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HOW TO GET AND USE MONEY

HOW TO GET AND USE MONEY

By
HERBERT N. CASSON

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CONTENTS

<i>Chap.</i>		<i>page</i>
	Preface	7

PART ONE: HOW TO GET MONEY

1.	The Necessity of Money	13
2.	How to Start Right	25
3.	Hard Work Plus Thinking	39
4.	Know Your Costs	53
5.	The Safe Percentage of Debt	65
6.	The Profit-Minded Man	79
7.	Courage and Co-operation	97
8.	Your Attitude Towards Efficiency	107
9.	Appreciate the Capitalistic System	119

PART TWO: HOW TO USE MONEY

10.	The Losers and the Hoarders	135
11.	The Users and the Benefactors	151

PREFACE

THERE is a demand for a book that is a cheap, condensed Course of Study on the art of making and using money. This is such a book. Certainly, it is cheap enough. And, as you will see, it gives enough specialized knowledge to start any resolute man on the road that leads to both fortune and happiness.

The personal problem of every ambitious man is how to get money and make a good use of it. Some men can get money, but they never learn how to use it. Others know how to use it but they do not know how to get it. As for the majority of the people in any country, it must be said that they do not know either how to get money or to use it. All their lives they do no more than pick up the crumbs in the Money World.

There IS such a thing as skill in money-making, but very few men have the persistence to acquire it. To acquire skill in money-making requires just as much study and persistence as it does to acquire skill in tennis or billiards or piano-playing. This is a fact that has, as yet, been perceived only by a few. Certainly the

PREFACE

running of a business is not easier or simpler than playing a game on the sports field.

There is just as much knowledge required in the building of a great fortune as there is in the building of a great bridge. But only the few people at the top of the business world are aware of this. The general opinion is that almost anybody can start a workshop or a retail business or become a salesman. But the fact is that business knowledge has now been developed into many professions. An amateur is as much handicapped in business as in any other field of work.

Money gives a man a chance to live where he wants to live and how he wants to live. It enables him to fulfil his wishes. He can give his wife and family a comfortable home. It gives him a measure of independence. He is set free, more or less, from being controlled by other men. He escapes from all the coercions of poverty. He can travel. He can see the world. He can give his children a good education. He lives his whole life on a higher level, if he has money.

All the way down the centuries, the vast mass of people have been poor. They have been almost as poor as rabbits. Until the last two centuries, nine-tenths of the people in most countries were either serfs or soldiers. They

PREFACE

were compelled to work or fight for their rulers. Toiling and fighting—that was the life of the moneyless masses. In every country, a little clique of people had power, riches, grandeur. The rest of the people were held down in hopeless poverty.

There is nothing that can be said in favour of poverty. It is as great a scourge as disease. It means hunger, misery, wretchedness. When I was a young man, I was deeply impressed by the horrors of poverty. I studied the slums. I went through the worst slums in Boston, New York, Chicago, London, Liverpool, Glasgow and Edinburgh. I was once nearly killed in the Cowgate, Edinburgh, as I ventured into it on a Saturday night. It was the worst slum that I have ever seen in any country.

In the slums, people live in dirt and squalor. They are packed together in vermin-infested houses, in the midst of foul smells and savage noises. I have found noble people in the slums, but they were in hell. The life in any prison is preferable to the life in some of the slums of our great cities. Why do people remain there? Nine-tenths of them remain there because they have no money.

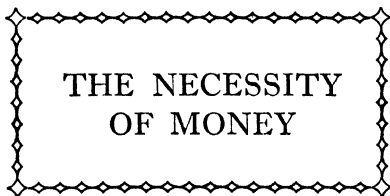
It was, I believe, my several years of adventure in the slums that led me to spend all the rest of my life teaching efficiency—teaching the

PREFACE

art of money-making. First, I learned it myself. Then I became a propagandist. The most pleasurable satisfaction of my life is the thought that I have shown thousands of people how to make and use money.

HERBERT N. CASSON

PART ONE
HOW TO GET MONEY



CHAPTER ONE

THE NECESSITY OF MONEY

THERE are three ways of getting money.
You can either:

- (1) Inherit it.
- (2) Marry it.
- (3) Earn it.

The first way is an accident. It is sheer luck. It has nothing to do with either skill or merit. Hence it is always rather an unsatisfactory way to get money.

The second way is sometimes luck, and sometimes skill, and sometimes merit. It is sometimes delightful and sometimes abominable.

The third way is never luck. It is always skill and merit. It is the way of satisfaction and self-respect. It is nearly always a hard way with many difficulties and troubles. It is a way that very few of us would either choose or regret.

Money is not everything, but as things are in this world, every one of us **MUST** have some

HOW TO GET AND USE MONEY

money, else we starve or are taken to the work-house. Money is the FIRST thing until you get it. Then there are other things to be considered. We are not like African savages, who need no clothing, sleep on the ground and find food in the jungle. There are three things we must have:

FOOD
CLOTHING
SHELTER.

There are great differences in the quality of these three. A man may have a slice of bread and dripping and call it a meal, or he may have grapefruit, tomato soup, sole, roast beef, potatoes, green peas, peach Melba, a bottle of wine and coffee.

A man may have some other man's cast-off clothes or he may have new and expensive clothes. He may sleep in a tiny 5s.-a-week bedroom or he may have a large country house, with a glorious garden.

If he has the best food, clothing and shelter that money can buy, even then he needs many other things that can be had with money. He can have the joys of travel. He can have costly and beautiful things in his home. He can even have several homes if he wishes and if he has wealth.

Best of all, if he is rich he can shape his own

THE NECESSITY OF MONEY

life. He can develop himself in his own way. And he can have the higher pleasure of helping orphanages and hospitals and colleges. Money is power, and if it is well used it can bring happiness and self-development.

Money-making can be taught, just as house-building can be taught. And those who are too inert to learn it remain poor all their days. A skilled money-maker has acquired a wide knowledge of many subjects, such as efficient manufacturing, salesmanship, advertising, buying, display, organization, management, office work, finance, etc. He has studied the many causes that create a higher percentage of net profit. He does not merely work hard. He works with intelligence and technique.

One would think that the art of money-making would be our most desired and most costly knowledge, but it is not. The mass of men drift through life without ever learning it. Why? Because it requires a strong continued effort. It requires ambition and self-mastery and intelligence and stamina.

The main reason why some people are successful and why most people are not is that most people will not pay the price for success. Most people will not exert themselves to learn, to do hard work, to earn more money. Then they are envious of the men who succeed. And

HOW TO GET AND USE MONEY

they moan about their bad luck. There is an old Spanish proverb that says—“ ‘Take what you want,’ said God. ‘Take it and pay for it.’ ”

A man who failed in the Midlands came to an end for this reason—he ran his business as a side-line. He had too many outside interests. He acted as though he had a large fortune, when the fact was that his business needed the whole of his attention. A good rule is—first make your business profitable and as automatic as possible; then take on outside interests. Do first things first.

There are not many very rich people in any country. In Great Britain, in 1935, there were only 824 millionaires—people with incomes of over £30,000 a year. There were only 69 people with incomes of more than £100,000 a year. And only 3,350,000 people were charged with income tax. There are 64 per cent of British families under the income-tax level.

When is a man rich? When I was a lad in Canada any man was called rich who owned 160 acres of land without a mortgage, or who had saved £1000. In an old chronicle of the New England States in America there is a description of the village of Amherst in 1772. The richest man in the village was Nathaniel Dickinson. He owned two horses, two oxen, three cows, four pigs, eight sheep and £20 in

THE NECESSITY OF MONEY

money. The other villagers were awed by his wealth. Judged by the standard of 1772 no doubt 40 per cent of the people in Great Britain might be called rich.

Sometimes a wife can lend a hand to her husband in the task of money-making. I know one clever little woman in Bromley who is the wife of a van-driver. Her husband earns £3 a week. When their two children grew up, this woman found she had spare time. About fifteen years ago, she began to go to auction sales and buy antiques. She found a number of regular customers for these antiques. Eventually, she earned £750 and bought a good house with it. She became a skilled money-maker.

An American writer made a study of money troubles in two hundred families. He said that money is not the chief thing in two-thirds of the homes. But he found that women were more sensitive and dissatisfied on the subject of money than men are. Women feel the need of money more than men do. Why? Because a woman is apt to have a higher standard of living than a man has.

This is why many men become rich. Their wives spur them on to do their best. It is usually the woman who creates the ambition of the home. A man is apt to be satisfied with his own comfort. A woman wants more. She

HOW TO GET AND USE MONEY

thinks of his status and of her own social standing and of the future of the children. A woman takes a man "for richer or for poorer", but she makes up her mind that it will not be "for poorer" if she can help it.

There are plenty of families, living in big houses, that have practically no income at all. They do not know where to turn for a bit of ready cash. There are so-called millionaires who did not receive a penny last year. And others received barely enough to pay their rates and taxes. A man may own £1,000,000 worth of shares, but the shares may not be paying a dividend.

These people who are temporarily poor—what can they do? Certainly they should not sit still and fade out of the picture. They should sell some of their shares or land at a loss and invest in some profitable business. Any man who has thousands of acres of land and no money has himself to blame for his poverty. In a word, when a man loses money, he has to set out to make more. Sitting still and biting his nails will do him no good.

Every young man, who is not the son of a rich father, must learn the art of money-making in order to develop his brain and character. If he can make only a bare living all his life, he will never discover and develop his own abilities.

THE NECESSITY OF MONEY

Neither will he be able to help others, and that, too, is a necessary part of self-development.

If he makes his living by doing one little simple job, over and over again, his brain will remain inactive. He will be no more than a mental dwarf. If he can earn only enough for food and clothes and a bed, he will remain in ignorance as well as in poverty. And ignorance is a much worse thing than poverty.

When a young man reaches the place where he can save a bit, he can raise his standard of living. He can have better food and better clothes. And this adds to his self-respect. As soon as he begins to have a higher opinion of himself, then a spark of ambition is likely to glow in his mind. If he reaches out for information—if he begins to study his trade or any other useful subject, then he has started on the path of self-development.

As soon as Andrew Carnegie made his first bit of money, he invested a large part of it in HIMSELF. He engaged a number of University Professors to instruct him; and he received an almost complete university education. Later, when he piled up a huge fortune, he developed his kindlier nature by giving away almost the whole of this fortune.

He set a good example to any ambitious young man. He spent his first money on ac-

HOW TO GET AND USE MONEY

quiring knowledge. Then he spent money on travel. And finally he spent it on libraries, gifts to his native town in Scotland and scientific research. So, in a word, a man needs to learn the art of money-making in order to enrich his own life. His money can enable him to become wise and efficient and generous.

When John Wesley started the Methodist Church, he gave it a set of rules, which have now been fairly well forgotten. Very sensible rules they were. Many of them dealt with business. A few even dealt with efficiency. Three of his rules had to do with money. He said that the right policy regarding money was to:

- (1) Get all you can.
- (2) Save all you can.
- (3) Give all you can.

Wesley obeyed only the third rule himself. He was indifferent to money. When he died, he left nothing but "a few silver spoons and the Methodist Church". But his teaching with regard to money was very wise and practical. He regarded it as a power to be used for one's own good and for the good of others. In my opinion, he should have added a fourth rule—use all you can.)

Any man in the business world would do well to remember these four verbs—GET,

THE NECESSITY OF MONEY

USE, SAVE, GIVE. They will help him to adopt the right policy with regard to money.

A man should GET all he can, honestly. He should, of course, give full value, in service to others, for what he gets. He should not have the delusion that a money-maker is a sordid, low-grade man. This is a silly mistake made by weak or envious people. In general, and allowing for exceptions, capital is a sort of SERVICE-METER. This is a vital fact to remember about money. When a grocer, for instance, has £1000 in a bank, that means he has rendered a useful service to hundreds of families.

A man should USE all he can, in two ways—in raising the standard of living for himself and his family, and in the improvement and extension of his business. He should spend it and invest it. He should not spend it all. Neither should he invest it all. He should be neither a spendthrift nor a hoarder.

A man should SAVE all he can. This includes what he invests in his business, what he puts into outside securities and what he leaves in the bank as a reserve fund.

Then, he must GIVE all he can. The Government takes so much from us that we have had to cut down the giving, but we should not neglect it altogether. We should give a bit to a hospital or a home for poor children. As soon

HOW TO GET AND USE MONEY

as a man finds that he is strong and competent, he should do something to lighten the burdens of the weak. Our money gives us a chance to develop kindness and generosity.

Every business firm has three great duties:

- (1) To its shareholders.
- (2) To its employees.
- (3) To the public.

First, it must pay dividends. If it does not do this, it must be reorganized or sold or come to an end.

Second, it must pay fair wages and provide for the old age of its employees. A new idea that is coming to the front is that it must provide for its own unemployed, if it is a large firm. Either by the use of group insurance, or in some other way, it must save its people from destitution.)

Third, it must produce or sell goods that are worth the price. It must render a useful service to the public. There are now a large number of these "Three Duty" firms. They constitute the backbone of the country. The one problem is—how to have more and more of them.



HOW TO
START RIGHT

CHAPTER TWO

HOW TO START RIGHT

EVERY ambitious lad of eighteen thinks a good deal about his start in the business world. "Where is the best place to begin?" he wonders. He should free his mind from this worry. The fact is that one rank-and-file job is as good as another, as far as a start in life is concerned. A study of the lives of great business men shows that a career can begin anywhere. There is an old saying—"All roads lead to Rome." It is right to say, too, that any road may lead to Success.

The magazine, *American Business*, had an article on "First Steps in Fifty Careers" by Eugene Whitmore. Mr. Whitmore picked out fifty men who are now at the head of fifty big companies, and asked them how they started.

Only twenty-two of the fifty had graduated from a college or a university. Several had very little education. There were seven who began as clerks and five who began as newspaper men. Four were salesmen, three were lawyers and three others were engineers. Two had been book-keepers, two teachers, two office boys,

HOW TO GET AND USE MONEY

two messenger boys and two were employed in advertising agencies. One was a machinist's helper, one a telegraph operator, one a van driver and one a chemist. Usually there are three or four out of a hundred who began on farms, but in the case of these fifty Business Leaders, none of them were farm boys.

As you can see by this list, where a young man starts does not matter much. The man who started as a machinist's helper is to-day at the head of the biggest silver manufacturing company in America. And he is only fifty-one. A young man's first job is not a matter of great consequence, as long as he does not remain in it too long. He must look upon his first job as the lowest rung in the Ladder of Promotion, and he must start on his way up the ladder.

What concerns him most is this—he must do his first job better than it has been done before. You may be sure that the two men who started as messenger boys were quick and reliable messenger boys. You may be sure that the man who started as a van driver had few accidents and took good care of his van. The young men who are faithful in small things—they are the ones who rise to be men of large affairs. The first job does not matter. What does matter is how well it is done.

