

# **Business as a Calling**

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**On Receiving the Honorary Doctor of Laws Degree**

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**William E. Simon Graduate School of Business Administration**

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William E. Simon was my friend, and we shared many business and human values. When I began to write these remarks a few weeks ago, I had him in mind, and looked forward to having him hear them today. Alas, our lives follow God's plans and not our own, and that's not going to happen. But I dedicate this talk to Bill's memory.



Good morning. On this glorious occasion, congratulations on earning the advanced business degree you will shortly receive. It is hardly a secret that you are entering a world of unparalleled prosperity in America. Business is booming; salaries to professional school graduates are generous almost beyond imagination; the stock market remains at a level undreamed of as little as a decade ago; our world is spinning in lightning-quick revolutions. The Information Revolution has become the analogue, as some would have it, of the Industrial Revolution of 100 years ago and the Agricultural Revolution 1000 years before that.

Hyperactivity and speed—perhaps nicely captured by today's acronymic society: ATM, B2B, B2C, DSL, MP3, NASDAQ, to cite just a few—seem to be the watchwords of these feverish times. We truly live in a New Era, offering exciting opportunities not only in new ventures, but in established firms eager to join the fray. But I want to talk to you about an element of business that I believe is even *more* important than the whirlwind of change circling around us today: *Business as a calling*.

## **My First Break**

Here's how the dictionary defines a "calling:" *A strong impulse toward a particular and higher course of action; the right thing to do; a career to which one is called by the courses of nature and fortune.* But I confess that when I graduated from Princeton and went right to work—I didn't have the benefit of a business school education—I hardly considered business as my calling. My only objective,

as far as I can recall, was to move on with my life, to do the best I could, and to earn a good living. But in an extraordinary stroke of luck, I had written my undergraduate thesis on the then “tiny but contentious” mutual fund industry. Through the thesis, Walter L. Morgan, the founder of one of the industry’s finest firms, gave me my first break, hiring me and then becoming my mentor. That was a half-century ago, but as I re-read my thesis preparatory to its publication in my forthcoming book I realized that even then I had a powerful sense of idealism that even a half-century of experience has been unable to diminish. Indeed, I have little doubt that my idealism today is stronger than it’s ever been.

Even back in 1951, I urged that mutual funds *serve*—“serve the needs of both individual and institutional investors,” and serve them “in the most efficient, honest, and economical way possible . . . with a reduction in sales loads and management fees . . . minimizing investor misconceptions . . . and claiming no superiority over the stock market averages.” As it has turned out, in those broad brushstrokes lay the core idea of the firm I would found in 1974: *The soundest way to participate in the long-term growth of our nation is simply to own the stocks of all of the businesses in America, to own them at rock-bottom agency costs, and to hold them forever.* (We apply that same concept to *all* segments of the financial markets.)

This investment strategy, at once innovative and counterintuitive, in turn depends on our unique corporate structure. We are a mutual enterprise owned not by the fund *managers*, but by the fund *owners*, an enterprise in which service to shareholders and stewardship are our highest priorities. With that combination of investment ideas and human values, we have striven to become one of those all-too-rare enterprises: *A company that stands for something.* We stand for the primacy of the fund shareholder. And it works! Vanguard’s growth is, to me at least, living proof that *enlightened idealism is sound economics.*

### **Business: An Honorable Career**

Over the past half century, business has come to be my personal calling. But I’m not here to talk about *my* life and career. I’m here to urge you to think about *your* calling as you go out into the wide, wide world of business, whether it be commerce or industry, finance or technology. I urge you to fulfill your own personal destiny, to gain a sense of contributing something wonderful—perhaps unique—to society, something that you’re good at, something you enjoy, something that without you would simply not be there.

Make no mistake: Business is an honorable career. Adam Smith told us why: “The pleasures of wealth and greatness strike the imagination as something grand and beautiful and noble, well worth the toil and anxiety . . . [they] keep in continual motion the industry of mankind, to build houses; to found cities and commonwealths, to invent and improve all the sciences and arts, which enoble and embellish human life; which have entirely changed the whole face of the globe, and [have paved] the great high road of communication to the different nations of the earth.” *He wrote those words 230 years ago.* Could it be better said today?

Yet as I survey America at the millennium, I see our nation’s business values eroding. Yes, I see marvelous entrepreneurship, brilliant technology, and creativity beyond imagination. But I see far too much greed, materialism, and waste to please my critical eye. I also see an economy too focused on the “haves” and not focused enough on the “have-nots,” underinvesting in education, especially among those who need it most, not merely to *prosper*, but to *survive*. I see shocking misuse of the world’s natural resources, as if they were ours to waste, rather than ours to preserve as a sacred trust for future generations, and I see a political system corrupted by a staggering infusion of money that is, I assure you, rarely given by disinterested corporations that expect no return on their investment.

