

“When a Man Comes to Himself”

**A Commencement Address by
John C. Bogle
Founder and former chief executive, The Vanguard Group¹
at
The Williamson Free School of Mechanical Trades**

Media, PA

May 28, 2009

First of all, hearty congratulations to each one of you on graduation from this wonderful school. I imagine that Isaiah Vansant Williamson, the man of Scots heritage who founded your school some 120 years ago, is looking down on you from above on this bright afternoon, quietly reveling as 61 of those whom he called “his boys” are handed the diplomas that recognize that you have stayed the course; you have completed it successfully; you now begin a new course in your life.

You are no longer boys; you have become men. And somewhere along the long road of life that will follow, each of you will “come to yourself,” an expression that, sadly, has fallen out of use. That is my theme today, inspired by an essay entitled “When a Man Comes to Himself,” written in 1901 by Woodrow Wilson, shortly before he became president of my own alma mater, Princeton University. In 1912, Wilson would become the 28th president of the United States of America.

When does a man come to himself? When do you learn who you are? When do you find your place in society? There is no fixed time; we come to ourselves on our own schedule. Some of you may have gotten there already; most of you will get there before too many more years have passed; some all at once, others imperceptibly, by degrees; and, as Wilson knew, “some men never come to themselves at all,” perhaps the sadness of never finding one’s place in the world, perhaps the tragedy of a life cut short. But given the remarkable skills you have acquired right here on this magnificent campus, the dedicated teachers and mentors who have given of

¹ Note: The opinions expressed in this speech do not necessarily represent the views of Vanguard’s present management.

themselves to you, and your inculcation into the Isaiah Williamson Free School philosophy of service to society, I have no doubt that the world you seek will be yours.

Wilson recognized that coming to yourself is not determined by the passage of time, but by the passage of the spirit. Using Wilson's ageless words:

*. . . It is in real truth that common life of mutual helpfulness, stimulation, and contest which gives leave and opportunity to the individual life makes coming to yourself possible, makes it full and complete . . . In discovering your own place and force, if you seek intelligently and with eyes that see, you find more than ease of spirit and scope for your mind. You find yourself, as if mists had cleared away about you and you know at last your neighborhood among men and tasks.*²

Likely it is that Isaiah Williamson came to himself well before he reached manhood, for he was a remarkable youth. According to his biographer, John Wanamaker (yes, the Philadelphia merchant prince), young Isaiah was “an apt, enthusiastic scholar, a boy who did a man's work; never tired, never absent, never idle; a lad of manly ways, of merit, integrity and industry; a lad who threw himself into the whirl of work and life.” Wanamaker then goes even further, describing Williamson's “fairness, good temper, Quaker thrift and industry, modesty, and absolute trustworthiness.” Could there possibly be a better set of standards for a man who has come to himself than those eternal standards exemplified by your legendary founder?

Work . . . Trade . . . Finance

I have always been a huge admirer of the craftsman who works with his hands as well as his mind, the consummate professional who enhances our daily existence by his talents and his skills. You and your peers—those who came through these halls before you and those who shall follow you, those who study and learn their trades—add great value to our society. Indeed, you constitute the very backbone of our nation, and you should be rightfully proud of learning the trades you will soon practice. Those of us in finance are of a rather different status, for it is no longer any secret that our financial sector subtracts value from our society.

² Throughout these quotations, I have taken the liberty of substituting “you” and “your” for Wilson's “he” and “his.”

How can that be? Of course credit is central to our economy. Liquidity—enabling one person to acquire the stream of future income generated in a business, by using his capital to purchase shares from another person who wishes to withdraw his capital and relinquish his claim—is vital. And the efficient pricing of shares traded in our financial markets is essential to their functioning. But the principal function of the financial sector is to act as the middleman in a trade between a buyer and a seller, a trade that pits one investor against another, a trade that inevitably constitutes a *zero-sum* game (one side wins, the other side loses). But once the costs of the middlemen—the brokers, the bankers, the money managers, all those croupiers of finance—are extracted, speculation in stocks, becomes a *loser's* game, a subtractor from social value.

An old English saying puts it well:³

Some men wrest a living from nature and with their hands; this is called work.

Some men wrest a living from those who wrest a living from nature and with their hands; this is called trade.

Some men wrest a living from those who wrest a living from those who wrest a living from nature and with their hands; this is called finance.

So, yes, I confess to you who will actually *do* the world's work, making your living “from the earth and with your hands,” that your commencement speaker has earned his own living, not in that kind of real work, but in finance. But I'm embarrassed about the field in which I ply my trade. All too many of its leaders bear a heavy responsibility for running our economy into the ground, even as they made personal fortunes by playing fast and loose with the system and taking absurd risks, not (of course!) with their own money but with other people's money; even successfully lobbying for the rollback of regulations that had well-served investors for decades.

Taking on the System

But I've marched to a different drummer. I've challenged the financial system and done my best to improve it—to build a better world for investors. Vanguard, the company that I founded almost 35 years ago, was built on a firm foundation of service to our investors rather than service to ourselves, in a unique *mutual* mutual fund structure in which our fund shareholders actually *own* the funds' management company. Vanguard operates on an “at-cost”

³ I've not been able to identify the source of the quotation.

basis, and our structure and fiscal discipline have resulted in cumulative savings to our shareowners of nearly \$100 billion so far, subtracting less value from society than any financial firm on the face of the globe. In short, our rise to dominance in the financial field has come simply because we are (a) structurally correct; (b) mathematically correct; and (c) strategically correct.