The young man who is “fed-up” with his

HOW TO START RIGHT

job—there is no hope of him. He is certain to be doing his work badly. The man who merely slogs on with dull eyes, enduring his work as an ordeal from which he cannot escape—there is not much hope of him either. He is likely to remain in the rank and file. But the man who regards his work as something worth doing and who tries to do it better than it has usually been done—he is on his way up to the higher levels.

The great Japanese author and publisher, Seiji Noma, said in his autobiography: “Call it hope, confidence, vision—what you will—a man who is wholehearted in his devotion to his work has certain convictions that the work will succeed, whether or not it seems promising to other eyes.”

If a young man is offered a partnership in a solid, profitable business, he will be wise to accept it; but if he is starting a business, he should start it on his own and not take in a partner. Usually, it must be said, a partnership halves the profits and doubles the troubles. Most partnerships are sooner or later dissolved. It may be taken as a general rule that no one should take a partner unless he has known him for at least five years. Most partnerships develop friction.

A wise old cattle owner in Northern Australia, worth about £500,000, gave this advice

HOW TO GET AND USE MONEY

to a young man who wanted to go into the cattle raising business: "If you have £10,000," he said, "start on your own at once, employ an experienced manager and learn from him what to do. But if you haven't got £10,000, then go and work for a competent cattle raiser and get your experience at his expense."

He meant that a young man must either have specialized knowledge himself or engage a man who had it. He must not risk his money in a business of which he is ignorant. A man starting on his own must have brains, capital and experience. He must hire what he lacks. If a man has money only, he must hire brains and experience. If he has brains and experience only, he must borrow money.

To many a young man I would say: "If you have a passion for music, stick to music and earn your living by it." Never before was there as much music in the world as there is to-day. Thanks to radio, there is music to-day—plenty of good music—in almost every home in Great Britain. A universal demand is being created for music and for musical instruments. The whole musical industry is, in my opinion, in the dawn of its Golden Age.

Some of the most highly paid men in London are band leaders. It is said that one of them has an income of £30,000 a year. What a chance

HOW TO START RIGHT

there is to-day for a Stradivari—for a man who can make the best violins in the world! What a chance there is to-day for composers and musical instrument makers! The whole civilized world, it seems, has gone mad on music. And the amount of money spent on music will be vastly more than it has ever been before.

Generally, in giving advice to a man who shows me a business scheme, I advise him not to attempt too much, I tell him to go forward safely—to have a small try-out—to do a little market research and so on. But once in a while a man comes along—a strong-chinned, keen-eyed man. He makes known his scheme. It seems far too big for him to handle. But I advise him to go ahead at full speed with it.

An ungrammatical American humorist once said of Napoleon: "He attempted too much and done it." Every now and then a man in the business world, as we say—"bites off more than he can chew and chews it". Northcliffe did. Leverhulme did. Kelvin did. Thomas Bata did. They achieved results that everyone regarded as impossible. † o c r q u i r o

Most men have definite limitations. They can do so much and no more. Such men should not, I think, attempt too much. They should not try to carry out a scheme that requires more capital and ability and stamina than they possess.

HOW TO GET AND USE MONEY

But now and then there is a man who has great reserves of energy and persistence—a man who learns quickly and has the power to make a tremendous effort. He can work twenty-four hours a day if he must. He can keep on when other men would stop. An unbeatable man.

When such a man starts to carry out a big scheme, no wise man will tell him that he has attempted too much. Critics and pessimists had better get out of his way. He will go forward with the power of a steam-roller.

A great deal depends upon the power to make an EFFORT. Only a few men, so it seems, possess this power. They tackle a big job, and they grow larger and stronger while they are grappling with it. They go “all out” to accomplish whatever they set out to do.

It is an odd fact of human nature that when a young man decides to start a business of his own, he usually thinks he will go somewhere. The idea does not occur to him that the best place to start is where he is—in his own home town. So, very often, he picks himself up by the roots and goes to another town or country, where he knows no one.

As this is done so frequently, there must be a reason for it. There may be times when the home and town influences are holding the young man back. But on the whole it seems to

HOW TO START RIGHT

be a wise rule—start where you are. A young man should not under-value what he can do in his present firm or in his home town.

In 1895 there were two brothers, about sixteen and eighteen years old, who lived in a tiny American village with the absurd name of Canajoharie. These boys noticed an old barn one day, on the edge of their village. No one was using this barn. One of the boys said: "That barn would be a fine place to smoke bacon." So, they started a bacon-curing business. They learned how to make the most tasty bacon in America. They began to advertise to make their bacon known. That was the beginning of the well-known Beech-Nut Packing Company, which is noted as one of the most efficient of American firms.

Many another big business has been started in a village. The Clarks built up their shoe factory in the little Somerset village of Street. Bata created his huge shoe business in the remote village of Zlin, in Czechoslovakia. Those famous surgeons—the Mayo brothers—have never left the little out-of-the-way village in America where they were born. Most of the large watch-making factories in Switzerland are in small towns, not in Basle or Zurich.

So, as soon as ambition springs up in a young man's mind, he should first ask himself: "How

HOW TO GET AND USE MONEY

high may I rise in my present firm?" Perhaps he should not start a business of his own. Perhaps his present firm will give him his best chance of climbing up in the world.

If, however, he sees no hope of promotion, then he should look for another position or for the one best way to begin on his own in his own town. He can make a success more quickly where he is known. In a word, the far-off fields look green, but they may be no greener than the fields near by. We are all likely to undervalue opportunities that lie right in front of our eyes.

There is a good deal of loose thinking about opportunities. The impression is often given by writers and speakers that big opportunities are lying about by the dozen, waiting for anybody to pick them up. The truth about opportunities is as follows:

(1) It is true that there are plenty of opportunities lying about.

(2) There are big opportunities for big men.

(3) There are small opportunities for small men.

(4) Every man should seize his own size of an opportunity.

Sometimes a big man seizes a small opportunity. He does what he tries to do, but he

HOW TO START RIGHT

wastes his time. He makes money, but not enough to pay him for his abilities. Then, sometimes, a small man seizes a big opportunity. He makes a brave start, but he lacks the knowledge or capital to carry the scheme through. Eventually, a big man comes along and takes over his scheme. One man has made himself fit to be a leader. He can grapple with the big opportunities. The other man is a rank-and-file man, and he can grapple with small, rank-and-file opportunities only.

The late John D. Rockefeller, the American Business-Builder, once said: "Sometimes people talk as though we older men had more opportunities than the young men of to-day. Nothing could be more untrue. The time in which I first opened my eyes was a midnight of darkness and to-day is a blazing noon. The young men of to-day can't conceive what things were like in our day. There was everything to do and nothing to do it with. There were no paths marked out, no experience of others to profit by. As to the future, it dazzles the mind. It stupefies the imagination."

If a man keeps on developing his brain, his business problems will change. When a lad starts out in life his first problem is how to be noticeably useful and profitable to his employer. Most lads, I fear, never solve this first and

HOW TO GET AND USE MONEY

easiest problem. Consequently, they remain all their lives in the rank and file.

The second problem is how to save money. Only those who have solved the first problem will have much money to save. The third problem comes when a young man is put in authority over others. He must then begin to learn the art of management. He is on his way to become an executive. He must then decide whether he is to become an organization man or start a business of his own. If he is happy and successful in his company, he would do well to remain with it.

If he becomes the head of a department, he must study the interests of his company as a whole. He must not be merely a departmental man, if he wants to climb higher. His main problem then is how to increase the net profits of his company. He must study efficiency and put into practice what he learns. He will be allowed a certain amount of initiative, and he must make the most of it.

If he rises to become a managing director, at once he will find himself faced with a new lot of problems, harder and larger than he has ever had before. He will find that he must look further ahead. He must make large plans. He must overhaul his weak departments. He must shape a policy for his company. He must learn

HOW TO START RIGHT

the principles of organization and pick the right men as his executives. He must look OUTSIDE his company and study conditions and markets and sources of supply. He must learn something about finance, as he will have large amounts of money to deal with.

As a man's job grows larger, so he, too, must grow. If he does not grow, then his job will be a dead end. He will have to depend upon seniority alone for promotion. Experience in a small job does not fit a man for a large job. That is a fact that many men never learn. It may be taken as a rule that whenever a man is promoted or whenever his business expands, there are new ideas and methods that he needs to learn. He must acquire enough new specialized knowledge to enable him to solve his new problems.



HARD WORK
PLUS THINKING

CHAPTER THREE

HARD WORK PLUS THINKING

ONE of the old copy-book maxims was—"Success comes by hard work". Like most maxims and proverbs, it is only a half-truth. The complete truth is—Success comes by hard work, plus learning, thinking and planning.

Every now and then, a man who is a tremendously hard worker finds that his business has become insolvent. After he has lost his business, he sits down sorely puzzled. Perhaps he had been working twelve hours a day. Perhaps he had been having no spare time at all. And yet he could not pay his debts.

To work with even frantic speed may not save a business from slipping into insolvency. It may only hurry on the crash. Usually, when a non-swimmer falls into deep water, he waves his arms frantically—the worst thing he can do. He tries to climb on top of a man who swims out to rescue him. Sometimes both are drowned because of his frightened folly. Quite a few business men are as self-destructive as this. They cut prices, treat their employees

HOW 'TO GET AND USE MONEY

harshly and do a vast amount of profitless work. What they need is what P. G. Wodehouse calls "a spot of thinking".

Whenever a man's business is not profitable he should take it for granted that there is something wrong with his goods, his service, his methods or himself. There are times when this is not true—when a man's business fails for reasons over which he has no control. But this does not happen often.

When a man finds he is going in the wrong direction, he should not speed up. He should STOP. He should search for the right road. He must go on a quest for all the causes of loss. He must begin to study his business, as though he had just bought it.

There are sure to be many things concerning his business that he does not know. He must begin to learn. Instead of worrying and fussing and dashing about and hectoring, he should go into a room by himself, and sit down for an afternoon, and put his facts and figures on a table and think about them.

He must decide to make certain changes and improvements. Very likely, he must put a lot of his routine work on others. He must not keep on making the same mistake twice, three times, ten times. He must keep on working hard, but he must decide on a plan to increase

HARD WORK PLUS THINKING

his net profits. He must learn more, think more, plan more.

Too many business men try to work like engine-drivers. They forget that running a business is vastly different from running a railway train. An engine-driver has complete instructions for his job. He does not need initiative. He obeys orders. His train is run on rails. He is guided by signals. In his whole life he may never need to make an original decision. He never has a new problem to solve. His worst trouble, no doubt, is fog. As long as he can see his signals, he knows what to do.

A business man's work can never be like this. His business does not run on rails. He has a few signals to guide him, but he has to depend every day upon his own knowledge and judgment. He has to make decisions. At any moment, something may happen which compels him to make a decision at once. An engine-driver must never take chances, but a business man is always taking chances. As you can see, any man who is an engine-driver by nature should not go into business life.

Frank W. Woolworth once told B. C. Forbes that it was a serious illness that transformed him from a small to a big business man. He said:

“My illness taught me a lesson. Up till then

HOW TO GET AND USE MONEY

I thought I must attend to everything myself. But thereafter I indulged in the luxury of a book-keeper, and I also, with a great effort, broke myself of the conceit that I could buy goods, display goods, run stores and do everything else more efficiently than any man associated with me. That really marked the beginning of my success and enabled me to expand in a large way.

“From then on,” said Mr. Woolworth, “I confined my attention to important matters, to looking ahead, thinking up new plans, giving instructions to other people, placing responsibilities on them and contenting myself with general supervision of the conduct of the business.”

Until Woolworth learned this lesson of cutting free from details and concentrating on creative work, he was keeping his business small. He might have learned this lesson from business books, but he learned it by costly personal experience. He learned it by breaking down his health. No doubt, there are quite a few business men to-day in nursing homes and hospitals, who may or may not learn this lesson.

The fact is that every business man who tries to make himself indispensable—who distrusts his helpers and meddles constantly with the

HARD WORK PLUS THINKING

routine work, is keeping his business small. Big men should do the hard jobs only and leave the small jobs to smaller people. You can tell the size of any business man by looking at what he is doing. When the man at the head of a business turns himself into a sort of chief clerk and chaser and odd-job man, you may be sure that his business is not growing.

When a man has built up his business to a certain point by hard work, he needs to work less and plan more. Again and again in this book I am hammering in this fact, as it is so important, and as most business men never get it clearly in their minds. There comes a time when a man must become an organizer and a staff trainer, if he does not want his business to be stuck. His main work should then be to build up an organization, and as far as possible to stand clear of the routine work. He will then give his business a fair chance to GROW.

A business man should try to be a skilled valuer, not only with regard to the goods he buys and sells, but also with regard to all the activities in his business. And in his home, too. He should have the right attitude towards trifles. The right attitude is this—some trifles are very important and others are of no importance at all.

There are two kinds of trifles—those we can-

HOW TO GET AND USE MONEY

not afford to overlook, and those we cannot afford to notice. When we say that a man is "fussy", we mean that he wastes time on the small things that do not matter. A "fussy" man usually neglects the important matters. He worries because some employee has broken a window, and he does not notice how many customers he lost last year.

Many a man goes through life like a chip of wood on a rough sea, tossed about by every wave and ripple. Other men go through life as steadily as a great ocean liner. The small waves have no effect on them. A thing is important according to its consequences. A small discourtesy to a regular customer is not a small matter. So, a man must try to be a skilled valuer, and give his time only to the things that concern the welfare of himself and his business.

Saving money is not always wise. It may be very foolish. For instance, a Government advertisement during the war advised men:

- (1) To shave themselves.
- (2) To wear shabby clothes.
- (3) To press their own suits.
- (4) To smoke wet tobacco.
- (5) To do their own plumbing.
- (6) To carry their lunches, etc.

HARD WORK PLUS THINKING

Now, all this is silly saving. It is penny wise and pound foolish. It does not help the country to have amateur plumbing and cold lunches. It does not help matters to take away trade from the tailor and the barber and the laundryman. In fact, the very worst way to save money is to try to do everything yourself.

There are many business men, more in America than in Great Britain, who are always in a hurry and yet get very little work done. They do not plan. They dash about here and there. They are too busy to read, too busy to think, too busy to escape from the mess they create. They love to say—"Don't you see I'm very busy?" They do profitable work and unprofitable work and never know the difference.

We are not, as a rule, guilty of this frantic method of working in Great Britain. That is why foreigners sometimes think we are slow. A Canadian business man, writing in the **CANADIAN BUSINESS** magazine, said:

"When I visited London for the first time, I smiled in a superior sort of way over the English ways of doing business. I got quite a shock when our London manager served me with four o'clock tea. I was amused at the idea of a fireplace in a business office. It was hard for me to figure out how they ever did any business over there.

HOW TO GET AND USE MONEY

“Yet in spite of their leisurely ways, they seemed to get there just the same. I know why now. The average Englishman keeps his eyes on the main chance more than most other business men. He thinks in terms of essentials. He lays his course and then holds to that course. He does not rush around in circles.”

