a little printing-press that I had received for Christmas, my letterheads:

ROGER W. BABSON
ELECTRICAL CONTRACTOR
8 ANGLE STREET, GLOUCESTER, MASS.

I had no idea that such discounts were obtainable; hence this was another important stage of my education. I had supposed, until then, that electrical contractors received pay only for their time. When I found that I would also make such a profit on the bells, push-buttons, and other supplies, I certainly got busy to electrify the town! There was, however, a twofold trouble with this line of work; first, that after all the families who could afford it had their houses wired, there were no more to wire; and, second, when their electric bells got out of order, these old customers would never pay me anything for coming around and making repairs.

From these experiences I learned a lesson—namely, that the equipment business is not an especially good business. It is much better to have a *repeat* business. Then and there the idea occurred to me that the concern which

generates and sells the electricity has a far better break in the future than the concern which makes the equipment. Yet readers will be interested to know that, through my large interest in the stock of the Gamewell Company, I later was indirectly the largest stockholder in the Holtzer-Cabot Electric Company. Of course, in the long run, no special kind of business has all the good points or all the bad ones. The sale of electricity is a good business; but it is subject to government regulation and even to government competition. Every industry has its advantages and disadvantages. Every year I am more and more convinced that the best security and profit come through diversification.

WORKING IN CHICAGO

The summer of 1893 in Chicago was certainly an important part of my education. My Nebraska cousins had secured employment with a new concern which had the phonograph concession at the World's Fair. No phonographs as we now know them existed in those days. Those original phonographs consisted of machines operated by springs, with soft wax cylinders as records, instead of the present flat hard disks. There were no loud speakers, and it was necessary to put tubes in one's ears to hear a song or short speech. At various locations on the Fair grounds there would be a group of these machines, in which people would place nickels to hear the music or talk. My work was to collect the nickels. It was a hot summer and the days were very long. Our eating facilities were terrible, but most of all I remember lugging those heavy bags of five-cent pieces amid the glare of the bright pavements and white buildings.

I surely got a great thrill when forty years later at the great World Fair of 1933, a Special Babson Day was held on October 11, 1933, in my honor.

The oldest of these Nebraska cousins was Mr. Henry Babson, who, after the 1893 Fair closed, took the exhibit and went with it to the Pacific Coast Exposition. Through either good sense or lack of funds, he did not return to school, as I did, but continued with the phonograph industry. He finally became one of the first stockholders in the Victor Talking Machine Company and sold out his interest for several million dollars. My other cousins started a small mail-order business and were the first to sell on the installment plan by mail which made them all millionaires. I guess we all came from the same ancestral gene from which I came, a merchandizing strain.

BILL-COLLECTING

As I have previously explained, my father insisted, while I was in high school, that I study bookkeeping. He did not care whether I studied French or any foreign language, or whether I studied science or anything else, so long as I studied bookkeeping. He surely had a bug on bookkeeping; and let me add he was right. Many a young man has lost his family fortune and his own shirt

because at school he had studied French and German instead of accounting. A typical college education may help one to call a cab in Paris, but it is of no use in helping one to audit his books in business. Apparently my father had once again come to the point where he decided to take me in hand and have me work at a "real job." To head him off, I got myself a job keeping books for a man by the name of Charles Andrews, who operated a spar-yard on Commercial Street, Gloucester. I enjoyed this work, at which I used to sit on a high stool in the little building adjoining the spar-yard. I drew checks to pay for great logs which had come all the way around the South American continent from Oregon. I made out the pay-roll and prepared the bills for these spars which were purchased by the fishing concerns of Gloucester.

My father was prompt in paying his bills; in fact, he paid cash in most instances. Previous to my employment at Andrews Spar-yard, I had supposed that all people paid their bills. It was a great surprise to me to learn how difficult it was for Mr. Andrews to get his pay for the honest work which he had done. Finally, I offered to go out and try to collect some of these bills. I told Mr. Andrews that I knew these men, that they were the richest men in Gloucester, and that I could easily collect. Here came another step in my education. Because a man drives fast horses or because his children have ponies is no sign that he pays his bills. I found some of these men whom I had supposed to be rich were pretty much deadbeats. The whole experience was a revelation to me. I would come home and tell my father about it, but he would just listen without making any remarks. Of course he knew what I was telling him, but he preferred not to discourage me in my efforts. I saw he got a great kick out of what I was doing.

That summer's experience was worth more to me than all the French, German, botany, and geometry that high-school teachers could pump into my head. I worked on the account-books half a day and collected bills half a day. I met all kinds of people from the fishermen in the vessels to the "rich nabobs" who owned the big fishing firms. It was the year following my last year at high school and preceding my first year at the Massachusetts Institute of Technology. I once thought it might have been better for me to have continued in this line of work and gradually build up a chain of spar-yards from Maine to Florida. But if so, I would have been in the equipment business, instead of in the repeat business, which I now enjoy. When a vessel bought a good Oregon spar, it lasted until the ship went to the bottom of the ocean. Those spars never broke or wore out. There was not much *repeat* business in connection with the making and selling of Oregon spars.

FIRST STATE HIGHWAY

When attending the Massachusetts Institute of Technology I would spend the week in Boston and come home for Saturdays and Sundays. My father did not

pay much attention to me on those week-ends, except to look through my expense account and to see that I went to church on Sunday. Mother was crazy about me the first evening, but, as she said, "I'm always glad to have you come and always glad to have you go." Good soul, she was the one throughout my life that I always made doubly happy! During the first year at M. I. T. I saw in the newspapers that a Massachusetts State Highway Commission had been formed and that one of the first new highways to be built would be from Gloucester to Magnolia. The idea then occurred that this might offer an opportunity for me, as I was to take the course in civil engineering. On looking the matter up, I found that Mr. Winslow L. Webber, the city engineer of Gloucester, would have something to do with the work. Therefore I went around to the City Hall week-ends and made it my business to get acquainted with the city engineer. As I was to study engineering, I offered to go out with him on some of his work Saturdays, and in fact worked in his office during my Christmas and spring vacations of that year. Finally, when the Gloucester-Magnolia highway job opened up, I got a position as timekeeper. I had my breakfast at 5.30 A.M., got aboard one of the dump carts which went by my house at 6 A.M. loaded with men, and began work at 7 A.M. at Magnolia.