### **Markets and Economics**

But I also see hope. Everywhere I go I see hope in our youth—you!—and a spirit of idealism, too. Yes, business is about creativity and productivity, and goods and services and jobs and benefits, and success and wealth and greatness—all of these. But business must also be about ideals, about making the world a better place. You’ve spent two years here studying business, and have been inculcated in the belief that markets work. *They do!* And that economics is, finally, the language of business. *It is!* But without virtue, business is a hollow pursuit. In his remarkable book, *Business as a Calling*, the inspiration for the title of my remarks today, the theologian Michael Novak catalogues three cardinal virtues of business:

- ◆ “The virtue of creativity . . . the inclination to notice what other people don’t yet see, to act on insight . . . to foresee the needs of others and satisfy those needs . . . intellectual capital is the chief source of wealth.
- ◆ “The virtue of building community . . . the wealth of *all* nations . . . more than ever, work toward a common goal is *work with others and work for others* . . . requiring fidelity, reliability, diligence, industriousness, and especially courage.

- ◆ “The virtue of practical realism . . . common sense . . . paying your dues by getting your hands dirty and facing day-to-day frustrations . . . a strong sense of how the world really works, from the bottom up, gives you confidence in your ideas, no matter how unrealistic others may think them.”

Yes, as Dr. Novak notes, we live in a society where *realism* seems a bit threadbare and outmoded, where what is said to be important is *perception*, and who knows whose perceptions are “true”? That notion does not please him, nor, most certainly, does it please me. Ever since I started Vanguard more than a quarter century ago, my mantra has been: “If there is a gap between perception and reality, it is only a matter of time until reality takes over.”

### **The Worldly Economists**

Please realize that the ideal of business as a calling was hardly anathema to the worldly economists of the ages. Years *before* he wrote *The Wealth of Nations*, extolling the virtues of the invisible hand of competition and the essential nature of personal advantage and self-love in making the world’s economic system work, Adam Smith wrote *The Theory of Moral Sentiments*. You may be surprised to learn that in that remarkable book he called for “reason, principle, conscience, the inhabitant of the breast, the great judge and arbitrator of our conduct, who shows us the real littleness of ourselves, the propriety of generosity, of reining in the greatest interests of our own for yet the greater interests of others, the love of what is honorable and noble, the grandeur and dignity of our own characters.” Adam Smith again, here the apostle of virtue.

Joseph Schumpeter saw a similar spirit. Fully 90 years ago, he described for us the motives of the successful entrepreneur: “The joy of creating, of getting things done, of simply exercising one’s energy and ingenuity . . . the will to conquer, the impulse to fight, to succeed, not for the fruits of success, but for success itself.” In my own calling, those passions continue to excite me, even as I speak to you this very morning.

And John Maynard Keynes followed suit, reinforcing my view that all of these gigabillions of numbers that fly around us are only numbers, quantities on a scoreboard that are only one measure—and, truth told, hardly the best measure—of an enterprise. Keynes emphasized that it was the merest pretense to suggest that an enterprise is “mainly actuated by the statements in its own prospectus, however candid and sincere . . . based on an exact calculation of benefits to come.” Rather, the key to success is “animal spirits—a spontaneous urge to action rather than inaction,” warning that “if animal spirits are dimmed and

the spontaneous optimism falters, leaving us to depend on nothing but a mathematical expectation, enterprise will fade and die.”

### **Meet Some Great Need . . . Perform Some Great Deed**

These three economists—the greatest in modern history—are all sending us the same message. Let’s follow their advice. Let’s put animal spirits first, and gigabillions second; the joy of creating and the will to conquer first, and the mindless conformity of greed last; and the greater interest of others, the love of what is honorable and noble and the grandeur and dignity of our own characters first, and only then consider our own self-interest. Strive to meet some great need or perform some great deed, not for yourself, but for others. Enter into business with idealism and enthusiasm and energy. Enter into the battle for ideas, a battle for which you’ve been so well prepared in your studies here, with determination and joy.

Business has been my calling for a half-century. It’s been, well, wonderful and each one of you can be as blessed in your lives and careers as I have been in mine, for today the opportunities are infinite. Go out and make business *your* calling. Help us to build a better world.

Just do it!