As a race we are less upset by trifles than most other peoples are. We do not think the end of the world has come merely because there has been a big smash in the business world.

We could, of course, plan more than we do. We are likely to neglect planning because of our stamina and self-confidence. No matter how busy a man may be, he must judge his activity by results. Efficiency means getting more results with less energy. When a man plans his course and gets rid of as much routine work as possible, he has time to read and think and do creative work.

Probably about 95 per cent of the work of almost any company is routine work. It requires memory, not thought. It is not necessarily easy work. It may require keen observation and accuracy and courtesy. But it is more or less standardized work. The worker has been shown how to do it. It is the only kind of work that most people can do.

HARD WORK PLUS THINKING

But 5 per cent of the work of a company is quite different from this. It is not routine work at all. It is creative work—thinking and planning and improving. And it must be said that in most firms this work is neglected. One name for this work is Management. It requires thought and skill and good judgment and specialized knowledge.

A purely routine worker cannot manage. Many heads of departments and foremen fail because they are only routine workers. They attend to the 95 per cent and neglect the 5 per cent. This is no small matter. The net profits of any firm depend more upon the 5 per cent of creative work than upon the 95 per cent of routine work.

As soon as a firm does routine work and nothing else, it begins to slip behind. It stops growing. And very often not even its routine work is done well. It is the creative work that keeps a firm alive. It is like the trickle of fresh water that flows into a pond. It prevents stagnation.

Sometimes the head of a firm and his executives will spend a whole day, a whole week, in doing routine work—the ordinary work of each day. Such a firm is not really being managed at all. It is only drifting along.

An efficient manager cuts clear of the routine

HOW TO GET AND USE MONEY

work as far as he can. He does not do what some lower-priced person can do. He stands outside of routine work for at least a part of every day. And he looks to see how either his people or his methods can be improved.

Take all the big, profit-making companies of Britain or any other country, that are paying 20 per cent dividends or more. What is the reason for their success? It is not routine work, no matter how well this is done. It is CREATIVE work—thinking, planning and improving. There can be no doubt about that.

The secret of Jewish success is that a Jew uses his brains. He must. He receives no favours. He has no privileges. His success depends wholly upon himself. He is obliged to be aggressive.

Is it not time that we put an end to the silly prejudice against Jews? Is it not time that we stopped looking upon them as outsiders and foreigners? I have no Jewish blood in me but I would be proud of it if I had. No other people have produced as high a percentage of Thinkers as the Jews have.

Jews are a most sensitive people. They feel the hostility that is on all sides of them. How much they suffer from this hostility we can never know. Wherever Jews go, there is more intelligence, better family life, less violence,

HARD WORK PLUS THINKING

more generosity and more trade and commerce. It is a good sign that the Jews are coming to the front. It is time that we learned to appreciate their good qualities and to forget the foolish prejudices that were born in the Dark Ages.

To anyone who is doing creative work I would say that the best way to work is to alternate work and relaxation. Swing backwards and forwards between hard, tense, concentrated effort and complete relaxation. I would call this the PENDULUM METHOD. I use this method myself, and as a result I have had no mental fatigue nor nervous breakdown nor any other such thing for nearly forty years.

Many men are tense all day long. They work on one thing for four hours at a stretch—sometimes for days. They seem not to know how to relax—how to let go for half an hour. They are tense at meals. They sleep—a very poor semi-sleep—with their hands clenched.

I saw a man in a taxi. His taxi had been stopped by a red light. The man was leaning forward, eager and tense as though he could help to make the taxi go faster. That man did not know enough to relax when he had a chance. Sooner or later he will have a nervous breakdown. An American book says: "Lloyd George always falls asleep the instant he sits

HOW TO GET AND USE MONEY

down in a motor car which he is not driving.” Apparently he uses the “Pendulum Method”.

Quite a few managing directors and others prevent mental fatigue by changing from one job to another. But this is only a half-way method. The best way to get the biggest brain output is, in my opinion, to have at least five or six rest periods in a day.



KNOW YOUR
COSTS

CHAPTER FOUR

KNOW YOUR COSTS

A MAN must have the right attitude towards EXPENSES. Both spending and economy can be carried too far. Speaking of a London publisher, a man said to me: "All he thinks of is how to cut expenses." Also, he said: "In my opinion that is one sure way to put a business on the rocks." And there is a great deal of truth in that.

It goes without saying that a man must watch his expenses. In every big firm, especially, the expenses will run wild unless the managing director has a keen eye on them. There are scores of expenses to-day that were unknown thirty years ago. The Government seems to have set us all a bad example in the matter of careless spending. The old Gladstonian days of strict economy have gone for ever. But to treat all expenses alike and to try to hammer them all down to the lowest point, is a serious mistake.

The right point of view on expenses is this—always distinguish between the profitable and the unprofitable expenses. When a man is

HOW TO GET AND USE MONEY

looking at his expenses, he should have a black pencil and a red pencil. He should mark his profitable expenses with a black pencil and his unprofitable expenses with a red pencil. Usually, we use red to show losses. Then he should put a stop to his unprofitable expenses. He should not make the same mistake twice.

No business man should have an obsession against spending money. He **MUST** spend, in order to make his business grow. The question that should concern him is: "How can I spend money in such a way that I will get my money back and a net profit as well?" The main thing in business is not to save pennies. Every now and then a business man should ask himself: "How can I spend money profitably?"

The most effective method of saving is to buy up-to-date equipment. The net profits can be increased by the purchase of an addressing machine, or an Ediphone, or an adding machine or a lathe. Tens of thousands of businesses are losing money every year by **NOT** spending. The retailer who will not spend a bit of money to train his sales people is losing far more than he knows because of his economy obsession. The main thing is neither to save nor to spend. It is to make more profits. As soon as a man has that fact clearly in his mind, he will act wisely with regard to expenses,

KNOW YOUR COSTS

The main reason why correct costing is so profitable is that it turns the light on everything that is being done in a business. The manufacturer who guesses at his costs is working in the dark. He cannot see clearly what he is doing.

A cost figure is not likely to be reduced if no one knows what it is. And losses are not likely to be stopped until they are found out. The first necessity in management is knowledge. It is not a quick, easy matter to secure accurate and complete knowledge of costs, but it pays. It is amazing that there are still many manufacturers who are not aware of this.

When a retailer looks over his costs, he will usually find that the biggest item is for wages. His shop assistants, very likely, are taking more out of the business than he does. Shop assistants never think of costs. It might be a good idea to instruct them as to how the gross profits are distributed.

On a rainy day, a sales girl, getting 30s. a week, waits on only five customers. She is paid 1s. apiece for waiting on these customers. If she serves 180 customers in a week, she receives 2d. per customer. Every morning she must sell from 15s. to 20s. worth of goods, just to pay herself for the day. A careless or irritable shop assistant may drive away a regular customer

HOW TO GET AND USE MONEY

whose purchases mean £10 a year of net profit. And she gets paid for doing this.

As soon as a retailer begins to study what he is getting in return for the wages he pays, he will appreciate the value of staff training. He will find that his ablest, best-paid sales people are costing him a smaller percentage of his gross profit than the untrained, indifferent sales people. He can add a bit to his net by following out this line of thought.

A retailer should know his costs. Also, he should impart this knowledge to his shop assistants. This is not often done.

If shop assistants knew costs, they would not be so keen to have Markdown Sales. They would take better care of their stock and prevent it from being soiled or damaged in any other way. They would try to reduce the cost of deliveries and the cost of having goods returned. They would come to have a net profit habit of mind, instead of only a sales habit of mind.

Here, for instance, is a little lesson on retail costs that should be copied out and given to shop assistants:

A retailer bought twenty handbags for 8s. each.

KNOW YOUR COSTS

He put a price of 12s. on them, and sold sixteen.

The total expenses in his business amount to 25 per cent.

Consequently the handbags cost him 11s. each.

By selling sixteen he made 16s. net profit.

The other four bags became slightly soiled. They were marked down to 9s. 6d. and sold.

There was a loss of 6s. on these four bags.

So, the total net profit of the retailer on the twenty bags was only 10s.

On an investment of £8 he made only 10s. net—only 6 per cent.

Even this 6 per cent is not absolutely net. The Government tax-collector holds his hand out and demands a bit of it. To make a fair, just, net profit in retailing is one of the hardest jobs in the business world. And shop assistants should be told how hard it is.

What a help it would be to us if some clever inventor could make a machine that would ring a bell whenever any net profit had been made! A cash register that could do this would be very useful. It would be educational, too. It would be a wonderful object lesson to sales people.

HOW TO GET AND USE MONEY

In almost all shops the bell would never ring in the mornings. All the profit made in the mornings would go for rent, wages, taxes and other expenses. In many a shop the bell would not begin to ring until about 4 or 5 p.m. And of course in thousands of shops it would never ring at all.

Most shop assistants, I believe, have the delusion that whenever they make a sale they make a profit for their company. In most cases they have to sell for a couple of hours before there is enough profit to pay their wages. Then they have to sell for another couple of hours to pay rates and taxes. And another couple of hours to pay the rent and all the other expenses. The net profit of a shop comes only in the last hour or two of the day. All shop assistants should be told this vital fact.

A good way to prevent waste is to point out to managers and employees that all materials, light, heat, power, etc., represent money spent. All materials, goods, tools, etc., should be kept as carefully as we keep our petty cash. If there is a loss of 2s. in the cash we make a fuss about it, but in many businesses 2s. is wasted every half-hour and no one pays any attention to it.

But a still more effective way to decrease waste is to point out what it means as the interest on capital. A penny waste, for instance,

KNOW YOUR COSTS

means a loss of the interest on 1s. 8d. And 1s. 8d. is far too much to throw on the floor. Many a firm is in urgent need of £5000 and cannot borrow it, yet its waste amounts to £250 a year, which would be the interest on £5000.

Waste should be pointed out and multiplied by twenty. The amount then shows how much money could be borrowed if the waste is stopped. Such is waste from the point of view of the banks. And it is the correct point of view. All waste comes out of net profits and decreases the amount of money that the firm can borrow. As you can see, it is a vital matter greatly neglected, this matter of WASTE.

Ask a manufacturer his percentage of waste, and usually he will say that he does not know, or he will give you a wholly imaginary figure. He may say: "It is 6 per cent," when the truth is that it is 12 per cent. He usually knows "prime cost"—materials and labour—but most of his other costs are unknown. Often, he is sure that he knows. He will give you figures that have not been true for ten years. Perhaps they have never been true.

In some firms, costs are an old tradition. There is no truth in the figures at all. They remind you of a statement made by a Dr. Lightfoot—a distinguished Professor at Cam-

HOW TO GET AND USE MONEY

bridge many years ago. He said: "Man was created on October 23rd, 4004 B.C., at nine o'clock in the morning." He was very positive. He was very definite. But he was millions of years wrong. The fact is that no manufacturer knows his costs unless he has found them out recently, by a most careful and diligent investigation.

There is quick money and slow money. If a retailer buys something and sells it in a month, his money is quick. If he buys something and sells it in a year, his money is slow. A quick sixpence will soon beat a slow shilling. A quick sixpence may grow 1s. 6d. at the end of a year, while the shilling may remain a shilling.

A newsboy has the quickest money. He may make his shilling grow twice a day. A green-grocer has quick money. If it were not for his spoiled stuff, he would make a good income. A restaurant keeper, too, has quick money. If he can keep his tables busy, he can make a high percentage of profit.

A grocer has quicker money than a jeweller or an ironmonger or a furniture dealer. Their chief handicap is slow-moving capital. Before a retailer buys any line of goods, he should ask himself: "Is this money I am spending likely to be quick or slow?" Most of a retailer's profits

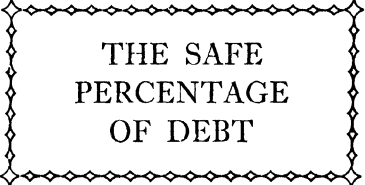
KNOW YOUR COSTS

are made by his quick money. There is no doubt about that.

A business man in Melbourne, in a letter to me, uses the phrase—"Actuarial costings". This phrase may be in common use, but I had not come across it before. It is a good phrase.

The most wonderful of all costing systems is that which has been built up for life insurance companies by actuaries. The figures of actuaries are so reliable that hundreds of millions are staked on them. They enable the insurance companies to predict what will happen in the future.

The costing system of a manufacturing company, too, should enable it to predict its costs correctly. Many an estimating clerk, as we know, has to depend largely upon guesses. That is because his company has not developed an actuarial system of costings.



THE SAFE
PERCENTAGE
OF DEBT

CHAPTER FIVE

THE SAFE PERCENTAGE OF DEBT

A BUSINESS man must give some thought to the meaning of CREDIT. It is only another word for DEBT. As debt is not a pleasant word, we do not use it as often as we use the word "credit". By means of the pleasing word "credit", we are lured into debt. And debt is the one universal cause of bankruptcies.

The most enlightening paragraph that I have ever seen on debt was written by Mr. Freeman Tilden, in his book *A World in Debt*. He said: "The effects of debt are both physiological and pathological. Debt is a food and it is a drug. It is a stimulant and a narcotic. It accelerates and it retards. It assists individuals and it ruins them. It brings States to power and it sends them toppling."

Many a man gets into such a maze of loans and debts that his problem is a veritable brain-twister. One man, for instance, starts out as a furniture dealer with £1000 capital. He sells on the hire-purchase system and goes in for volume of sales. His mark-up, apparently, is

HOW TO GET AND USE MONEY

too low. Expenses swallow up his profits. Eventually he owes £5000 and £5000 is owed to him. The question is—has he any business at all? If his business were wound up, he might not get a penny out of it.

The point that all such retailers need to remember is that selling goods is not business. The vital thing in business is to make net profits. It is better for a retailer to sell £3000 worth of goods in a year for cash and make £500 net, than to sell £6000 worth of goods, mainly to credit customers and make £200.

Too many small retailers forget that they have limitations. They want to get a big volume of business by giving credit. The fact is that they are not in a position to give credit. They cannot afford to have any of their small capital tied up. They must buy only what they can sell quickly for cash. They must make as many profits a year on their capital as possible.

This would seem to be a safe rule—never give credit for a larger amount than you can afford to do without. The first thing a small retailer should aim at is to make enough net profit to pay him well for his work. The second thing he should aim at is to have a little surplus of capital in the bank. What does most to make any business safe is its RESERVES.

Many a man builds a business by means of

THE SAFE PERCENTAGE OF DEBT

mortgages, loans, overdrafts, etc., and in the end he finds that he has not been a Business-Builder. He has only been a Debt-Builder. Sooner or later some creditor pulls a prop from under his structure and down it falls. Then the man is amazed to find that he has got, in the end, little or nothing for all his hard work.

If this man had not over-traded—if he had kept his business smaller and safe—he might eventually have built up a solid business that would not be at the mercy of any inconsiderate creditor.