There were no trucks or automatic machinery of any kind in those days. Everything was done by pick and shovel, although there was considerable blasting. It was good healthful work and developed me physically. It also gave me a general idea of engineering and contracting. This was the summer of 1895. When I went to work, my father's only instructions were: "Keep your ears open and your mouth shut." I kept both my eyes and my ears open, although I cannot vouch for keeping my mouth shut. A glib tongue was always my pitfall, and I fear it will some day get me into *real trouble*. I worked up to the very day that Technology opened, the last week in September. I started in as timekeeper, but wound up as assistant to the engineer in charge, who represented the State Highway Commission. Apparently this engineer later spoke a good word for me to the Commission, for in the summer of 1896 I was offered the job of engineer on a state highway being built between Norwood and Dedham. This position I accepted. When it came to the spring of 1897 and I was looking for another highway job, the selectmen of Norwood gave me a good recommendation.

I spent the summer of 1897 on similar work as engineer on the state highway being built between Gardner and Westminster. On this job I had as my assistant Mr. Leroy D. Peavey, a classmate at Technology, of whom I was very fond and who later became president of our Statistical Organization. While working on this Fitchburg road I was offered a supervisory position in the factory of the Heywood-Wakefield Company. If I had taken this job, it would probably have changed my whole course of life. However, I did not, but

went back to the Massachusetts Institute of Technology in the fall of 1897 to complete my last year, trusting to actions and reactions.

SELECTING BUSINESS ASSOCIATES

There are many interesting stories which I could tell about those days. One of these stories would be how in the fall, when on the highway work, I would collect the dynamite and keep it between the mattresses of my bed (we of course all slept in tents) to prevent it from freezing. Another story that Professor Frank Allen of the Massachusetts Institute of Technology liked to tell was about my purchase of a brand-new road roller "on tick." I knew that the town for which I was to work must have a road roller to do the job, and yet feared that if the selectmen waited until they actually needed it, it would be impossible to get it in time; so I purchased it myself! I paid one hundred dollars down and the balance "on delivery," although I saw to it that the road roller was not delivered until the town needed it! This was the only thing which I ever purchased on the installment plan. Let me close this chapter, however, with a brief story of how I selected Roy D. Peavey as my business associate.

There were certain courses during our first year at the Massachusetts Institute of Technology which brought all the freshmen together in one group in Rogers Hall. One of these courses was English under Professor Arlo Bates. Rogers Hall was built in amphitheater style, with opera seats, and we boys would gather perhaps fifteen minutes or more before the lecture. It was the only opportunity we had for all getting together and for getting acquainted one with another. There was one odd-appearing lad in the class whose name was Fogarty. He dressed in a peculiar way and had long black hair. Although he was the butt of the class, it did not seem to bother him. One day as I came into Rogers Hall and sat in my seat, I saw that some one had written on the blackboard, "Fogarty is a damn fool." I sat there with the rest of the class and giggled, waiting for Fogarty—poor fellow—to come in and see it.

Finally, in sauntered Roy Peavey in his usual nonchalant manner and sat in his seat. After being there a couple of minutes, he looked up and saw this inscription on the blackboard. Did he continue to sit there and giggle like the rest of us? No, he did not; he got up, went to the blackboard, and erased the writing. He then returned modestly to his seat. Some of the boys started to hiss, but the hissing soon changed to an applause. After that lecture I made it a point to get acquainted with Roy Peavey. We were together from that day on. Mr. Peavey was always a man of high principles, with quiet disposition that enabled him to get along well with me. For the many years that we were in business together I supplied the gasoline for the car and he supplied the brakes. No, this is not quite fair; I think he often supplied the steering-wheel as well. At any rate, his career was determined when he had the courage and kindness

to erase "Fogarty is a damn fool" from the blackboard. That act showed me that he was of the kind which I wanted for a business associate. When selecting business associates since, my policy has been to get good men and then make statisticians out of them, rather than to get statisticians and then try to make good men out of them.

Chapter VII

HAVING YOUR OWN BUSINESS

MY FATHER had little to say to me as to my school studies or summer work. He was a man who spoke seldom, but when he did speak it was the result of careful thought. Then he demanded obedience. In 1890, upon my entering high school, he insisted that I take bookkeeping, which I did, even though it cost me a regular diploma. During the remaining four years he seldom commented on my work, and appeared not much interested in my report cards. After I had finished high school, he again, in 1894, asserted himself, insisting that if I went away to school anywhere it must be to the Massachusetts Institute of Technology. Yet during the four years spent there he seemed little interested, and he did not discuss my studies or ask me many questions. He especially let me work out my own salvation during the summers. Mother, however, was always very much interested in my progress. She attended all graduation and commencement exercises, and seemed to enjoy them greatly. My father did not even bother to go to a graduation or any of the accompanying functions.

FATHER URGED A "REPEAT" BUSINESS

Father had no office after he sold out his dry-goods business in 1890. He saw people at his home, where he had a roll-top desk and attended to his investments. These investments were his only source of income, and he certainly attended to them. When he wished to see anybody alone, he would take him for a ride in his buggy. (I am not using this phrase in the sense that it is used today, as everyone safely returned from those famous rides, although often in a humble mood.) During my first visit at the old home after graduation in June, 1898, I was invited on one of these famous buggy rides. We headed for East Gloucester, and we had no sooner got over to Bass Rocks than my father opened up. He told me that he had let me fumble along both in my studies and in my summer work. He stated that civil engineering was my own choosing, but that whatever course I might have taken, he would now talk to me along the same lines.

His opinion was that none of the professors at the Massachusetts Institute of Technology taught what appealed to him. Construction work, equipment jobs, and other engineering and mechanical projects lead only to a "one job" business.