Our core investment strategy is the index fund—a fund that, at its best, simply owns the entire stock market (or the entire bond market). Operated at rock-bottom cost, this strategy guarantees that our shareholders receive no more and no less than their fair share of whatever long-term returns on investment that our stock and bond markets are generous enough to provide—or, on occasion, mean-spirited enough to take away. The index fund, arguably, is an exercise in the very kind of plain and simple engineering that your own careers will demand.

Think about it. In the 2005 book, *Power, Speed and Form. Engineers and the Making of the Twentieth Century*,⁴ the best engineering is described as embodying “efficiency, economy, and elegance”⁵—the very kind of ingenious simplicity and effectiveness that characterize the index fund. It is the antithesis of the discredited “financial engineering,” the excessive costs, the product complexity, and the rampant speculation that created the global financial crisis that Wall Street has inflicted on Main Street. And it is now arguably the largest mutual fund in the world.⁶

Yet the Vanguard model has yet to be copied, and we remain a renegade in our field. We prefer to be noted for our stewardship rather than our salesmanship; for our management rather than our marketing; for our focus on long-term *investment* rather than short-term *speculation*. In this sense we parallel the career of Isaiah Williamson, who made his fortune in trade by his own efforts and straight business dealing, not by speculation.

Labor and Capital

When capital is used for speculation rather than investment, the relationship between capital and labor in our society is distorted. Of course, as Abraham Lincoln reminded us, capital

⁴ David P. Billington and David P. Billington Jr., Oxford University Press, 2005.

⁵ In fact, in my 1951 thesis at Princeton University, I urged that mutual funds be operated “in the most efficient, economical, and honest way possible.” If honesty is understood to represent a certain kind of elegance, the ideas are identical.

⁶ Assets of our Index 500 funds total \$125 billion; assets of our Total Stock Market Index Funds total \$95 billion, a total of \$220 billion.

has its rights, worthy of protection; and property is the fruit of labor, a positive good in the world. This philosophy resonated with Theodore Roosevelt, who in 1910 cited Lincoln's words and added:

(We must) equalize opportunity, destroy privilege, and give to the life and citizenship of every individual the highest value both to himself and the commonwealth . . . the highest service of which he is capable . . . We should permit fortunes to be gained only so long as the gaining represents benefit to the community . . . for every dollar received should represent a dollar's worth of service rendered—not gambling in stocks but in service rendered.

“Not gambling in stocks but in service rendered” is a worthy standard. Yet when I look at our society today, I am appalled by our tendency to overvalue the managers of our financial sector and to undervalue those who are engaged in work and trade. A recent book entitled “*The Craftsman*”⁷ makes the case for the kind of valuable work that you have been trained to do: “*making is thinking . . . for the work of the hand can inform the work of the mind . . . learning to work well enables people . . . to govern themselves so as to become good citizens.*” You newly-minted Williamson graduates must already understand some of these essentials of useful knowledge cited by the author:⁸

How to negotiate between autonomy and authority (as one must in any workshop); how to work not against resistant forces but with them; how to complete their tasks using “minimum force;” and how to meet people and things with sympathetic imagination; and above all how to play.

And so—whether in your machine shop here, or in your masonry shop or your carpentry or paint shops, or your power plant, or even in your garden—you young craftsmen have already learned so much of what is important not only in work, but in life. And as you come to yourself, you will have learned even more.

⁷ Richard Sennett, Yale University Press, 2008.

⁸ By curious coincidence, the same theme was echoed in an article in *The New York Times Magazine* only five days ago. (Google it!) In “The Case for Working with Your Hands,” Matthew B. Crawford makes the point that for the craftsman, “the intrinsic satisfactions of work count—not least in the exercise of your own powers of reason.”

When he wrote his essay all those years ago, Woodrow Wilson recognized the special moment that this commencement celebration represents for you graduates:

To most men, coming to oneself is a slow process of experience, a little at each stage of life. A college man feels the first shock of it at graduation, when the boy's life has been lived out and the man's life begins. You have measured yourself with boys . . . but what the world expects of you have yet to find out, and it works, when you discover it, a veritable revolution in your ways of thought and action, your training was not for ornament or personal gratification, but to use yourself (for the greater good) and to develop faculties worth using. The man who receives and verifies the perfect secret of right living, the secret of social and of individual well-being, has discovered not only the best and only way to serve the world, but also the one happy way to satisfy himself. Then, indeed, have you come to yourself.

Surely you have come to yourself only when you have found the best that is in you, and you have satisfied your heart with the highest achievement you are fit for. It is only then that you know of what you are capable and what your heart demands . . . No thoughtful person ever came to the end of their life, and had time and a little space of calm from which to look back upon it, who did not know and acknowledge that it was what you had done unselfishly and for others, and nothing else, that satisfied you in the retrospect, and made you feel that you had played as a human being.

So as your lives as men begin today, I wish each of you the power, the stamina, the determination, the wisdom, the spirit of sharing and building, and the passion to leave everything that you touch—each job, each trade, each project, each system—better than you found it, the sheer pride in a job well done. And while you're about it, try also to leave every person whose life you touch a better person. Then, you will have come to yourself. *Then you will have come to yourself.* More than that I cannot wish you.

May God bless you all.