Before any man sets out to pay interest he must concentrate his attention on net profits. The amount that he can safely spend or borrow depends wholly upon his net. Debt may be either a Business-Builder or a Business-Breaker. The vital point to consider is the net profit of a business.

A business man goes to a bank to borrow a bit more. His overdraft has been steadily growing larger. He wants to make it bigger still. But this time his banker says: "Sorry, Mr. Blank, but you know you are past your limit now. I must say 'No'." What should this man do?

Almost always what he actually does do is this—he looks north, south, east and west to find somebody who will lend him money. He thinks that all he needs is more capital. And

HOW TO GET AND USE MONEY

in nine cases out of ten he is quite wrong. If anyone did lend him money, he would be in exactly the same trouble in a year or two. He would persist in over-trading. He would keep on taking over more than he could handle.

The right thing for this man to do is to go back to his business and do a bit of liquidating. He must "cut his garment according to his cloth". He must cut his business down to its proper size. He must turn some of his assets into cash. And he must do it quickly.

This is always unwelcome advice. I have given it to many men, and have seldom, if ever, been thanked for it. But when a man has over-traded to the limit, there are only two things that can save him—either this advice or a rich and generous uncle.

Almost every man whose business is doing badly, says: "What I need is more capital." And in most cases he is mistaken. What he needs is a knowledge of efficiency. Many a man, if a friend lent him £5000, would be in trouble again in three years. He would want another £5000.

This reminds me of a story. A man was brought before a Judge, charged with a crime. The Judge asked him: "Will you select a counsel to defend you?" "No, thank you, my lord," he replied. "I would prefer to defend myself."

THE SAFE PERCENTAGE OF DEBT

But I'll tell you what I would like—a couple of good witnesses.”

Naturally, any man who is having money troubles wants more money. But wanting it will not help him. His first step must be to turn some of his possessions into money. He must act as his own receiver. He must retrench and liquidate.

Then, when he has paid off enough of his debts and his overdraft to make him safe, he must study the methods of efficiency. He must put his business in order or call in someone to do it for him. He must concentrate on the making of net profit. Plainly, he must learn how to use capital profitably. As soon as he can do this, he will be offered as much capital as he can use.

A manufacturing firm in the north borrowed £10,000 for an advertising campaign. The loan was made without security. The advertising proved very successful and the loan was soon cleared off. The firm continued to spend money for advertising, but without borrowing.

Then, owing to slackness in management, the firm began to go downhill. It was beaten all along the line by a new firm that had sprung up. Its factory equipment became out of date. It went to its bank and asked for another loan of £10,000 to spend on advertising. It offered the deeds as security.

HOW TO GET AND USE MONEY

But the banker refused to make the loan. He had noticed the slackness in management and the new competition. In his opinion, the firm should have been spending only half as much on advertising, and spending the other half on new equipment. Also, the banker noticed that much of the advertising was being wasted in the wrong media. So, this shows that bankers do consider efficiency and progressiveness when they are asked for loans.

Suppose a man were to write to me: "I have inherited £1000 from my father, and an uncle has offered to lend me £2000 more to enable me to purchase a quite profitable business. What about it?" The answer is, evidently: "You have a good uncle. He is willing to risk the probable loss of his £2000."

As the questioner obtained his £1000 by inheritance, not by earning and saving, it is not likely that he would make a business pay, when two-thirds of the capital is borrowed. If the uncle, who is apparently a money-maker, will lend him a hand in the running of the business, then I would say—get on with it; otherwise, not.

It might be laid down as a general rule that debt becomes dangerous when a man borrows more than his present capital. A business can-

THE SAFE PERCENTAGE OF DEBT

not run ALL DEBT, nor TWO-THIRDS debt. It may run HALF debt.

There may be exceptions to this rule, as some businesses have a big margin of profit. Andrew Carnegie was a terrific borrower, but he made from 20 to 40 per cent net profit. He could safely have borrowed much more than the banks would lend him. In general, we might say that the limit of safe borrowing is decided by two things—the business ability of the borrower and the margin of net profit in his business.

Every self-respecting man in the business world should say to himself: “No man shall lose money by me.” This rule cannot always be completely carried out, but we should have it in our minds as an ideal. We cannot take on other people’s risks, unless we are in the insurance business. But we can go much further in this line than we do.

If you help a man to make money, you have fastened him to you. If you make him lose money, you will lose him as a customer or a client. Every retailer who sells reliable goods at fair prices, and allows unsuitable goods to be returned, carries out this rule. So does every manufacturer who makes satisfactory goods and stands behind them with a guarantee.

Many debtors make a bad mistake when they

HOW TO GET AND USE MONEY

receive a statement five or six times and make no answer. Nearly all of them intend to pay, but when they cannot pay at the moment, they should at least acknowledge receipt of the statement and promise payment on a certain date.

When a "dumb delinquent" makes no reply to a collection letter, he seriously damages his credit. He risks having his account handed over to a lawyer or collection agency, which means that his name goes down on a Black List.

If a debtor has no money at the moment, he can at least have courtesy and a bit of sense. He can reply to the first collection letter and state his case. This would give him favourable attention at once. The debtor who sends no money and pays no attention to collection letters has only himself to blame if he loses his good name and destroys his credit.

Thousands of debtors are destroying their credit because they do not know a few simple things about debt-paying. The man who fails to pay his bills and gives no explanation is ruining his reputation as a business man.

Often, a debtor is surprised to receive a lawyer's letter or a summons. And in most cases he could have prevented this. Then he has to pay the debt, plus costs. It is not enough to send excuses and stories that are not be-

THE SAFE PERCENTAGE OF DEBT

lieved. It is not enough to make indefinite promises.

Any payment, however small, is better than the most plausible excuse. If you owe £40, you can send £4, at least. Tell the truth to a creditor. If you can pay in three months, say so. Then he feels that he is dealing with an honest man. At all costs keep your credit good.

The first lesson in the use of money that a young man must learn is to buy only what he can afford to buy. Usually, what he wants and what he can afford are two very different things. Unless he can learn to keep expenditure down, he will soon be in trouble, no matter how much money he makes. That well-known American speculator, Durant, made four large fortunes and lost them all. At seventy-six, he was practically penniless. He made millions, but he always spent more than he made.

I once knew a young man who wanted a business of his own. His father, who had more money than sense, gave him £800. The first thing he did was to buy a £300 motor car. Then he bought a shop for £450. He had left himself so little working capital that he soon began to slide deeper and deeper into debt. In less than eighteen months he was a bankrupt and the whole of his £800 was lost.

This little rule of eight one-syllable words

HOW TO GET AND USE MONEY

would prevent every bankruptcy: "Don't buy more than you can pay for." This applies to either money or goods—to borrowing or buying. All bankruptcies are caused by debt. A man takes on an obligation to pay and it proves to be too much for him.

This is a general rule for average men. If a man has exceptional abilities, he can safely take a chance and plunge. But an average man should play safe. He should not tie up all his capital. He should carefully watch his cash position.

Most money troubles would have been prevented if people had only remembered these eight words—buy only what you can afford to buy. A man must have self-control with regard to his wants. If he is earning only £3 a week and he wants a motor car, the fact is that he cannot have one. The most that he can afford is a second-hand motor cycle. He would be wisest if he bought only a pedal bicycle. Then he could save a bit out of his £3 a week.

Every little boy of eight should be taught to save as well as spend. He should have his little money-box. He should save in order to have more money to spend during his holidays and so that he can buy a birthday present for a brother or a sister. He should be checked if he shows signs of being a little squanderer. Even

THE SAFE PERCENTAGE OF DEBT

at eight years of age, he can be taught to have a bit of money sense.

A young man must get this fact into his head—he cannot reap in the springtime. In the springtime he must plough and sow his seed. Then, in the autumn, he will reap his crop. The young man who starts out as a brilliant spender—who buys what he wants even if he has to become a debtor, will not have any crop to reap in the autumn of his life. A certain percentage of young men plan their lives. They begin by learning and saving, not by wanting and spending. They have foresight.

A young man of twenty saves a pound. By the time he is forty or fifty, that pound has become two pounds. Such is the magic of interest. If he has been using that pound in his business and carrying on his business efficiently, by the time he is forty it will have become twenty pounds or possibly more. Such is the magic of net profits. Here, as you can see, is the main reason why a young man should acquire capital as quickly as he can.

A young man should have second thoughts before he spends £5 on swank or pleasure. If he keeps that £5 in a profitable business, in twenty years it will become £100. Whenever a young man buys anything he does not need, it costs him vastly more than it costs an elderly

HOW TO GET AND USE MONEY

man. This is a new idea that can greatly help any young man to control his expenditure. Every seed that is wasted in springtime means a loss of more than that seed. It means the loss of the yield of that seed.



THE PROFIT-
MINDED MAN

CHAPTER SIX

THE PROFIT-MINDED MAN

IN order to make more money in any business, a man must become PROFIT-MINDED. The common opinion of business men is that they are all profit-minded, but this is far from being true. The truth is that most of them spend most of their time on all manner of other things than net profit.

A large percentage of them are ROUTINE-MINDED. They are concerned mainly with the doing of the day's work. They will carry unprofitable lines or dead departments for years. Their policy, if they can be said to have a policy, is: "Business as usual, profits or no profits." It is probable that two business men out of five are in this class.

Many men are VOLUME-MINDED. They have the delusion that selling is business. They say: "Give me volume and profit will take care of itself." They spend money freely on advertising and sales promotion. Their aim seems to be to give as much as possible for as little as possible. But when one of these men crashes, his cus-

HOW TO GET AND USE MONEY

tomers have never been known to start him up again.

Most of the latter class of men are PRICE-MINDED. They sell on price. Their main object seems to be to take business away from competitors. They never know their costs. They have a vague idea that if they buy an article for a pound and sell it for a guinea, they make a bit.

There are many manufacturers who are PRODUCTION-MINDED. They have small, inefficient sales departments. The men at the top are usually engineers or chemists, who undervalue the art of salesmanship and the power of advertising. They may make high-quality products, but they do not sell enough of them.

A profit-minded man is different. He does not neglect his routine work, but he puts his small jobs on small people. He does not ignore volume, but he does not believe in profitless selling. He lowers his prices when he can, but he lowers them by reducing costs, not profits. He pays attention to production, but he pays just as much attention to the selling end. When the man at the head of a business keeps net profit always in mind, he does not run his business in the dark. He floodlights his business and looks for the wastes, losses and opportunities.

THE PROFIT-MINDED MAN

That active little animal—the mongoose—is said to be very inquisitive. It is always searching for snakes and rats. It was Kipling, I believe, who once wrote that the motto of the mongoose family is: “Go and find out.” And it is very evident that this would make a very good motto for any man who is in charge of a business.

Having interviewed hundreds of business men, I would say that what has impressed me most is this—the number of questions about their own businesses that they cannot answer. Inquisitiveness is a quality which only a few business men seem to possess. It is a very useful quality. It is almost incredible, but true, that a man will sit at his desk, at the head of a department or a business, and never find out the facts that are necessary to ensure good management. Many a man says: “I don’t know,” when he is asked such questions as these:

What are your percentages of waste?

On what lines of goods are you losing money?

How much unprofitable space is there in your building?

What is the actual working time of your most expensive machines?

What was your total loss last year because of price-cutting?

HOW TO GET AND USE MONEY

How many credit customers did you lose last year?

What method of advertising has paid you best?

How much of your equipment is obsolete?

What are the weak spots in your organization?

As you can see, every one of these questions is important. To know the answer to any one of these questions would lead to an increase in the net profits. Yet a business man will sit at his desk for year after year, and mess about with routine work and never "go and find out". Also, it is a strange psychological fact that those who make the fewest investigations are those who have the delusion: "I know my business from A to Z".

An efficient business man is always on the quest for ideas and facts that will help him to be still more efficient. He knows that there is never an end to knowledge and technique and improvements. He knows that a very good crest for any business man would be a mongoose rampant, with the motto: "Go and find out".

In the flood of propaganda that is coming from Russia, I notice that the word most used is "potential". You will see this word often, too, in prospectuses and in the addresses of

THE PROFIT-MINDED MAN

chairmen at annual meetings, when their companies have had a bad year. Professors who write books on economics frequently refer to "a potential market". They are very fond of this word "potential", as it sounds well. Truly it is a dignified word.

Now, the truth is that it has no definite meaning at all. It is only another way of saying "possibilities". The "potential" wealth of Russia is vast—enormous—but most of the Russian people are ragged, badly housed and hungry. The "potential" wealth of Brazil is vast, too, but Brazil is always deep in the bog of financial troubles. If all the people in Brazil moved out, and if the Swedish people moved in, then Brazil would become, in twenty years, one of the richest countries in the world.

For fifty thousand years the African savages lived in mud huts on top of the gold and diamond mines. They had "potential" wealth, but it did not do them any good. "Potential" means no more than this—fortunes may be made if the right men spring up and set to work.

"Potential" means no more than an opportunity. If there is £1,000,000 worth of "potential" wealth, no one can cash a 5s. cheque on it until some man gets busy. Every business, large or small, has a "potential" earning power,

HOW TO GET AND USE MONEY

but it can only attain this earning power by efficiency—by good management.

A certain British firm drifted along, paying 5 per cent dividends. Then a new managing director took charge of it. Three years later, that firm paid a 20 per cent dividend. Its “potential” dividend, all along, had been 20 per cent, but it had been making only a quarter as much.

“Potential” value is everywhere. Opportunities are everywhere. But there is never any real value until the right man arrives. Any one of us would do well to look at his business and think what might be. While “potential” means nothing at all in real value, it may act as a stimulant to us if we give it a thought.

Speculation has its place in the world of business, but there is a wide difference between a speculator and an ordinary business man. Many novelists and playwrights do not know this fact. A business man earns his money. A speculator does not. A business man gives goods or services for all the money he receives, while a speculator dares to take a big chance, win or lose.

To give speculators their due, it must be said that some of them have been very useful. Some of the most solid and prosperous companies in Great Britain were launched by specu-

THE PROFIT-MINDED MAN

lators, but they were established, not by speculators, but by business men. A speculator is not content with profits. When he wins, he makes his money in large amounts. He makes it by buying and selling shares or by company promotion.

A speculator is seldom skilled in the art of management. He does not know the thousand and one practical things that a managing director should know. He is a man who enjoys taking risks. He cares nothing for "Safety First". He is not interested in the technique of Business-Building. By taking a plunge, he often prepares the way for a business man, but he can seldom follow up a success by creating an organization. Speculation and business require two different types of men.

In all business there is a speculative element, but a competent business man tries to eliminate this element by his knowledge and skill. The more a man knows, the less he needs to guess and gamble. By research and by foresight it is possible to get rid of many risks. When a man has a solid business, he is not wise if he builds on it a high, flimsy structure of speculation. A business man should stick to business.