He emphasized the importance of my getting into a "repeat" business, as he called it. He suggested merchandising, banking, insurance, and public utility operation, but not public utility construction. He explained to me that the world's greatest invention was six per-cent compound interest, which goes on twenty-four hours a day, seven days a week, and fifty-two weeks a year. He also pointed out that a corporation, family, or individual who once gets into debt seldom, if ever, gets out. Thus, if we get the proper security we have an income good for eternity.

Father's first idea was chain store business; but he thought well of the insurance business. "There is only a small commission in the original policy," said he, "but the renewals go on indefinitely and form the foundation of a very clean, profitable, and pleasant business." He mentioned an insurance agency in Gloucester which he was willing to purchase for me and become my silent partner. His third suggestion was that we buy the electric light company of Gloucester, which then was practically defunct, although it was finally sold at a handsome profit. He visualized clearly the repeat feature in connection with the sale of gas, electric power, and transportation. He told me that I had better take a vacation for thirty days and think it over, but that at the end of the thirty days he expected a definite answer from me as to which of these three lines I would follow. Knowing that he was careful and wise, I naturally was much pleased at his offer to back me. My father never backed lame horses!

HOW TO GET A JOB

During this vacation I did some hard thinking. On the thirtieth day I returned the compliment by inviting him to go for a ride with me. Furthermore, I would not go in his horse and buggy, but insisted on furnishing the horse and buggy myself. Frankly, I told him that I preferred not to stay in Gloucester. When he put me on the spot, I could not give him any satisfactory definite reasons; but in my heart I knew that Grace Knight, to whom I was then engaged, preferred to live in a suburb of Boston. This decision eliminated the insurance and public utility propositions, as my father would not have been interested in backing me except in Gloucester, where he could keep his hand on the throttle. We finally decided that I should go into the investment banking business, "provided I could get a job."

Once again my father threw me on my own, and I began to canvass banking-houses of Boston for a position. This was in the summer of 1898, at the tail end of the great depression of the 'nineties. Of course, conditions were then very bad in the line upon which my father and I had agreed. I visited every banking-house and investment firm in Boston, but without avail. Finally, I saw a small advertisement in the newspaper to the effect that a young man was wanted in a certain investment house. The advertisement was signed by a box number.

I wrote immediately, but received no answer. This first letter I followed up with three or four others, but no reply came. Finally, a brilliant idea occurred to me. I went to the post office and inquired as to who owned this specific post-office box. To my great regret, I was told that it is against the post-office rules to give out such information. Not being satisfied with this reply, I saw the post-master himself, but with no better results. I then wrote another letter, but no reply came.

Finally, one morning about five o'clock, as I was lying in bed, another brilliant idea came to me. It has always been my habit to go to bed early and get up early. I surely lost no time that morning, but quickly dressed, got my own breakfast, and left on the 6.15 A.M. train from Gloucester for Boston. Then I immediately walked over to the post-office, hunted up that post-office box, and stood by it like a military sentinel until some one came. Finally, a boy appeared with a big leather bag, which was lettered "E. H. Gay & Co." He opened the post-office box, dumped the mail into the bag, and started toward Devonshire Street. I followed him into his office and boldly inquired for Mr. Gay. I was told that Mr. Gay would not be there for an hour. I waited, and finally Mr. Gay came. He was formerly of the firm Barnard and Standwood, which sold some of the earliest Massachusetts street railway bond issues—namely the "Black Rocks and Salisbury Beach" issue.

I told Mr. Gay that I had come for that position. He asked how I knew that it was his firm which had inserted the advertisement. I then told him the story which I have just related. I can see him now, sitting and twisting his miniature mustache and looking at a big pile of letters on his desk. These he fumbled through and pulled out my four or five, and said: "Young man, here are your letters. They really are the worst-looking letters that came to me, but I am going to give you the job because you have some *initiative*." I went to work that morning. My first job was assorting and indexing a big pile of bond circulars which had been accumulating for many months. That very day in July, 1898, a seed was planted in my subconscious mind which later developed into the compilation of *Babson's Reports*.

I WAS SOON "FIRED"

The head men of E. H. Gay & Company were Mr. Eben H. Gay, Mr. Walter H. Trumball, of whose son I have since become fond, Mr. Charles S. Cummings, and Mr. Archie Burnett. There were two bookkeepers in the cage named Kimball and Williams, who later formed a firm of their own and became quite successful. The business was entirely new to me, but I quickly found that the profit was in the sale of the bonds and not in the engineering or statistical work. I therefore tried to sell a few bonds on my own account outside of office hours, especially while in Gloucester on the weekend. This I succeeded in doing. My

first bond was sold to Mr. Albert W. Bachelier, who had been my high-school principal. I made sales to several of the leading families in Gloucester. I know that I could not have done this unless my father had quietly spoken a good word for me.

Everything went well until I discovered that I could buy many of these bonds just as cheaply as the firm could. This even applied to bonds of the Hudson River Water Power Company which I was beginning to sell. Furthermore, I found that there was a tremendous spread in certain bonds. For instance, a bond would be offered on the printed circular at 100 and interest which could be bought in the unlisted market at 70 and interest. Finally, I went to Mr. Gay regarding this discrepancy, especially as he allowed me a commission of only one per cent. I saw that the matter irritated him, and he referred me to Mr. Trumball. Mr. Trumball was a dignified man, and he certainly talked to me like a father to a sick child. I tried to forget the matter, but questions continually arose in my mind which I would take to Mr. Trumball. Apparently I was losing my popularity in the office. The boys did not invite me to lunch with them, and there was a coolness which was visible. Yet I was perfectly innocent and did not realize what it was all about. The only one who seemed to have any sunshine for me was Mr. Cummings.