In the late C. E. Knoeppel's last book, *Managing For Profit*, he dealt with the technique of budgeting for net profit. Naturally,

HOW TO GET AND USE MONEY

the control of profits is the last thing that a business man learns. And not five out of a hundred ever do learn it.

First, he must create an efficient organization. Then he must know his costs. He must have daily reports. He must manage by facts, not opinions. Not until he has reached this point will he be ready to study the technique of profit control.

The vital fact to remember is that some of the most efficient firms in Britain and America DO control profits. They can predict with amazing accuracy what their net profits will be next year.

In his last chapter, Mr. Knoepfel gave the following "Major Elements in Assuring Profits:

"(1) Securing profitable sales.

"(2) Controlling production to speed turnover.

"(3) Increasing production through wage incentives.

"(4) Dividends from waste elimination.

"(5) Harnessing the human machinery.

"(6) Managing for profit."

Money is never still. It is always moving. It is always coming in or going out. That is

THE PROFIT-MINDED MAN

why you must have a system of weekly reports from your office, to tell you how the tides of money have flowed during the week. That is why you must watch the leaks—the wastes—the expenses—the dead departments—the unprofitable managers. Keep your eye on the tides of money.

In manufacturing, the one best way to make more money is to increase the working time of the machines. A factory with only half of its machines busy does not make any profit. It makes expenses only. The highest percentage of net profit is made when a factory runs on three shifts and keeps its machines busy night and day.

For years the Kellogg Company, making breakfast foods in America, has been running its big factory for twenty-four hours a day and giving its employees a six-hour day. It has been paying higher wages. It has greatly increased its sales and its net profits. It has taken on hundreds of new employees. This experiment proves the profit-making magic of operating machinery for twenty-four hours a day. There is no other way whereby so much profit can be made in manufacturing.

When the machines work for 144 hours a week, as they do in the Kellogg factory, higher wages are at once made possible. When the

HOW TO GET AND USE MONEY

machines work for only forty-four hours a week, as in most factories, wages must necessarily be lower, and even then the cost of production is higher. A machine can do so much work and the sooner it does it the better. That is a rule of manufacturing which is well worth thinking about.

“If you pay a man, for heaven’s sake train him,” said a London lecturer. Anyone would think that such advice would not be necessary, but it is. Staff training is still one of the most neglected duties in business firms. The delusion still prevails that an employee is like a tool—finished and unimprovable. Most employers have still only a hazy idea as to how far their employees can be developed and made more profitable.

A young man, for instance, is getting £3 a week and makes £50 net profit a year for his firm. If he were trained, at a cost of £10, his wages might be raised to £3 5s. a week and he would make £100 a year net profit. That would be a gain to the firm of £27 a year on one young man. Such is the £ s. d. of staff training.

Manufacturers, wholesalers and retailers are losing more or less money by accepting small orders. Wholesalers, I think, are losing the most, because their margin of profit is so small. If any wholesaler looks closely into the size of

THE PROFIT-MINDED MAN

his orders and into the cost of handling and delivery, he will be amazed to see the percentage of orders on which he is making a loss.

But every little grocer or newsdealer is losing a lot, too, because of having to deliver small quantities. An inconsiderate woman customer will phone to her grocer for a tin of peaches or two pounds of rice. As for newsdealers, many are delivering penny newspapers free. Certainly they should charge a bit for this service.

A woman will walk into a department store, buy a 2s. article and ask to have it delivered. And her home may be five miles away. Many women, it must be said, have no conscience in this matter of making retailers lose money by delivering small parcels.

The salesmen of many shoe factories accept orders for single pairs of shoes. Every single pair, of course, is sold at a loss. Printers' salesmen, too, accept orders for short runs at too low a price. Usually, I believe, there is a loss on any run less than 1000 copies. But many orders for 250 and 500 copies are accepted at prices that do not yield a profit.

I once found the salesmen of a manufacturer in London complacently accepting hundreds of 2s. orders, to be delivered anywhere in London or in towns on the outskirts of London. This

HOW TO GET AND USE MONEY

manufacturer had forty vans and his factory was making no net profits.

How, then, can this unprofitable business be avoided? The general belief is that customers must be pleased and that these losses must be accepted. Certainly salesmen should be trained to protect their firms from this loss on small orders. One large firm of chocolate-makers in England instructs its salesmen to accept no order for less than 20s. It has not found that this rule has displeased customers. And it has put a stop to its delivery losses.

Not many salesmen give a thought to the profitableness of their orders. So, they should be instructed that below a certain figure, orders cause a loss. Any firm can do a bit to educate its customers on this subject. Many fair-minded people have never given any thought to this matter.

There is really a meter on every business, keeping track of everything that is being done. And the name of this meter is the Balance Sheet.

A few efficient companies know month by month what has been done. This is a great advantage. But most companies see the results on the meter only at the end of the year. The Balance Sheet, usually, is like a speedometer on a motor car that reveals the mileage only at the end of a long journey.

THE PROFIT-MINDED MAN

Most companies work more or less in the dark through the year. Then comes the revelation of the Balance Sheet. Often, it comes like a sort of Judgment Day Report. I think it is true to say that almost every Balance Sheet is a disappointment.

The heads of a business are more likely to remember the good months and forget the bad months. They are likely to deceive themselves as to what has been happening. They may be unaware of the wastes, leaks, thefts and all the other hundred and one things that make the Balance Sheet worse.

Many a managing director dodges the unpleasant facts and does not know them until the Balance Sheet is thrust in front of him. He fools himself until that inevitable day at the end of the year. Most auditors hand in unwelcome and unexpected news. They are the meter makers. And they cannot be dodged nor ignored. The auditor makes known the net profit. The NET—that is the vital thing. Every company stands or falls by its net.

The practical point that I want to make is this—the Balance Sheet is changed for better or worse every day. It is changed for better or worse by every manager and employee in the company. What a wonderful help it would be if everyone in the company could get the

HOW TO GET AND USE MONEY

Balance Sheet point of view! Several times, when serving large companies, I have been permitted to give a talk to the executives on the last Balance Sheet. And invariably this talk proved to be useful and effective.

Certainly it is a useful thing to tell executives and employees, too, that every one of them is being measured—measured every day. Every courtesy or discourtesy to customers, every effort or slackness, every improvement or mistake, makes the Balance Sheet better or worse.

The Balance Sheet gives us the deadly average. It compels us to take notice of the delays, the slack periods, the worn-out equipment, the half-alive sales people, the tail-end of the organization. It forces us, or should do so, to make an effort to level up—to face the inefficiencies that pull down the net.

Recent events show that auditors and accountants will in the future have more power than they have had in the past. They will do more than balance the books. They will be held responsible for the truth of the figures and for the general impression created by Balance Sheets.

This means that they must now open their eyes and see their new opportunities. They

THE PROFIT-MINDED MAN

must learn the principles of finance and efficiency. They must widen our their minds and study business as a whole. In 1950, I venture to say, some auditors and accountants will have developed into Efficiency Experts. And they will be in great demand and earn high fees.



COURAGE AND
CO-OPERATION

CHAPTER SEVEN

COURAGE AND CO-OPERATION

WHAT many a business man needs is a bit of "nerve". For lack of it, he does not make up his mind and take action. Every opportunity gets away from him because he lacks the nerve to act quickly. As Mr. E. R. Punshon has said, in describing a man in one of his novels:

"Allan had that rare gift which is often the sole difference between those who succeed and those who do not. He could make up his mind in a flash, and act before there was time to un-make it."

Most men are influenced by that old saying: "Second thoughts are best." The fact is that sometimes they are and sometimes they are no good at all. A second-thought man is likely to be a trailer. He gets left behind by the first-thought men. Quickness is a great advantage. "The first man gets the oyster, the second man gets the shell." The man who has nerve makes mistakes, but he is not likely to lose any of his opportunities, as slow and timid men do.

HOW TO GET AND USE MONEY

It is not often that a man does more than he tries to do. If he tries to increase his sales by 10 per cent, he is not likely to have a 20 per cent increase. It is sometimes wise to try to do something that seems quite impossible.

Mr. C. F. Kettering, the well-known research man in the motor car industry, once said that "men don't think audaciously enough". He was once given the job of having motor cars painted more quickly. At that time it took thirty-one hours to put a car through the paint shops. Kettering said: "We'll see if we can finish a car in an hour."

This was, of course, thought to be an absurd prediction. But Kettering found an enamel-like paint that dried quickly. He had it sprayed on. Eventually, he had a car painted in less than two hours. If he had said: "We will try to reduce the time from thirty-one hours to twenty-nine," he would never have made this surprising success. Sometimes, when we aim at impossibilities, we hit them.

"Hell is full of good wishes and desires," said the pious Saint Bernard. So is the business world. Often you will hear a business man say: "I am thinking of putting in a new shop-front", or "I am thinking of having a system of stock control", or "Maybe I'll have some staff training done". Hazy wishes float in a man's mind

COURAGE AND CO-OPERATION

like white clouds in a dry summer. But white clouds do not do the green fields any good. The rain that makes the crops and the grass grow is brought by the dark clouds. No wish, however laudable, ever does a man any good unless he sets to work to fulfil it. There is a certain pleasure in good desires, but there is no value. The value can be put into a good wish only by setting to work and changing it into a fact.

Once, when I was watching a display of gliders in Switzerland, an expert told me—
“Gliders always rise best during thunderstorms. The reason is that during thunderstorms there are rising currents of air.”

It seems to me that this is an illustration of what happens in the business world during a depression. The business world has its storms, and these storms offer opportunities to men who have the courage to make use of them. There are rising currents. Shares and properties are being offered for much less than their value. A pound will buy 30s. worth.

There is always less competition during a depression. Travelling salesmen do not have to stand in a queue. The man who keeps going at full speed is more conspicuous. He is more popular, too. He acquires a goodwill that greatly helps him.

No man in the business world can keep a

HOW TO GET AND USE MONEY

level head and make wise decisions unless he knows clearly this fact—no period of prosperity or no depression ever lasts for ever.

I may say that I found it was almost impossible to teach this fact to the business men of America. They always think, during a period of prosperity, that there will never again be a depression, and most of them think, during a depression, that there will never again be prosperity. They take short views of life. And there you have the reason why prosperity rises to such a peak there before it collapses, and why depression reaches such a low level before there is a change for the better.

I can distinctly remember five periods of prosperity and five depressions. So, I have had a chance to observe the mistakes that people make during prosperity and depression. During a period of prosperity we are likely to spend too much and to neglect the piling up of reserves. Our overdrafts grow too large. We borrow too much. We spend too much on new buildings. We take on obligations that become too heavy for us in bad years. We almost always stake too much on the future. We become careless, too, with regard to expenses. We neglect the wastes, leaks and losses. We think: "Who cares? We are making plenty of profits."

In a prosperity period, the main thing is to

COURAGE AND CO-OPERATION

SELL, not to BUY. We should not buy securities nor properties at the top. The main thing is to gather in money—to speed up the selling side. The busiest men during a boom should be the sales managers. This is their harvest time. “Push the sales”—that is the right policy.

During a depression is the best time to buy. Then you can get 20s. worth for 15s. or perhaps 12s. But a prosperity period is the time to wipe out overdrafts, not to double them. It is the time to maintain prices and to push into every possible market. This is a time to make a big net profit and hold it. This is a time to put on fat for the lean years. Short-sighted men will dislike this advice, but there it is. I am bound to tell the truth, as far as I know it.

In money-making, a man's disposition does much to help or harm him. It is very important for him to learn how to get along with people. If he is a bad “mixer”, if he creates friction, he will not go far. If he does succeed in building up a business, it will be jerry-built. It will not be a solid structure.

Many a really competent man is held back for lack of social qualities. He is self-centred. He does not consider the feelings of other people. Perhaps he has a sarcastic tongue and creates ill-will all around him by his gibes.

HOW TO GET AND USE MONEY

Perhaps he is a know-it-all. He has contempt for any knowledge but his own. Perhaps he has a quick temper. He has no patience. He snaps a man's head off for some trifling error. All such defects are not to be regarded as insignificant. They have prevented thousands of men from being classed among the winners of the business world.

It has often been said that a man's success is created by self-help. This is true, up to a point. Even self-help can be carried too far. It may make a man aloof, unfriendly, hostile. A man needs the assistance of others, added to his own efforts. There are all sorts of people and things in the world, and a man should look for whatever will help him.

No one should despise his fellow-men, nor ignore them nor be afraid of them. Some men's minds are like distorted mirrors. Everything that is reflected in their minds is distorted. To a mean man, the world is mean. To a tricky man, it is full of deception. To a timid man, it is full of dangers. Every one of use sees the world through the glass of his own nature.

When a man says "My trade is full of bribery and sharp practices," better not believe him. He is probably only on the dirty fringe of the trade. When Walpole said, "Every man

COURAGE AND CO-OPERATION

has his price," that did not speak well for Walpole. When a man sets out to get money, this does not mean that he must be predatory. He must get and give. The right way to look at the world is to have these two purposes in mind:

(1) To find people and ideas that will help you.

(2) To find out what you can do to help others.

This is, I venture to say, the right conception of self-help. If we look at the world with keen interest, with self-confidence and friendliness, we shall find all manner of new ideas and methods and ever so many congenial people. If a man goes out looking for a fight, he will soon find one; and if he goes out to find someone he can co-operate with, he will soon find one. Buzzards go looking for corpses and they find them; and humming-birds go looking for honey and they find it.

If any man is really in earnest about wanting to improve his business, and if he is teachable, he will find knowledge and helpers on all sides of him. There are business books and magazines that will tell him what successful men are doing. There are specialists and experts who will serve him. A skilled specialist costs nothing. He adds

HOW TO GET AND USE MONEY

to the net profits and takes only a small percentage. A friendly man gets information, too, from his friends. He has not to rely upon his own judgment alone. It is always a wise policy—to look for what helps you.



YOUR ATTITUDE
TOWARDS
EFFICIENCY

CHAPTER EIGHT

YOUR ATTITUDE TOWARDS EFFICIENCY

WE can usually tell the mental calibre of a man by his attitude towards efficiency. Efficiency requires brain-work. Unless a man is more or less of a practical thinker, he dislikes efficiency. It is an odd fact that efficiency is scoffed at by many people who believe themselves to be highly cultured, and also by the slackers in the ranks of the unemployed. Neither like it because it requires specialized knowledge and thought. Naturally, people do not like anything that calls attention to their ignorance or incompetence.

Many scholastic people regard efficiency as a sordid thing—mere money-grubbing or ruthlessness. There was once a Cabinet Minister in Britain who could not understand decimals. He referred to them as “those damned dots”. There was once an Oxford Professor who said: “I thank God that he never gave me the low cunning to be proficient in mathematics.” Men of this abnormal type, of course, speak in a contemptuous way of efficiency. It would be

HOW TO GET AND USE MONEY

unfortunate if they praised it. An idea can be judged by its enemies.