Mr. Gay also had an office at No. 1 Nassau Street, New York, in the charge of Mr. George D. Baker. One day I took to Mr. Trumball a copy of the *Commercial and Financial Chronicle* and showed him that a bond which he was asking me to sell in Gloucester at 98¼ and interest was being quoted on the unlisted market in New York at 80. I asked, "Why the quarter?" He replied: "None of your damn business." Within a couple of days I was asked to go to New York and see Mr. Gay, whose headquarters were then at the New York office. I well remember that day in New York. Fortunately, Mr. Baker and John Curtis were the only witnesses to the execution. There is no use of relating the harrowing details, but I was "clean plumb fired."¹

HOW INVESTORS LOSE MONEY

I thanked Mr. Gay for the start he had given me and went out on Wall Street. I went over to the steps of the Treasury Building and sat down to think. I

¹ The following quotation from a letter written by Mr. Baker, March 20, 1935, may be interesting to some readers:

"You had an experience while with E. H. Gay & Co. to do a little investigating, and you used that experience to make a beginning of your career. You went out to Ohio to see what was behind the Akron, Bedford & Cleveland St. Ry. Co. bonds before you placed some of those bonds with your customers. I suppose you then found that it was more important to give information than to sell bonds. I wish I had that little card box which contained cards and which you brought to our office. This was one of several boxes which comprised the entire facilities of the Babson Statistical Organization. I believe the first of these boxes was placed with E. H. Rollins & Sons; but ours was one of the original forerunners of the system. The box was about six inches long and could hold 200 to 300 cards. You soon found it necessary to employ some help in making daily calls at the various offices to enter on those cards the up-to-date information gleaned from various sources regarding properties which were listed on those cards. That was the infancy of *Babson's Reports*."

must have sat there several hours until a policeman finally came to see whether I was asleep or drunk. I determined to stay in New York, where bonds were sold at the market instead of at such fictitious prices as Boston firms were getting for the same issues. I spent the rest of the day in hunting up an office, and hired desk room in an old building at 10 Wall Street, between Broadway and Nassau Street. My landlord was a man named Hackett and I paid rent at the rate of fifteen dollars a month. I next started to hunt up a boarding-house, and found a small hall bedroom on Third Avenue near Fourteenth Street in an apartment rented by three old-maid school teachers. I have seen many hard-boiled people, but I never saw the equal of those old maids. The next morning I had some letterheads printed and rented a typewriter. I immediately began to write my New England friends, offering them the same bonds which I had been offering them while with E. H. Gay & Company, but my prices ranged from five per cent to twenty-five per cent lower. Naturally, you would think that I should have done a land-office business at these lower prices, but I did not.

Even then I was more of a statistician than a psychologist. I did not realize that most investors had rather pay considerably more for the same bond if purchased from a fine office with expensive mahogany furniture, than to buy it from a little fellow like me who paid only fifteen dollars a month for desk room and slept in a hall bedroom. Such is the frailty of human nature! This, to a large extent, explains why investors have always got stuck and probably always will! Congressional legislation may provide investors with better information, but it will never provide them with self-control or eliminate their pride. From the days of ancient history the people have been buncoed with show and tinsel. The people of Persia, Egypt, and Rome in the older days, and the people of Germany, France, and England in these modern days, have been blinded by the show, the luxury, and the whole vain paraphernalia of royalty. In these modern times, bankers, captains of industry, and even labor leaders, are moved more by an invitation to lunch at the White House or at Morgan's offices than by anything else.

But to get back to my story. Despite the fact that my New York venture was a disappointment, I made many friends and much more money while in New York than I did when in Boston. I constantly realized, however, that I was up against a terribly stiff game. My subconscious mind kept urging me back to New England. The climax came one evening about seven o'clock, as I shall relate.

WHY I FEAR NEW YORK

It was my custom to stay late at my little Wall Street office. My business was almost wholly by mail and I typed my own letters. One night about 6.30 P.M.,

after I had closed the office to go out to get my supper, I had an experience which made a deep impression on me. I walked to the corner of Wall Street and Broadway to take a street car back to my little hall bedroom. Standing on this corner was a man selling apples from a basket. A woman was boarding a street car which preceded the one for which I was waiting, and while doing so she dropped her umbrella. The street pedlar, out of the kindness of his heart, went out into the street, picked up the umbrella, and handed it to the lady on the open car. While he was gone, a bunch of newsboys swooped upon his basket and stole some of his apples. I witnessed this performance with an elderly gentleman who apparently was a man of affairs. At least he was exceptionally well dressed, with a silk hat and a gold-headed cane, although I have since learned that these things do not mean much. I have often wondered who he was. He looked like a banker or a railroad president, but he may have been only a bucket-shop manager. I turned to him and said: "That was an awful mean thing for those boys to do." He replied: "Young man, you'll have the same thing done to you some day if you continue to stay in Wall Street."

This hint was enough for me, and I decided then and there to close my office and go back to New England. Yet I did not quite dare to go to Boston, and so hit upon the crazy idea of opening an office in the Knowles Building, in Worcester, Massachusetts. I knew no one in Worcester, but I just wanted to get out of New York City and at the same time I was not yet ready to go back to Boston. I had made connections in New York to purchase my bonds at wholesale and continued the old method of selling by mail to my friends in Essex County. I also made a connection with the Cleveland Trust Company and with a Detroit bank, because I found that I could buy certain street-railway bonds from these two institutions at prices under what they were being sold for even in New York City.

Later, I made a valuable connection with a good friend named Benjamin Fisher, who had a small bond business. Let me here add that the confidence of good people is a valuable asset. It is also interesting to note that George D. Baker, who saw me fired in New York, later left Mr. Gay and started a firm of his own, known as Moore, Baker & Co., with an office in Boston and in Cleveland. The tide was beginning to turn toward buying and selling "at market" even in Boston, rather than at the blue-blood circular prices. I was working with the tide. Yet I found that my wholesale market in New York was not the *real source* of supply. These New York brokers from whom I was buying were buying from the manufacturers of the securities in Cleveland, Detroit, and other Western cities. Therefore, I was learning fast and at the same time making a little money.

INVESTMENT BANKING TRICKS

I had not been in E. H. Gay & Company's office since I had left it in disgrace two years previous, but one day an opportunity came where I saw that I could do Mr. Gay a favor. It was in connection with two bond issues which he was selling—namely, the Lynn & Boston Street Railway Company First Mortgage 5s and the Boston & Worcester Street Railway First Mortgage 4½s. It happened that I personally knew Mr. Edward P. Shaw, of Newburyport, who was the leading builder of Massachusetts street railways. My greatuncle, Charles Babson, married a Shaw, and, furthermore, the Shaws in Newburyport were neighbors of my greataunt Elizabeth Tilton, who had a home there. Her husband, Dudley Tilton, was superintendent of the Newburyport gas plant. Mr. Shaw had built the original horse-car line in Gloucester and later electrified this line and extended it. He seemed to take a fancy to me, and I was able to get some important information which I carried to Mr. Gay. Mr. Gay thanked me in a dignified way, but apparently was not influenced by it.

Mr. Charles S. Cummings, however, saw me in the office and invited me to lunch with him. To my great surprise, he said that he and his partner Mr. Gay, were to separate and he was going to start a firm of his own, known as C. S. Cummings & Company, and specialize in street-railway and public-utility bonds. He offered me a position. As the Worcester venture had not got well under way, I accepted. In fact, it was the only position that had ever come to me out of the clear sky. All my former jobs I had been obliged to dig up by hard work. Mr. Cummings' offer gave me a chance to continue with him in the same general line of business but under much better auspices, as he had engaged attractive quarters at 43 Milk Street and had capital. This was in 1900. We started temporarily at 7 Water Street with a bookkeeper named Edward Mead and a stenographer named Susan Wentworth; and I want to say right here that Susan Wentworth was a wonderful girl. Mr. Cummings also had one or two salesmen, although he really depended upon me for the selling end of the business. Whether Mr. Archie Burdette had then left E. H. Gay & Company, I do not know, but he came in to see us often. Mr. Rines continued at the old offices at 40 Water Street.

Mr. Cummings had three or four good friends connected with banks and insurance companies, especially Mr. Veillie, who was then president of the First National Bank of Boston. Whether conditions are the same now or not I do not know, but most investment houses then depended largely on two or three big customers. The "chicken feed" business was useful as scenery, but the big profits came from some insurance company, trust company, or large estate. Every one of those investment houses had a pipe-line running to one or more large customers. Whether some official of these insurance companies

or banks received any direct rake-off, I do not know. My impression is that the arrangement was wholly a matter of friendship or family relationship. Many investment houses prospered on one large sale a month, and sometimes on one large sale a year. Sales were few but profits were often large.

Little care was given to investigations when the securities were purchased. The houses were primarily interested in buying an entire issue at 90, for instance, which they could sell at par by controlling the price of the entire issue. Therefore, both large and small "entire issues" were in great demand. If a firm could buy an entire issue and thus control its price, they would much rather do it than buy a portion of a large issue and be forced to sell the bonds at market. By buying the entire issue and controlling the price, they could arrange to secure a ten-point spread on all sales, while if they bought and sold bonds at market, they would be limited to a spread of only one per cent or less. It was the purpose of C. S. Cummings & Company to give investors a new deal, and select the best securities irrespective of price and sell them at a small commission of, say, one-half per cent or one per cent. This new deal was all right in theory, but, unfortunately, it would not pay the rent. I was learning both that "there are tricks in all trades" and that there are reasons for using the tricks!

Chapter VIII

PUBLIC UTILITY EXPERIENCES

ONE evening I was invited by my boss, Mr. Charles S. Cummings, to dinner at his hotel near Copley Square. After our orders had been given to the waiter, he turned to me with his whimsical smile and said: "Babby, your theories about hunting up good securities and selling them at market prices may be all right if you are willing to sleep in a hall bedroom for the rest of your life and live on crackers and milk; but, my boy, an investment business with a corps of salesmen cannot be supported along any such altruistic lines. We must buy entire issues, so as to be able to mark up the price and have a good spread upon which we can depend. But, Babby, it's very difficult for a small firm like ours to get these entire issues. Big houses are smarter than we are. Now I have a plan, and that is that we manufacture these securities ourselves."

MANUFACTURING BONDS

Mr. Cummings then explained how our friends in Cleveland, Detroit, and Cincinnati were doing—namely, getting franchises and building street railways themselves *in order to sell the securities*. Often, since, I have thought of that last clause, "in order to sell the securities." Probably four-fifths of the companies that are organized, whether in the transportation, electric power, or industrial field, are organized primarily not to transport passengers or generate power or manufacture goods, but to get securities to sell. I believe this is just as true today as it was in 1902.

When an old established company now desires to put out a new issue, it must fill out elaborate and complicated blanks, giving the history, earnings, and all other details of the company. When, however, a new company is organized to put out securities merely as a speculative venture, there is nothing for it to tell, and hence nothing for the blanks to record. The result is that this restrictive legislation is a handicap to good established corporations which are doing an honest business, and a whitewashing process to new, speculative, and perhaps dishonest promotions. These latter however cannot use the fact that their securities have been "passed" by the Securities and Exchange Commission as an incentive to innocent investors to purchase them.

C. S. Cummings & Company, therefore, started at the ground floor and became *manufacturers* of securities. Our first venture was to build the Bristol County Street Railway, which was to operate between Taunton and Attleboro and vicinity, all within the state of Massachusetts. Street railways in Massachusetts were all the vogue at the time. Insurance companies, banks, and investors were anxious to buy Massachusetts street-railway bonds. Hence the investment banker's job was to organize companies to build street railways so that the demand for these bonds could be filled. No one thought of the needs of the dear public to be transported. Furthermore, I suppose that the same system still prevails in other fields and will continue to prevail.

The first job was to get the franchises. This Mr. Cummings attended to personally, with the aid of a couple of friends who handled the "details." We next went into the market to purchase rails, wire, cars, generators, etc. We knew no more about these things than we did about the Chinese language; yet we were no different from the other investment houses. All were doing the same thing. Furthermore, as human nature has not changed, I surmise that the banking-houses to which we are looking up today are almost as ignorant about their respective fields.