Quite often, when a salesman of business books goes into a small shop, the shopkeeper says: "I have no use for efficiency." Invariably, he has a badly managed shop. He is probably drifting towards Carey Street—the street of bankruptcies. He holds tight to the delusion that he is not to blame for his small profits. He has never done any brain-work. Consequently, any talk of efficiency offends him. When a man's brain is filled with the traditions of the past, or when it is inert, he naturally dislikes to hear of a subject that condemns him.

Efficiency means turning the floodlight of thought on any business problem—finding a way to reduce costs, or improve service or increase sales. If a man has no mental floodlight—if he has only a memory and a lot of unused grey matter in his brain—efficiency means nothing at all to him. You might as well talk to a legless man about dancing. In a word, a man's attitude towards efficiency decides the sort of brain he possesses. If he is a creative thinker, he will look upon it as one of the most interesting and useful subjects in the world.

You may have noticed that every business man who is running his business badly has a strong prejudice against the word "efficiency".

YOUR ATTITUDE TOWARDS EFFICIENCY

It is like a red rag to a bull to him. Any reference to efficiency starts him off on a tirade. He calls it "hot air" and "theoretical rubbish" and sometimes many things not fit to print. The fact is that he has good reason for this dislike of efficiency. He has efficient competitors and they are beating him in business.

An elderly managing director made a slashing attack on efficiency in a London club. After he had left the room, one of the other members said: "No wonder he doesn't like efficiency. His company made a loss of £7000 last year." He was a "Deficiteer"—a maker of deficits. Naturally, he had a grudge against efficiency, which means increasing percentage of profits. Almost always, when a man attacks efficiency, you will find the reason in his Balance Sheet. You will find that he is a "Deficiteer".

The correct definition of efficiency is this—a higher percentage of result, secured by applying the scientific method to any job or problem. It does not mean using more energy, but trying to get the same result with less energy. It does not mean system only. There may be a perfect system and very little efficiency, as in a Government department. It does not mean penny-pinching or slave-driving or any ruthless method of management. There is nothing hard, cruel nor miserly in efficiency.

HOW TO GET AND USE MONEY

Most men are creatures of memory and habit. They work more or less automatically. They have picked up a jumble of knowledge and ignorance and they call it "experience". They have never at any time really studied the work they are doing. And neither have they learned from competent people. Both in farming and in business a great deal of the work that is being done is unskilled. And there is a low percentage of result.

Now, the scientists were the first men who learned how to do a job properly. They paid no attention to habits, traditions, old opinions. They searched for the facts. They were the first men who were really teachable. They wanted to know the truth. And as a result, they created all the sciences.

The "Scientific Method", as we call it, means that we must search for the facts and keep on trying to make improvements. We have learned that there is one right way to do every job. There is no job so small but what there is a bit of skill in it.

Efficiency teaches us to make experiments and to learn from others. It teaches us that there is nothing else as profitable as specialized knowledge. It makes us keen to know the new ideas and methods. We study business books and magazines.

YOUR ATTITUDE TOWARDS EFFICIENCY

We study people, too. We study employees and customers. We learn the arts of management and salesmanship and advertising. We learn the vast difference between working and organizing. We aim to become skilled profit-makers and business-builders.

Already tens of thousands of men have become successful manufacturers, wholesalers, retailers and farmers by studying and using the ideas and methods of efficiency. We learn how to make more money when we become interested in efficiency. Also, we learn how to make it more quickly and easily.

Making more money by giving better service—making money honestly and happily—that is our ideal. As you can see, efficiency is the most interesting and profitable subject in the world. It shows the one best way to success and happiness.

A big ship on the high seas is managed far more efficiently than most of the businesses on land. Why? Because all the men in positions of authority on ships have been trained and well fitted for their jobs. Shipping companies have no use for amateurs. The sea captain who controls a ship has fully as much technical knowledge and useful experience as the ship-builder who built her.

Just suppose that a rich business man bought

HOW TO GET AND USE MONEY

an ocean liner and set out to control it on the same lines as he controlled his business. Suppose he said: "I'm going to be the captain myself. I've had no training nor experience, but I have common sense, and that's enough." To his surprise, his ship would not be allowed to leave port. It could not be insured. Officers would not serve under him. Neither would sailors.

Suppose he did manage to get officers and crew, and escaped from port with his ship, what would happen when he tried to put in at any port? A pilot would come aboard and he would say: "I don't want a pilot. No outsider can come and tell me how to run my ship." The next thing that would happen would be—either his ship would run on the rocks, or officers of the law would come on board and take him in charge. Ignorance is not a crime on land, but it is on the sea.

As far as I know, no such thing has ever happened. Such things are not allowed in the management of ships, but they have happened in the business world universally. A man can be at the head of a business although he lacks altogether the knowledge and abilities to fit him for the job.

Perhaps the reason why ship management is more efficient than business management, is

YOUR ATTITUDE TOWARDS EFFICIENCY

because the dangers of the sea are sensational. There are storms. There are rocks. These dangers have compelled us to set a high standard of efficiency for sea-work. On land there are dangers, too, but they are not sensational. A bankruptcy may be as serious as a shipwreck, but it does not make as vivid an impression upon the mind. Consequently, many a man thinks he can overcome his land dangers without acquiring any specialized knowledge, or without getting help from others.

The sea is to-day safer than the land. It has been made safe by skill, efficiency, specialized knowledge. There are more bankruptcies than shipwrecks. And we may say that the whole Efficiency Movement, with its literature of better business methods, is an attempt to make business men as well trained as sea captains.

The best proof of the value of efficiency ideas and methods is this—the tremendous difference between the best and the worst, in both people and goods. Every trade and industry is like a pyramid. It is low-grade at the bottom and high-grade at the peak.

There are some huge firms in Britain that make more than £1,000,000 net profit a year, while many of their little competitors make only £300 a year or less. One firm pays a dividend of 40 per cent, while hundreds of

HOW TO GET AND USE MONEY

firms pay nothing and lose part of their capital.

What is it that puts some firms so high above their competitors? The answer is—Efficiency. Give an efficient man £100,000 and he will make more net profit than a muddler will make with £1,000,000.

In any department store, look at the difference between the best and the worst departments. In any street, look at the difference between the best and the worst shop. In any sales force of over a hundred salesmen, look at the difference between the best and the worst of them.

Now, efficiency means learning from the men at the top in every line. We study the winners. That is why efficiency is the most valuable specialized knowledge in the world.

It was Aristotle, I believe, who said that a man can become either a good flute-player or a bad flute-player by playing the flute. My father played the flute, off and on, for over sixty years, but he never became a good player. He could play only a few simple tunes. This is as true of jobs as it is of flutes. Many a man works at the same job all his life and never does it as well as it could be done.

Most people, in fact, acquire a certain small degree of skill and then stop learning. All their

YOUR ATTITUDE TOWARDS EFFICIENCY

lives they remain "bad flute-players". Most of us, from stokers to managing directors, undervalue the profit-possibilities in our jobs. That is the central theme in the first half of this book. We do not achieve the highest percentage of result.

The most common delusion in the business world is the belief—"I know my job." In nine cases out of ten, this belief is untrue. The mass of people learn just enough about their jobs to escape blame, and then they stop. They do not realize that it takes study and practice to really acquire skill. In almost every business you will find only a small percentage of people who are doing their work as well as it might be done.

In these days an ambitious young man **MUST** have specialized knowledge. He is not allowed to drive a motor car by common sense only, and neither can he run a business by common sense alone. If he thinks he can, that is a sure proof that he has very little common sense. The main cause of poverty and failure is ignorance. That is the simple truth of it. There is now a vast amount of specialized knowledge in the civilized world. To ignore it is sheer stupidity.

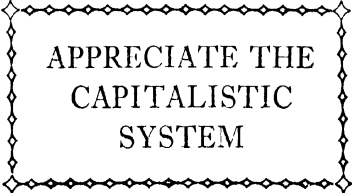
No matter what a young man's job is, he can become a specialist. A specialist is one who knows practically as much as can be learned

HOW TO GET AND USE MONEY

about a certain job. When Selfridge was a lad, his first job was parcel-wrapping. He found out the one right way to wrap a parcel. This skill started him on his way up the ladder of promotion.

A shop assistant in a grocery shop can become a specialist. He can learn the facts about tea, coffee, sugar, etc. Pitman's have published a most useful series of books on common commodities. A mechanic in any factory can become a specialist. He can choose any one of a hundred subjects. How many factories have a belt specialist? How many have a lubrication specialist? Not many.

One young mechanic in America has become a wheel specialist. Another young man who has a flair for colour is now calling himself a "Colour Specialist" and has quite a few clients. Some men have made a great deal of money by setting up as Industrial Designers and Window Display Specialists and Office Equipment Specialists. A man with a keen mind can now and then develop his job into a profession. This is being done in almost all trades and industries. There are always clients for the man who has acquired skill and technique.



APPRECIATE THE
CAPITALISTIC
SYSTEM

CHAPTER NINE

APPRECIATE THE CAPITALISTIC SYSTEM

WHY so much talk against capital? Is not capital like the honey of the hive? Is it not, practically, used for the national benefit? When will workers realize that capitalists are not the masters of their own capital? When will they see that a capitalist is really a trustee—a cog in the machinery of civilization? Capital is the honey in the hive. This must not be forgotten. All the bees get the benefit of the honey, and the whole nation is benefited by the vast reserves of capital.

A farmer sows wheat. When he reaps his crop, he eats or sells most of his wheat. But he keeps some of it for seed. Some wheat dies and some grows. If the Government takes away too much wheat from him, he will not have enough left for seed.

That is what happens to money, too, as well as wheat. We spend most of our money, but we keep some for capital. Capital is money planted, so as to make more money. When we

HOW TO GET AND USE MONEY

spend money or pay it in taxes, the money dies. When we invest it, it grows.

When the Government takes too much money from us, then we have none left for capital. There is less money to grow. There you have a simple illustration of what is the matter with us—the money that ought to be growing has died.

All other countries envy us our five great banks, with their many branches. In America banks crashed by the thousand. And the whole banking system is under suspicion. More than £300,000,000 was taken out of American banks and hoarded in stockings and tin boxes and all manner of hiding places. What could be more disastrous to business than this?

The fact is that a large part of America has sunk below the banking level. Hoarded money is dead money. It does no one any good. Here in Britain we have no hoarded money. We are not afraid of our banks. They are so safe and solid that we seldom give them a thought.

The three largest banks in the world are all in England. The Midland comes first, with Barclay's in second place and Lloyds third. Also, of the eight largest banks in the world, five are in England. This fact shows the quality of the banking service we receive in England.

APPRECIATE THE CAPITALISTIC SYSTEM

And it shows why this little island leads the world in matters of finance.

. All over the world, outside of Great Britain and a few other countries, bankers are in great trouble. Their very existence, as bankers, is being threatened by dictators or communists or bureaucrats.

It is being said that commercial banks should provide fixed capital for enterprises, in order to give work to the unemployed. The answer is—they should not. The purpose of a commercial bank is to accept deposits, repayable on demand, and to provide working capital for reliable borrowers. To compel a bank to provide fixed capital means to destroy it as a bank. The light-heads who attack banks do not know this.

Just now, the bankers of America are in a terrible plight. Already they hold most of the Government's securities. They are being pushed to take more. If they refuse, as they must, the banks will be taken over by the Government and that will be the end of commercial banking. In Great Britain, we have the largest, safest and most useful banks in the world. They provide working capital. And that is all they should do.

One difference between a wage-worker and a capitalist is that a wage-worker wants his

HOW TO GET AND USE MONEY

wages at once. He will not take any risk. A capitalist, on the other hand, waits for his money. He waits until the end of the year. Sometimes he waits for several years. And often he loses what he has put in.

A wise capitalist takes as little as possible out of his business. He leaves his profits in. His business grows, but often a capitalist takes as little out of it as if he were on a salary. Often a capitalist leaves every possible shilling in his business. He sacrifices himself to it for twenty years. Then, because he is unskilled in finance, he fails. He has never been paid for his twenty years of hard work.

The wage-worker and the tax-collector and the landlord and the men from whom he buys his goods--they must all have their money at once. The capitalist puts his hand in the bag last. And he does not get what is left. He gets only a small part of it, as it is needed in the business. Such is the hard fate of a capitalist.

The rights and interests of creditors and taxpayers are being ignored by practically every Government in the world. And creditors and taxpayers are the people who hold up the whole structure of trade, commerce and civilization. The world is being made safe for debtors and those who get money from Governments. It is

APPRECIATE THE CAPITALISTIC SYSTEM

being made a very dangerous, predatory world for creditors and taxpayers.

Whenever a Government gallops along with a policy of spending and debt-making, the result is a destruction of creditors and taxpayers. At the end of the road is not prosperity but poverty. Any Government that ignores the rights of employers, investors and taxpayers is driving its country straight towards the precipice of repudiation and bankruptcy. There can be no doubt about that.

The two pillars that hold up the whole structure of business and government are the taxpayer and the shareholder. These two are being hammered down by high taxes and lack of dividends. They are being deprived of money that is rightfully due to them.

Without taxpayers and shareholders, a nation would collapse. It would become a herd of peasants. It would fall, as Russia has fallen, into squalor and poverty. Yet taxpayers and shareholders are not organized. They have no official spokesmen. They pay the piper, but they have never yet called the tune.

The mass of people have the delusion that the bulk of taxes is paid by the rich. They do not see how they are being taxed every time they buy. There is a tax hidden in every price. If people once saw that fact clearly, they would

HOW TO GET AND USE MONEY

not be so indifferent about taxation. The Government has no money of its own. It spends the people's money—everybody's money.

A labourer cannot buy a glass of beer in a pub without giving a penny to the National Treasury. He cannot buy an ounce of tobacco or a packet of cigarettes without paying taxes. Many of our trades and industries are now acting as tax-collectors. In fact, all our trades and industries are, to a more or less extent.

We talk about "Government aid". There is really no such thing. The Government has only what it takes from you and me and the rest of us. The National Treasury is filled, not only with the £100 notes of the rich, but with the pennies and sixpences of the poor as well. The Government takes the widow's mite as well as the Death Duty from the estate of the dead millionaire. People should be told about this invisible taxation.

Speaking to a London jeweller about the national surplus, I said: "Now, perhaps, business men will be relieved of a little of the burden of taxation." "Not likely," he replied. "There is the army to think of, and the navy and the bureaucracy. Business in this country, you know, is only a sideline."

"Only a sideline!" A very apt remark and

APPRECIATE THE CAPITALISTIC SYSTEM

perfectly true! There are half a dozen things that take precedence over business in Great Britain. The caste of business men comes seventh or eighth in this island, because of habit and tradition and ignorance. And there you have the root cause of most of our national troubles.

The truth is that business is not a sideline. It is the most important of all our activities. It is the foundation of civilization. There is nothing in the world more moral and beneficial and creative and uplifting than good business. That is a fact for statesmen to think about.