EVADING THE LAWS

It was necessary to "pay in" the stock of a Massachusetts corporation at par, and the law required that bonds could be issued for only fifty per cent of the cost of the road. One reason investors scrambled for bonds of Massachusetts street railways was "because they were issued for only one-half the cost." Upon my inquiring of our celebrated attorneys how we were going to raise the money to build the Bristol County Street Railway, they replied: "Sell the bonds, of course." I replied that under the law we would also have to sell an equal amount of stock. I wondered how we could sell that stock, as I knew investors would not buy street-railway stock. The attorneys, however, assured me that this was their job.

To make a long story short, the company was capitalized for \$150,000 "fully-paid" stock and \$150,000 in first-mortgage bonds, or a total of \$300,000. Then two friends of ours—under the attorneys' directions—formed a construction company, which made a contract to build the street railway for \$300,000, payable one-half in bonds and one-half in stock. We had previously ascertained, however, that the street railway could be built for less than \$200,000 *cash*. The plan was that the \$150,000 bond issue would be sold at 90, and the company would borrow from banks on notes the remainder necessary up to about \$200,000. In short, never a penny was "paid in" on that stock, which our two friends finally gave back to us. Of course, the Massachusetts Railroad Commission held dignified hearings, and a well-known engineer named Gilbert Hodges pre-

sented detailed plans, specifications, and estimates. The Commission thereupon gave the property an appraisal, *before it was built*, exceeding \$300,000.

Readers may say that these were the "good old days" and that such conditions no longer exist. I, however, fully believe that they do continue to exist. With human nature as it is, America's industries can be financed only by some such camouflage. Promoters are not going to risk their time and their money without a gambler's chance of a handsome profit; while investors are not willing to buy the securities without some sort of official whitewashing. The processes will be given new labels and the protective devices will operate under new legislation; but, in my humble opinion, the same basic methods will continue to be used. Surely I could devise no other plan which would both make the promoters willing to take the risk and the investors willing to buy the securities. Furthermore, it is impossible to pick out in advance what projects will be successful and what projects will fail. Safety comes not through wise choosing, but through systematic diversification.

FICTITIOUS BOND OFFERINGS

I personally had the honor of selling this issue of Bristol County Street Railway bonds to N. W. Harris & Company, the most conservative and best-known distributing investment house in the country. I made the sale through Mr. Isaac Sprague at 90 and interest. Later I bought the issue back at 95, as I remember it; then we increased its size and resold it at a profit. Instead of being reckless promoters, we had been too conservative in the size of our first bond issue. Therefore we corrected our "mistake" by retiring this original issue and putting out a larger issue. This experience taught us a new trick. We found that "calling bonds" made a great hit with investors, as they received a quick profit on their purchases. Next time they bought two bonds in the place of the one bond which was called, although the second issue was not so good as the old bonds which were being retired. Finally, the bonds of the Bristol County Street Railway Company were distributed fully among the public, although these poor purchasers ultimately suffered losses. Everyone probably now has one or more of such bonds as a souvenir of those "good old days." As for the Bristol County Street Railway, it never paid and has since been ripped up. We next financed the Lowell & Boston Street Railway Company, which was formed to operate between Woburn, Massachusetts, and Billerica, Massachusetts; and built the Concord & Boston Street Railway, which operated through Belmont and Lincoln; and finally, the Middleborough, Wareham and Buzzard Bay Street Railway Company. In the same way the public scrambled for the bonds of all these companies.

We sold a few municipal bonds for window-dressing. In issuing a bond circular, we would start in offering \$100,000 U. S. Government 4s, which we had

never seen. Then, for good measure, we would offer \$50,000 City of Boston's, \$50,000 City of Springfield's, and so on. At the end of the list we would have a choice offering of \$10,000 Lowell & Boston First Mortgage, Gold, 5% bonds. The bonds last offered on the list were the only ones which we had on hand. This was our own issue which we were manufacturing and selling at a large profit. The bond salesmen were told that they should devote their entire energy to selling these Lowell & Boston bonds. As a matter of fact, we really did not need to tell them this. They had a commission of five per cent on every Lowell & Boston they sold, but a commission of only one-eighth of 1 per cent when they sold any of the good issues on the list. Of course we were able to deliver these governments and municipals, but we were obliged to go out and buy them to fill definite orders. Innocent readers may think this was bad business for a good church member like me; but it then was a universal custom and probably will be so again.

BEWARE OF MUNICIPAL BONDS

Once we did try to be real bankers. We purchased a block of Austin, Texas, municipal bonds. They were issued to build a large dam outside of Austin, to supply the city with water and light. I was "sure" that these were good bonds because one of my relatives, Gorham P. Low, of Gloucester, was the engineer in charge of this famous Austin dam. I therefore sold many of these City of Austin bonds to my friends of Gloucester and vicinity. I even took trips down to Maine, where I sold them like hot cakes to the banks, which were beginning to get a little shy of street-railway securities and wanted "sound municipal bonds." I had just completed a successful sales trip, during which I had loaded up banks with these Austin, Texas, municipal bonds, and was sitting at the breakfast table in a Portland hotel when I looked at the morning paper. It was the *Boston Herald*, and across the top, in big type, were these words: GREAT AUSTIN DAM COLLAPSES.

I took the first train to Boston, and the next day went to Austin, Texas. This was my first trip to the Southwest. Of all the God-forsaken and wretched-appearing politicians that I have ever seen, those were the limit. The City of Austin defaulted on the next interest payment of these bonds. I was not surprised, after getting acquainted with those Texas legislators. If I had ever taken the trouble of going to Texas before purchasing those bonds, we, of course, would never have purchased them. In those days, however, all municipal bonds were supposed to be good bonds, whether issued in Maine, Texas, California, or Minnesota. I was especially disturbed by this episode because I had urged my firm to buy "some good municipals." I was becoming a little chary of the bonds which we were manufacturing, although they were doubtless as good as many being manufactured by the larger and older firms. Therefore, to have the first issue of "good municipals" go sour frankly discouraged me.

HOW BANKERS UNLOAD

This was about the time all the street railways in eastern Massachusetts were brought together under the name of Massachusetts Electric Companies. In an attempt to protect the investing public, the Massachusetts Legislature had already passed laws against the incorporation of holding companies for railroads, street railways, and public utilities. This prevented the issuing and sale of the securities of such holding companies so far as they applied to Massachusetts utilities. The most conservative and aristocratic law firms, however, quickly got around this legislation by forming "trusts." The special trust in question was named "Massachusetts Electric Companies." Instead of a *company* being incorporated, a *trust* was organized, and the swellest blue-bloods of Boston became the trustees of the Massachusetts Electric Companies. Common stock and four-per-cent preferred stock were issued. This latter sold at par and was bought by the most conservative investors because of a non-taxable feature and the names which appeared as trustees.

What shall I say of those days and the things that were put over by the best legal firms, banks, and corporations? The newspapers all joined in the ballyhoo, and we all bought Massachusetts Electric securities. I was too green to realize it at the time, but I now believe that consolidation was made purely to enable the insiders to unload. They saw that these street railways were not earning the money which the bankers hoped they would earn. The bonds had already been loaded on to the public, but the bankers and insiders still held the stocks. They saw the tide turning against them, and they wanted to unload this stock. Hence the Massachusetts Electric Companies was organized, and it went over with a bang, although these securities ultimately became almost valueless. Ever since then I have been fearful of consolidations, even though they are widely ballyhooed and recommended by big bankers, famous attorneys and engineers. When a man has a good proposition, he likes to keep it. He is not consolidating it with somebody else's. Bad eggs, when mixed together, do not make a good omelet. They never have and they never will.

It is easy enough now to say that we should have known better than to have then built street railways and foisted their securities on the good public. But wait a minute! If it had not been for the automobile and motor-bus, these street railway stocks would have become profitable and conservative investments. The street railways of the country would now be doing a wonderful business. If you would just visualize any city today dependent on either electric street cars or horse-drawn vehicles for transportation, you must admit that these cars would be loaded, with people bulging out the windows and sitting on the roofs. Therefore, the whole fault was not with the promoter and banker, but mainly with the chap who perfected the internal combustion engine. He caused all the trouble. Just one more word: The automobile stocks which investors are

scrambling to buy today represent no more actual value than was represented by those street-railway stocks in 1902. Some day there will be a new development to eclipse automobiles. Then automobile stocks will fade away just as have street-railway stocks. Let me also add that as soon as I realized the situation I did my best to check it.¹

BIRTH OF POWER SECURITIES

During all this time electric light and power companies were gradually coming forward. E. H. Gay & Company and other bankers were offering Hudson River Water Power bonds, Hudson River Transmission Company bonds, and bonds of other electric companies. Water-power companies seemed to be most popular with investors. Gradually the better investment houses, such as N. W. Harris & Company, shifted from street-railway to electric light and power bonds. If I had not suddenly been taken ill, I probably would have been able to shift C. S. Cummings & Company from the street-railway to the newly-developing light and power utility field. Mr. Archie C. Burnett, however, came into the firm in the fall of 1901 and I dropped out and the firm name was changed. A copy of my letter of dismissal is now very interesting reading. I never returned to the selling of bonds or stocks of any kind; while the firm of Burnett, Cummings & Company some years later went into bankruptcy. Later, the three largest and most respected firms in the city—Kidder, Peabody & Company, Lee, Higginson & Company, and Harris, Forbes & Company—were also forced into liquidation. I did, however, become interested in the E. H. Gay & Company Hudson River properties, but purely as an investor, not as a dealer.

After street-railway securities had their troubles, the light and power companies had their misfortunes also. Developments cost more than was anticipated. The companies were left with debts so large that they could not exist. This was true of these Hudson River properties. Finally a reorganization was formulated by the New England Trust Company of Boston, under the direction of the law firm of Tyler & Young. The active member with whom I functioned was Charles S. Tyler, an interesting and unique man. How much law he ever knew I have often since questioned, although he was the head of one of the leading law firms of Boston. He, however, was a great salesman. I have come to believe that most great lawyers, physicians, surgeons, preachers, and even scientists and statisticians, are "great" because of their salesmanship qualities rather than their real knowledge.

¹ Readers may be interested in the following quotation from a letter written to me by Mr. C. S. Cummings:

"Your first great battle and eminent success was in the fight concerning the capital structure at the time the Boston & Northern St. Ry. Co. was consolidating the different street railroads north of Boston. As near as I can get at the records of the Department of Public Utilities, as a result of your fight a capital structure reduction was made of about \$1,500,000. You must well remember this battle and the employment of the Hon. Nathan Matthews as Counsel in this case."

Seeing that the people who had been sold those Hudson River Water Power securities by E. H. Gay & Company, some years previous, were going to be gypped in the reorganization, I got into the fight to protect them. With the aid of Mr. Frank Day, of R. L. Day & Company, and Mr. William C. Hotchkin, the Edmund Brothers, and a few others, I was able to head off the stealing of these assets. Finally I won my fight and the company was reorganized properly in the interest of the bondholders. The new company was called the Adirondack Light & Power Company. I became one of its directors and, later, vice-president. The president of the company was Elmer J. West, an able and straightforward man. The company was operated honestly and efficiently. Purchasers of Adirondack securities, whether stocks or bonds, made a lot of money. It was a hard struggle, but it was well worth making. I wish now to acknowledge my indebtedness to the many bondholders who backed me therein. It was while I was engaged in this fight that the firm of Burnett, Cummings & Company collapsed. Whatever questions were involved therein, I always counted Mr. Cummings among my friends and held him in high regard.

At that time about all my money was invested in light and power companies, and in the years which followed my profits grew rapidly. Mr. Tyler's partner was Owen D. Young, who went to New York as president of the General Electric Company. Both Mr. Young and his associate, Mr. Anson W. Burchard, were kind to me. We all prospered together. Later, we consolidated our Adirondack properties with the Mohawk properties, which were owned by the General Electric Company. I continued as an active director of that new company. The board of directors were an able group, and we had real directors' meetings. I was an important factor in all negotiations and was largely responsible for the building of the great Sagandoga Dam, at the dedication of which I was asked to make the leading address.