Those who attack private enterprise keep on repeating figures that are wholly false. And their wild statements should be answered. In America, for instance, the wild statement is constantly being made that 2 per cent of the people own 80 per cent of the wealth. This is not true.

The truth is that 87 per cent of the whole income of Americans goes for wages and only 13 per cent goes, in one way and another, to capital. Moreover, about half of the 13 per cent goes to life insurance companies, savings banks, etc., which benefit millions of people.

The fact is that the few very rich people are conspicuous. Their names are always in the headlines in the daily Press. And they are always

HOW TO GET AND USE MONEY

said to be much richer than they are. Telling lies about the rich does not help the poor. It does not, in fact, ever help anyone.

A shallow speaker said glibly, in a radio talk: "Now that we have a period of over-production our problem is how to hand out enough money to let people buy all these things." Who, then, is to hand out this money? No doubt the taxpayers and the employers. Those who have a lot of money must give it to those who want it.

This is the new economics, á la Soviet. It is being taught in books and magazines and universities. Actually, it is being taught in Great Britain. What would Adam Smith have thought of it? Or Pitt? Or Gladstone?

It is being tried out in the United States, where a Washington Soviet is in full control of all trades and industries. It was put into full operation in Russia, with the result that the whole nation is now in danger of starvation. Already, millions have starved to death.

No. The right way to restore prosperity is to reduce taxation, to set people free to earn their own living and to allow them to keep what they earn. We have had enough of this "handing out" of money to people who do not earn it.

A Dr. Townsend, of California, proposed a national plan of "Old-Age Revolving Pen-

APPRECIATE THE CAPITALISTIC SYSTEM

sions". There are ten million people over sixty in America, he says. Every one of them should be given £40 a month on condition that the money must be spent during the month. As to where the money is to come from to pay these pensions, he is not so clear. He suggests a 10 per cent sales tax.

Actually, more than three million people signed his petition to have his scheme carried out. I have learned in my lifetime that no scheme can be too crazy to find millions of supporters if it promises money for nothing. And every such scheme that I can remember was based on robbery.

A bandit army in Turkestan travels with a printing-press. When it arrives in a town, it prints what it calls "money" and compels the people of the town to accept this "money" in exchange for goods. This is no more than robbery under another name. As soon as the army departs, the "money" becomes worth less and less. Eventually, it has no value at all. Here is the fact that all "Social Credit" and "National Dividend" people forget—money must be kept good.

In reading an article in a Socialist magazine, I came across this sentence: "Property rights must not weigh in the balance against human rights." This is, of course, a shallow saying,

HOW TO GET AND USE MONEY

written by a demagogue. It was written to please the voters who have no property.

The fact is that property rights are human rights. To take away the right of ownership is to turn people into slaves, as they were in ancient times, and as they are to-day in Russia.

The right of ownership is in danger to-day in most countries. When a very rich man dies, one-half of what he has earned is taken away from his heirs. Does this help the nation as a whole? No, it does not. It strikes a blow at the right of ownership. The more that property rights are respected, the better it is for the poor, as well as for the rich. Never yet has the plundering of the rich helped the masses in any country.

The shouters in Hyde Park and the pink Socialists of drawing-rooms often say: "Our aim is to displace the profit system by co-operative service." It sounds well, but it fools no one who has even a little common sense and knowledge of world conditions.

Certainly it is a ridiculous aim to wipe out the profit system that has made Great Britain the most prosperous nation in the world, and to put in its place the "Co-operative service" that has made a mess of Russia. It is better to stick to facts than to hunt for a pot of gold at the foot of the rainbow.

APPRECIATE THE CAPITALISTIC SYSTEM

The fact that no one can deny is that the profit system has done more to liberate and benefit the mass of people in a nation than any of the crack-brained schemes and theories of communists and bureaucrats.

What is the matter with profit? Are not all our Co-operative Societies based on profit-making? Do they not make good profits and deserve them? Is not profit a fair way to pay for service rendered? Does it not enable a nation to get better service? As a rule, I venture to say, the man who is paid by profit earns more than he gets.

Writing about the constant attacks that are being made on the "profit system", Mr. Eugene Whitmore, in an article in *American Business*, said: "There is really no such thing as a profit system. It is a profit and LOSS system, with the losses frequently overshadowing the profits." He might have gone further and said that as a class, considering the service they give to a nation, capitalists are poorly paid. They get much less than they earn.

Russia abolished capitalists because of the delusion that they made enormous profits. "We will make goods cheaper by getting rid of capitalists," said the Moscow Soviet. What was the result? There is now a shortage of

HOW TO GET AND USE MONEY

almost everything in Russia. And prices are the highest in the world.

An American banker figured out the net profit of all American companies from 1921 to 1933. He found that they had made only 2½ per cent of their gross income. This means that on every average £10 in sales they had made only 5s. for themselves. That is the truth with regard to capitalists as a class. Those who make large net profits do so only by the utmost energy and efficiency, with now and then a bit of luck.

In the *Economic Survey*, the official magazine of the Russian Chamber of Commerce, I found the following interesting statement: "We are carrying out a stubborn struggle to raise the remunerativeness of production."

In other words, the Moscow Soviet is now doing its utmost to make profits. It has driven all the profit-makers out of Russia, and it has now learned that the main thing in the business world is profit-making. This is a good sign of the times. It proves at least that the Stalin Bolsheviks are teachable.

The Moscow Soviet has been forced to adapt a capitalistic policy. The difference between Britain and Russia is that Britain has a host of small capitalists, while Russia has one big capitalist. The costs of management have

APPRECIATE THE CAPITALISTIC SYSTEM

to be paid in both countries, and these costs are lower in Britain than in Russia. No matter what system of ownership of the means of production is adopted, there must be profit. Either profit or bankruptcy.

As Walter B. Pitkin has said, capitalism has proved to be the most sensible way to make the greatest number of people prosperous. "Capitalism carries on," he said, "in spite of the knaves who would wreck it, and the fools who do not know how to run it. It will eventually pass. So will the moon, by the way."

It was the capitalistic system that first gave the mass of people a chance to acquire money. It set the serfs free and paid them wages. Not a penny of wages was paid to any of the ill-treated drudges who built the Great Wall of China and the Pyramids. The capitalist was the first friend whom the mass of people in any country ever had. Why is this fact not made clear in our histories? It was the capitalist who first brought hope and comfort and ambition into the lives of the oppressed masses.

In 1914, the average man in England had twice as much pay as the average man had in 1801; and his money had twice as much purchasing-power. In short, a worker in 1914 had four times as much money-power as a worker had in 1801. That is what a hundred years of

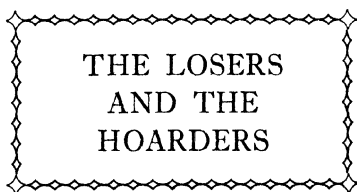
HOW TO GET AND USE MONEY

capitalism did for the workers. No other system has ever done half as much for the average man.

Many years ago, we used to hear the phrase in London, "The Submerged Tenth". Booth invented this phrase in his book *Darkest London*. We must be making a bit of progress, as our "submerged" people in London are now only 3 per cent. We may well contrast this country with Russia, where about 97 per cent of the people are "submerged".

Pauperism can never be abolished. It has too many causes that cannot be prevented—illness, accident, old age, bad luck, and so on. But we can make it less, much less than it is. If we have been able to reduce bad debts to a half of 1 per cent, surely we can reduce pauperism below 3 per cent. And the one thing that will reduce it most will be to encourage self-help and to abolish the Father Christmas idea of Government. At present, in a hundred ways, we encourage pauperism. All our political parties do, to win votes. Robbing the rich to feed the poor is the one most effective way to create pauperism.

PART TWO
HOW TO USE MONEY



CHAPTER TEN

THE LOSERS AND THE HOARDERS

MONEY is represented generally, by novelists, parsons and playwrights, as a hard and ruthless force in the world. Money is called "the root of all evil". It is said that "money has no conscience" and that "millionaires never laugh", and so on. No one could have laughed oftener than Andrew Carnegie. He made £65,000,000 and gave away £60,000,000.

There is plenty of kindness in Lord Nuffield's money. He is giving away the most of it to help the sick and the poor. Money gives us education, comfort, travel, recreation, merchandise, happy homes. It is the most beneficent influence in the world.

The main purpose of my magazine and my books is to teach the art of money-making. That does not mean that I and my readers are sordid. It does not mean that we are ignoring the high and noble things of life. Money means the power to have what we need and the power to help others. It means self-development and

HOW TO GET AND USE MONEY

social welfare and culture and a higher civilization. How to make money and how to use it in a wise and kindly way—that is an art well worth learning.

There are very few misers who love money for its own sake. The only value of money is what you can get for it and what you can do with it. Money comes first. It comes first until you have it. Then come all manner of things and achievements and kindly actions.

In 1937 a man died in England. He died poor. Worse still, he died unhappy and friendless. In 1932 he had a fortune of about £30,000. He had piled it up by years of hard work and saving and speculation. And then he lost it. He thought of nothing else but money-making. He had miserly habits. I dare say he never spent 3s. for a meal in his life. He received no value whatever for his money. He died at fifty, just when the best part of his life should have begun.

The point I want to make is that by being money-mad he lost everything. He had no happiness. And at the end of his life he had no money. The first duty of every man in the business world is to make money. But as soon as he makes a bit, then come other duties. It *is just as necessary to learn how to SPEND*

THE LOSERS AND THE HOARDERS

money as to learn how to make it. A man must not be a money-fool.

Whenever a man makes an extra bit of money, for instance, he should spend at least 10 per cent of it on a present for his wife, or on something decorative for his home, or on travel or on helping one of his relatives or friends. The whole of the money should not go back into the business. A part of it should be spent on happiness, comfort, self-development, helping others.

It is an amazing fact that wealth does not necessarily increase happiness, as it should do. Usually, the bigger the motor car, the more joyless are the faces in it. A B.B.C. comedienne said: "When you have money, you can be miserable in comfort." Nearly always there is far more fun and jollity and happy laughter in a cottage than there is in a big house.

There is no good reason why this should be so. Three of the happiest men I have ever known were Andrew Carnegie, Joseph Fels and John Wanamaker. They had big fortunes. But they never let their millions put a wrinkle on them. They knew how to spend money as well as how to make it.

"Making money happily"—that is the sort of efficiency that is taught in my books. When a man is building a business, he must remem-

HOW TO GET AND USE MONEY

ber that at the same time he is building HIMSELF. He should be a home-maker and a friend-maker as well as a money-maker. He must think of the human values, as well as of the £ s. d. Then he will enjoy his money.

There are few poorer people in the world than the Arabs, yet their greed for money is notorious. Major C. S. Jarvis mentions this in his book *Three Deserts*. He says that an Arab's love of money is such "that he loses all sense of proportion whenever currency is discussed, whilst if actual coins and notes are displayed before him, he not only loses his sense of proportion, but his self-control as well."

It is not at all true, said Major Jarvis, that the Arab is a dignified, courtly, self-restrained individual. "The truth is," he said, "that the Arab has an assumed air of detachment and dignity when the matter at issue is of no importance to him whatsoever, but the most regal Arab will throw all restraint to the winds when a question arises that affects him either financially or personally.

"I have attended", he said, "Arab meetings in the Western Desert of Egypt, Sinai, Trans-Jordan and Palestine, and I would say that the most marked feature of such assemblies has always been the unrestrained and undignified yelling and gesticulating of all the litigants,

THE LOSERS AND THE HOARDERS

some of whom work themselves up to the verge of hysteria and epilepsy.”

An Arab, in a word, is money-mad. To put his hands on money he will lie, steal, kill. The sight of money drives him into a frenzy. Yet the Arabs, as a race, are poor. They have very little money. They have stolidly refused to learn even the A.B.C. of the art of money-making. They place no value at all on time nor on efforts of self-help. They will yell for money, but they will not earn it.

I have known two famous misers—Russell Sage and Hetty Green, both of New York. I have never met one in Great Britain. Russell Sage piled up a fortune of £16,000,000, yet never had a decent suit of clothes in his life. While he lived, he kept his wife almost penniless. When he died, however, he left her his whole fortune and she spent it wisely in philanthropy.

As for Hetty Green, her life has been written by Boyden Sparkes and Samuel T. Moore—*Hetty Green—A Woman who Loved Money*. It is the most interesting story of a miser that has ever been written.

She had a running start as a money-getter. Her father was a whale-fisher, with a fleet of ships. He left her £1,000,000 to begin with. When she was twenty, she danced with the

HOW TO GET AND USE MONEY

Prince of Wales—afterwards King Edward VII—at a ball in New York. She told him she was the “Princess of Whales”. This amused him so much that he danced twice with her.

Her father was a miser, too—a stern, hard money-getter. He trained her to follow in his footsteps. Her mother was a gentlewoman, who was never allowed to have anything to do with money matters. Young Hetty was impressed by the inferior position of her mother. She determined to be like her father. She set out to take money away from men.

The only gay time she had in her long life was when she went to the Prince of Wales’ ball. And she made money out of it. Her father gave her £240 to have a visit in New York. She at once spent £200 on bonds and had a £40 visit.

She married a rich husband, but he lost his money and she threw him off. All her life she managed her own affairs. She was said to have “the best banking brain in America”. She was a speculator—a buyer of land, shares and first mortgages. She was the richest moneylender in New York, and she had little mercy on her debtors.

She was always in law-suits, but she hated lawyers and judges. She called lawyers “buz-zards”. She had a small dog called “Dewey”,

THE LOSERS AND THE HOARDERS

and she said that he could tell the smell of a lawyer. She was the most successful of all tax-dodgers. She had no office. She did her work on a table or on the floor of a bank. She never paid a penny of office rent in her life.

She had no home. She lived in cheap hotels or lodging-houses. She constantly moved about as she was afraid of being attacked, or robbed, or poisoned. She wore the shabbiest of clothes. She bought a skirt for 2s. when she had millions of pounds in the bank. Both her face and her hands were often dirty. She was called "the Witch of Wall Street".

She told me once that she made most of her money by "Act of God". She was devoutly religious, but did not support any church. She simply could not spend money. She haggled over pennies. When she had finished reading her financial paper, her little son took it and sold it on the street for twopence. She was as keen to save a penny as to make a million. "I have never made more than £40,000 in a day," she said. But she once made £80,000 out of a Wall Street speculator who was caught in a tight place.

Once, when she was ill, she went to a hospital and pleaded poverty. She was treated free for two months. Then the doctor discovered her real name—she often gave false names—

HOW TO GET AND USE MONEY

and he sent her a bill for £120, which she had to pay. In winter, she wore newspapers inside her clothes to keep her warm. She did most of her own washing. She lived squalidly.

She died in 1916 at the age of eighty-one. She was staying at the time in the house of a friend. She went into the kitchen to abuse the cook for extravagance. The cook happened to be drunk and gave Mrs. Green a volley of bad language. This attack caused the aged miser to have a stroke of paralysis. Several weeks later, she died and left a fortune which was estimated at £20,000,000. She had a son and daughter and divided her fortune equally between them. She was richer than any queen, yet she lived like a beggar.

So much for misers. They serve as object-lessons, teaching us not to love money for its own sake. They prove to us that money simply has no value at all unless it is put to a good use.

Money is like fire—a good servant and a bad master. And often, when a man makes a fortune quickly, his money masters him and makes him act foolishly. The money-mad man loses his money—that is almost always true. We can all remember the names of quite a few men who made money quickly, became money-mad and landed in prison or in poverty.

When money goes to a man's head, it makes

THE LOSERS AND THE HOARDERS

him arbitrary, ruthless and inconsiderate of others. He becomes, as far as his wealth permits, a dictator. He thinks he has the world by the tail, and he jerks the tail to show his power. He swanks and swaggers.

When any man has a swelled head, it is easy for a flattering trickster to make a fool of him. Sooner or later the money-mad man plunges into a job that is too big for him. He finds that he is not as powerful a giant as he thought he was. And, like Humpty-Dumpty, he has a "great fall". So, while every business man should try to make as much money as, honestly, he can, he must remember that success brings its dangers.

Money is not the main thing in human life. It comes in third place. Character comes first, and happiness second. As long as money is kept in third place, no amount of it will hurt anyone.

Some of the simplest, kindest and most helpful men I have known have been millionaires. They had not allowed their wealth to master them. Money, it seems, helps a good man and makes a bad man worse. The ownership of money is a great test. In most cases, I believe, those who make fortunes deserve them, and in most cases they make a good use of their money. They do not become MONEY-MAD.

HOW TO GET AND USE MONEY

Whenever a man becomes rich SUDDENLY, he will very likely lose his money, unless he has a wise friend to advise him. If he has been gambling or speculating, he thinks his good luck will continue and goes on risking his money till he loses it. There is no such thing as persistent good luck.

If a man makes a fortune quickly in business, he is likely to have been helped by outside conditions. He thinks that he made his fortune by his own cleverness, but he is only half right. It was his cleverness plus good conditions that gave him his quick fortune. Almost always, when a man gets rich quickly, he gives himself too much credit. He loses his balance. He gets out of touch with the people who helped him. He becomes, to the extent of his power, a dictator. And this means usually that he is in danger of being bowled over.

About a dozen people write to me every week and say that they have saved a few hundred pounds. They want to know how to invest the money. Some want to buy partnerships. Some want to start small shops. Some want to buy securities. Some want to speculate.

All of these people have made a good beginning. They have saved money. Always, that is the first thing in a business career. But they are in great danger of losing their savings. To

THE LOSERS AND THE HOARDERS

save money is one thing. To invest it wisely is quite a different thing. It is probably true that most savers lose their first savings. In some way or other it is lost. There are more than two thousand ways to lose money.

Usually I give the following advice:

Never invest your money in anything that you know very little about. If you have had no experience in retailing, do not start a small shop. A small shop is a sinkhole for capital unless you know how to run it. Do not bet on yourself until you first get knowledge.

Have nothing to do with strangers nor with people who have previously been unsuccessful. As soon as you have money you must become watchful. There are people nearby who have their eye on your money. Keep clear of schemes unless you have a scheme that you thought of yourself, and which you have the ability to carry out yourself.

Hold tight to your money. Do not let family pressure make you lend money to relatives. Money lent to relatives is very seldom paid back. Never go into a partnership, except with someone whom you have known and liked for at least five years, and who has saved as much money as you have.

If you start a business in which you are

HOW TO GET AND USE MONEY

skilled, start one your own size. Do not start in debt. If you have £300, start a £300 business, not a £450 one. Never in any case start any business unless you can keep expenses down and make net profits.

The one best and safest investment for one's first savings is to buy a house. A home comes first of all. The point to remember is that it is as hard to KEEP money as it is to MAKE it. Wait until you get rich before you speculate.

“Wealth is a living thing,” says an old planter—a character in one of H. de Vere Stacpoole's short stories. “Wealth needs as much attention and care as a living thing,” says this wise old planter, who has a big estate on the Amazon. “It has diseases, and it may die if it is not cared for.” Every wealthy father should read these words over to his son. They are very true. And most sons of rich men do not know how true they are.

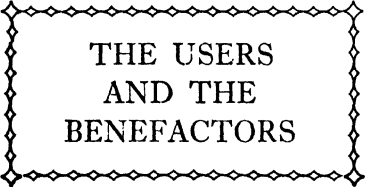
There is no fortune so big that it cannot be wasted. There is no estate so large that it cannot be broken up and seized by other people. Lawyers, tax-collectors, courts and receivers will utterly destroy any large fortune, if they get their hooks into it.

In fact, as most rich men know, it is quite as hard to HOLD a fortune as it is to make it.

THE LOSERS AND THE HOARDERS

Fortunes are perishable. They are not everlasting. The perpetuity of a fortune depends wholly on good management. In a word, no man is so rich that he can afford to act like a fool in matters of finance.

Prosperity, from my point of view, certainly does not mean £ s. d. and nothing more. Money does not make prosperity any more than bricks make a home. On one occasion Mr. Taylor, founder of scientific management, said: "The great purpose of efficiency is the achievement of prosperity for the workers and for the employers. And by a man's prosperity", added Mr. Taylor, "I mean his best use of his highest powers." Can anyone give a finer definition of prosperity than that? **THE BEST USE OF YOUR HIGHEST POWERS.**



THE USERS
AND THE
BENEFACTORS

CHAPTER ELEVEN

THE USERS AND THE BENEFACTORS

AN efficient, ambitious man—what should be his point of view with regard to happiness? This seems to me to be a very important question. And it is not easy to answer. To begin with, the following two facts appear to be clear:

(1) An efficient, ambitious man should not make happiness his life's purpose.

(2) At the same time, he should constantly do what he can to promote the happiness of others.

Many of the world's greatest and most useful men had little or no happiness. They did not really think of happiness at all. They gave all their attention to the work that they set out to do. Many had bodily defects—pains—ailments. Many had crushing domestic troubles. Many worked while their lives were in danger.

In general, it might truly be said that the happy have done less than the unhappy to create civilization and to add to the knowledge and wealth of the human race. According to

HOW TO GET AND USE MONEY

travellers' tales, the happiest people in the world are those who live in the South Sea Islands. What have they done to add to the knowledge and wealth of the world? Practically nothing.

An ambitious, efficient man should think first of creativeness, not happiness. Whether happy or not, no matter, he must get his work done. If he is fortunate enough to have good health, and children who are worthy of his name, and a home in which affection has not died out, he should appreciate his blessings.

But, no matter what his environments may be, to be true to his nature he must carry on with his creative work. There is a higher kind of happiness that comes to a creative man, vastly different from the happiness of the South Sea Islanders. There is the joy of achievement. There is the satisfaction and pleasure that comes from surveying a finished job or a good Balance Sheet. In a word, the highest happiness comes eventually to the man who has not thought of his own happiness at all—who has aimed to do a big job that was worth doing.

But the second fact is equally true—a man who does not think of his own happiness must think of the happiness of others. He must not become, as most dictators do, a happiness-

THE USERS AND THE BENEFACTORS

destroyer. He must not allow himself to become hard and ruthless. He must not crash through life as an elephant crashes through a forest. To make a complete success and to acquire the highest kind of happiness is a task that requires, as you can see, both fortitude and sympathy.

It is a law of human life that people must help one another. This is a social law and a moral law. Any man who ignores this law is a morally defective man. Obedience to this law lifts us above the lower animals. Wolves, for instance, do not obey it. If one wolf in a pack is wounded, the others do not help him. They fall on him and eat him.

Peasants in all countries, do constantly help one another. If one peasant is putting up a house, the others come and lend him a hand. When a farmer takes up new land in Canada, his neighbours help him to put up his barn. And they help him with his fences. When I was a lad in Western Canada, I saw several of these "barn-raisings". There was always a whole day of hard work and a jolly evening.

Also, the people in the so-called "slums" of a great city are constantly helping one another. They share their luck. When a very poor woman has a chance to bake a cake, a big slice of it usually goes to the family next door. When a very poor woman falls ill, another very poor

HOW TO GET AND USE MONEY

woman runs in every day and prepares the meals for her. The very poor cannot give money, but they give themselves. They give personal service to any neighbour who needs it.

When a business man becomes busy and prosperous—when he is carrying heavy responsibilities—he cannot give personal service. His time is all taken up with work and recuperation. Certainly, he seldom takes a day off to help another business man. But he is not set free from the law that requires him to help others. If he thinks of himself only, he breaks this moral law.

What, then, can he do? He can give money. Giving money is his substitute for personal service. No rich man can retain his self-respect if he is morally lower than peasants and poor people in the slums. He can set aside a certain percentage of his income and call it “Kindness Money”.

If he does not do this, he will find eventually that his money has cost him, in character and happiness, more than it is worth. Busy men who cannot give their time to helping others can give a bit of money. They must do this. It is a law of human life.

Only a few people in a generation can follow the example of Lord Nuffield and Rockefeller and Carnegie. Only a few can give away

THE USERS AND THE BENEFACTORS

millions. These few great benefactors give millions for the higher services that Governments neglect. They promote health, education, culture, research. Few men can do this, but every competent man can do his bit. He can use at least 5 or 10 per cent of his money to benefit others who are less competent and fortunate. He is morally bound to help in proportion to his strength.

One of the shortest of all funny stories is—"Two fleas retired and bought themselves a dog." Evidently the fleas wanted to keep on working. When a business man retires, he should, too, in my opinion, keep on working. He should take up either a hobby or a different kind of work. He should retire with a purpose. He should have some other purpose than money-making, something that concerns the welfare of others or his own development. When a busy, successful man retires into absolute idleness, he is seldom happy. Often he shortens his life. He finds that an idle life is not worth living.

There are many public duties that a retired business man can take up. He can serve on committees. He can become a Town Councillor. He can raise money for a hospital. He can start a scheme to improve his town. When a man has reached that happy point where he

HOW TO GET AND USE MONEY

has both time and money, he should for his own sake look about for something to do for the benefit of others who are less efficient and fortunate.

In an article written for the Toronto magazine *Marketing*, Mr. John C. Kirkwood said: "I met recently a man who has been pensioned by his employers after thirty-five years of service—a man still vigorous physically and mentally. In addition to his pension he has the income from a sizable fortune. He confesses that he would like to have something to do. And I heard of two Toronto men, one of them a millionaire, the other a near-millionaire. Both of these men have nothing to do, and both are unhappy. Each said that he did not know what to do with his money—how to spend his income. I can imagine most of my readers saying, 'My, I would not have their difficulty.'

"What I want to say is—true happiness is possessed when we are working—even when we are struggling; and those of us who are under the compulsion to earn our daily bread and who are doing useful work for the benefit of others are envied by those who have become workless because of their riches. I had a letter from a friend who recalled days now gone thirty years—when he and I worked together, and when we groused a lot about our inade-

THE USERS AND THE BENEFACTORS

quate pay. My friend now says that those days were 'idyllic'. How time—kindly time—puts a rainbow over remote experiences which may have been, when current, distasteful or worse."

No man can ever get much money unless he makes himself work. If he works only when he must, he will never have much more than a handful of silver and coppers in his pocket. He will probably go through his whole life without having a bank account and a cheque-book. A man must put the glamour on work, not on idleness. He must escape from the delusion that idleness is a blessing and not a curse.

Every now and then, when I have to do three days' work in two days, and that is often, I think: "I wish I hadn't to work so hard. If only I could have six months in the South Sea Islands, listening to music and watching the blue waves!" Then I pull myself up and remember that I have never had an idle month in my life, and that if I were condemned to idleness I would be utterly wretched.

Nothing else takes the value and the zest out of life as much as idleness does. Ask a man who has been unemployed for six months and he will give you a definition of idleness. It is a terrible thing to have nothing to get out of bed for. It is a terrible thing to feel useless.

We have two classes of idle people—the

HOW TO GET AND USE MONEY

moneyless unemployed and the too-rich people who have no occupation. And both classes are unhappy. Work is the normal thing, and on the whole it is better to have too much of it than too little. True happiness is based on self-respect, and any man loses his self-respect when he is idle.

Towards the end of his life, a man who has acquired money should plan how to leave it in such a way that it will not be squandered. He will be wise to give away to his heirs much of what he does not need, as money given away three years before death is not liable to the Estate Duty. He will then have a chance, too, to see which of his heirs makes the best use of the money. It is always a pity, and a national loss, when a man leaves his fortune to people who destroy it by foolish spending.

We can now lift this train of thought to a higher level and consider a man's sphere of influence. Every man has an influence, for better or worse, on a few people. Some men influence hundreds. Some influence thousands. A few influence their whole nation. Some great Creative Thinkers—Darwin, Kelvin, Faraday—influence the whole civilized world.

To put it simply, every day of our lives you and I meet and influence people. If we are poor, our influence is likely to be less. The

THE USERS AND THE BENEFACTORS

ownership of money adds greatly to any man's influence. The purpose of every man, who is both ambitious and right-minded, should be to have a beneficent influence upon as many people as possible.

When a young retailer starts out in the business world, with a small shop and a couple of sales people, his sphere of influence is very small. But twenty years later he may have three hundred sales people and many thousands of customers. Every Business-Builder gathers his own group of people around him. They receive money from him and more than money. He influences the course of their lives.

When kindly John Wanamaker died, he had eighteen thousand employees in his group; and it is safe to say that practically all of them had been lifted to a higher level. Also, it is true to say that his efficient methods and success had a strong influence upon the whole field of retailing, not only in America, but in many other countries as well.

Sometimes one man puts courage and hardihood into his whole nation. William Tell did this for Switzerland. Washington did it for the young American Republic. Drake and Nelson did it for England. Masaryk did it for Czechoslovakia. A man can have a national sphere of influence if he has a superior brain or if he has

HOW TO GET AND USE MONEY

wealth. Some men have both and they are very influential. A wealthy man can use a part of his fortune to shape his nation on right lines.

As one of the best examples of an Englishman who lived his life wisely, happily and usefully, I would select Joseph Chamberlain. The first thing he set out to do was to get money. He became a Business-Builder. At thirty-eight he had enough money. He retired and became a City-Builder. He was for three years Mayor of Birmingham. He helped to make that city one of the best-governed cities in the world.

Then, for the next thirty years of his life, he worked in Parliament in various high positions as a Nation-Builder. He put through the Bankruptcy Act, Patents Act and Franchise Act. As Colonial Secretary, he became an Empire-Builder. He was not a politician. He was a statesman. He was, all his life, independent and creative. He originated the policy of "Tariff Reform", but he was twenty years in advance of his associates. After his death, the British people accepted this policy. He built his life on right lines and gave us an inspiration and example that should never be forgotten.