Then came along Floyd S. Carlisle, who controlled the St. Regis Paper Company. He was a hard-working and able promoter, but I believe he had failed to grasp the changing public attitude. We, however, put through another and larger consolidation. This took in the Syracuse Lighting Company, the Utica Gas & Electric Company, the Carlisle companies and certain other smaller properties. We then had a great system, with Albany as a center, extending southward to Poughkeepsie and northward to the Adirondacks through Glens Falls, and westward through Schenectady, Amsterdam, and Utica to Syracuse. Finally, the Niagara Hudson Power Corporation was formed, which swallowed up us as well as the Buffalo, Niagara & Eastern and other companies. From that time on my influence ceased, although I continued as a director of my original company, which became a subsidiary called the New York Power & Light Corporation. After that, the same people secured control of the Consolidated Gas Company of New York. Today this group is manufacturing power

at Niagara Falls and "way stations" and delivering it to most of the cities of the State of New York, including New York City itself.

During this growth, my own statistical business had been increasing rapidly. Therefore I retired from active interest in the utility business. I confined myself largely to the work of selling protection, which I will explain in later chapters. It was after my retirement that the large public utility holding companies—such as United Corporation and the American Super-Power Corporation—were formed. I never liked these large holding companies, knowing that they ultimately would arouse public resentment.

The light-and-power business still is fundamentally a sound business when kept within reasonable limits. I, of course, believe in the interconnection of all plants—as the telephone companies are interconnected. But I prefer independent ownership for large operating companies, with each company confining its operations to one state and, so far as practicable keeping its ownership within that state. Although statistics demonstrate that private control could always operate more efficiently than political control, I saw the public ownership handwriting on the wall. My utility friends, however, had become so rich that they would not listen to advice from me. Some day I may go back again into the utility picture, but only when there is an opportunity to render needed service. Today, the same old crowd which were trained to manufacture marketable stocks rather than to serve human needs are partly in control.

Chapter IX

GETTING MARRIED—WHY?

AT THIS point I much prefer to swap information with others than to give it myself alone. The whole problem of sex relations among young people bears tremendously on the health, success, and happiness of every individual. Some questionnaires have been sent out by college professors, but few dependable statistics on the subject are available. I am told, however, that conditions vary greatly in different communities. In some communities the boys behave, but there is an epidemic of indecency among the girls. In another community both the boys and girls will behave with their own sex, but there is more or less promiscuity between the sexes. In other communities the indecency will be among the boys. This was the case in Gloucester during my boyhood days.

ROTTEN CONDITIONS AMONG BOYS

I know that during my school days in Gloucester there were few, if any, improper sex relations between boys and girls, and I assume that the girls behaved themselves. With the boys, however, conditions were wretched. Vulgarity in actions, words, and thoughts was common. I cannot believe that such conditions exist at the present time among boys. As I look back on those days, I am disgusted and ashamed. However, I will not dwell longer on this phase of life at that time.

My parents never mentioned the subject of sex to me from the time I was born until they died. So far as any knowledge which they gave me is concerned, I would assume that there is no such thing as sex—that men and women are physically identical and without sex organs. Once when discussing this with another parent, the reply was that such information comes to one normally and naturally, as it does to the birds, squirrels, and cattle. "These animals need no sex instruction," said this innocent father, "and they get on all right without venereal diseases. They mate properly and raise their young successfully." This may all be true, but these animals are not encouraged in vice by smutty books, magazines, and other sex propaganda. Vice has not been commercialized among the animals. Furthermore, the law of survival of the fittest also helps to take care of the situation in the animal world.

If it were not for the commercializing of immorality, liquor, gambling, etc.,

it might be well to let nature take its course and for each to learn for himself. With conditions as they are, however, parents and teachers certainly should put children on their guard. I sincerely trust that parents today are giving proper instruction on the subject of sex, so that no such rotten conditions exist now as existed during my boyhood and college days. Of course, if young men go to cheap dance-halls, they are likely to be solicited. There was considerable solicitation at Boston restaurants which we college boys frequented. But here again, if colleges and parents would take the pains to check up on these places and direct young people to properly supervised restaurants and rooming-houses, much of this temptation could be avoided.

RECREATION IN THE 'NINETIES

As a boy I never cared for parties or games, and I had nothing to do with the girls until I reached high school. Then I made some splendid friends among a few girls. For some reason or other I had few boy friends. I was working strenuously both at school and at my outside duties; hence I had no time to play ball and indulge in other daytime sports. My recreation drifted, therefore, to going out evenings with some girl. Of course we had petting parties then as now, but our relations were absolutely aboveboard. I usually went around with only one girl at a time, but shifted (or was shifted, to speak more correctly) about once a year. All these girls subsequently married fine men. When I look back on it, they had good sense in chucking me.

It is a real satisfaction to see that I picked out the brightest ones of my age. After graduation they all became leaders in their respective fields and communities. One of them—Miss Statira McDonald, of Manchester—became the head of one of the largest orthopedic hospitals in this country, and lost her life working for others. Another is still doing splendidly as leader in her community. They were a great bunch of girls. Skating, sliding, and sleigh-riding provided good times in winter; while hayrack rides, swimming, and picnics were the rule in summer. Most of these diversions occurred in the late afternoon or evening. Best of all, they cost nothing! Love in those days was statistically free.

My first real love affair was with the aristocratic daughter of the leading family in the city. She was a beautiful girl and of fine character. I was very fond of her and I think she liked me. She was my partner on the greatest evening of my young life—namely, the Officers' Party at the Gloucester City Hall, when I had been the victorious captain of Company B. This victory enabled us to lead the grand march. It was the first time that I had ever bought flowers for a girl or "hired a hack," as they said in those days. We officers were dressed in uniform; a band played martial music and the decorations were Gloucester's best. The thought of this famous event, moreover, brings to mind an anecdote which I must tell.