

I owned Muzak for twenty years and sold it for a profit of many millions . . . when I ran out of my first million and needed some more.

Muzak's habit-forming. The man who bought it from me gave me four installations for my homes and my offices. I always have it on. 'Cause I notice it when it's not on and don't notice it when it's on. That's how it's music not to be listened to. And that's how it's habit-forming.

Every businessman wants a product that is habit-forming. That's why cigarettes, Coca-Cola and coffee do so well. Even soap is habit-forming. Soaps were my biggest products when I was in the agency business.

I always thought—at Benton & Bowles—just six more months, three more, and it would all be behind me. But our business doubled every year. Every year, I would say: As soon as I get this new client, I won't be working like this. No intelligent man would put up with what I put up with, even to get a million dollars, if he could have foreseen the six years.

In the fall of '37, I became vice president of the University of Chicago. My day changed enormously, because I started to read and consort with economics professors, and to interest myself in educational broadcasting . . . to produce and guide the "University of Chicago Round Table." However, the habits of hard work were ingrained in me. I didn't lacerate myself in the same way. But I worked the long, hard week. My evenings, though, were different.

The Depression was very seriously affecting the University . . . great deficits run up by its expensive medical school and its clinics. Contributions were less.

When Mr. Walgreen withdrew his niece claiming she was being taught communism, almost every paper in this great city attacked, pilloried the University. The Depression added to the feeling about communism.

I called on Mr. Walgreen to talk to him about this. Nobody from the University had done this. The trustees were startled by Walgreen's charges—and offended. I went to a former client, who introduced me to Mr. Walgreen. I said: "Mr. Walgreen, these great institutions live off the beneficences of people like you. Why don't you help the University teach courses on American institutions, as you think they should be taught?" Hutchins gave me the idea. I said to him: "What can we do to fix things up with Mr. Walgreen?" He said, "Why it's easy. Get him to give some money to the University." The next day, after my talk, Mr. Hutchins went around and collected a half a million dollars from him. That fixed the Walgreen case up right away.

*Do you feel the Depression has adversely affected people in the matter of installment buying?*

*The Encyclopaedia Britannica lives off installment buying, this is our whole business. We don't think about credit as a problem, particularly*

when we think about a Depression. With more men out of work, we'd have an easier time finding good salesmen. The more men out of work, the more applicants we have. By multiplying our salesmen, we'd have an offset to the fact that there are fewer people to whom to sell. Progress through catastrophe.

## Arthur A. Robertson

*His offices are on an upper floor of a New York skyscraper. On the walls are paintings and photographs. A portrait of President Johnson is inscribed "To my friend, a patriot who serves his country." Another, of Hubert Humphrey—"To my friend, Arthur Robertson, with all my good wishes." Also, a photograph of Dwight Eisenhower: "To my friend, Arthur Robertson." There are other mementoes of appreciation from Americans in high places.*

*He recounts his early days as a war correspondent, advertising man and engineer. "We built a section of the Sixth Avenue subway. I've had a peculiar kind of career. I'm an industrialist. I had been in Germany where I picked up a number of porcelain enamel plants. I had a hog's hair concession from the Russian government. I used to sell them to the outdoor advertising plants for brushes. With several associates, I bought a company nineteen years ago for \$1,600,000. We're on the New York Stock Exchange now and recently turned down \$200 million for it. I'm chairman of the board, I control the company, I built it.*

*"I thought seriously of retiring in 1928 when I was thirty. I had seven figures by the time I was twenty-four."*

IN 1929, it was strictly a gambling casino with loaded dice. The few sharks taking advantage of the multitude of suckers. It was exchanging expensive dogs for expensive cats. There had been a recession in 1921. We came out of it about 1924. Then began the climb, the spurt, with no limit stakes. Frenzied finance that made Ponzi\* look like an amateur. I saw shoeshine boys buying \$50,000 worth of stock with \$500 down. Everything was bought on hope.

Today, if you want to buy \$100 worth of stock, you have to put up \$80 and the broker will put up \$20. In those days, you could put up \$8 or \$10. That was really responsible for the collapse. The slightest shake-up

\* A Boston financier of the Twenties. His "empire" crashed, many people were ruined. He went to prison.

caused calamity because people didn't have the money required to cover the other \$90 or so. There were not the controls you have today. They just sold you out: an unwilling seller to an unwilling buyer.

A cigar stock at the time was selling for \$115 a share. The market collapsed. I got a call from the company president. Could I loan him \$200 million? I refused, because at the time I had to protect my own fences, including those of my closest friends. His \$115 stock dropped to \$2 and he jumped out of the window of his Wall Street office.

There was a man who headed a company that had \$17 million in cash. He was one of the leaders of his industry and controlled three or four situations that are today household words. When his stock began to drop, he began to protect it. When he came out of the second drop, the man was completely wiped out. He owed three banks a million dollars each.

The banks were in the same position he was, except that the government came to their aid and saved them. Suddenly they became holier than thou, and took over the businesses of the companies that owed them money. They discharged the experts, who had built the businesses, and put in their own men. I bought one of these companies from the banks. They sold it to me in order to stop their losses.

The worst day-to-day operators of businesses are bankers. They are great when it comes to scrutinizing a balance sheet. By training they're conservative, because they're loaning you other people's money. Consequently, they do not take the calculated risks operating businesses requires. They were losing so much money that they were tickled to get it off their backs. I recently sold it for \$2 million. I bought it in 1933 for \$33,000.

In the early Thirties, I was known as a scavenger. I used to buy broken-down businesses that banks took over. That was one of my best eras of prosperity. The whole period was characterized by men who were legends. When you talked about \$1 million you were talking about loose change. Three or four of these men would get together, run up a stock to ridiculous prices and unload it on the unsuspecting public. The minute you heard of a man like Durant or Jesse Livermore buying stock, everybody followed. They knew it was going to go up. The only problem was to get out before they dumped it.

Durant owned General Motors twice and lost it twice . . . was worth way in excess of a billion dollars on paper, by present standards, four or five billion. He started his own automobile company, and it went under. When the Crash came, he caved in, like the rest of 'em. The last I heard of him I was told he ended up running a bowling alley. It was all on paper. Everybody in those days expected the sun to shine forever.

October 29, 1929, yeah. A frenzy. I must have gotten calls from a dozen and a half friends who were desperate. In each case, there was no sense in loaning them the money that they would give the broker. Tomor-

row they'd be worse off than yesterday. Suicides, left and right, made a terrific impression on me, of course. People I knew. It was heartbreaking. One day you saw the prices at a hundred, the next day at \$20, at \$15.

On Wall Street, the people walked around like zombies. It was like *Death Takes A Holiday*. It was very dark. You saw people who yesterday rode around in Cadillacs lucky now to have carfare.

One of my friends said to me, "If things keep on as they are, we'll all have to go begging." I asked, "Who from?"

Many brokers did not lose money. They made fortunes on commissions while their customers went broke. The only brokers that got hurt badly were those that gambled on their own—or failed to sell out in time customers' accounts that were underwater. Of course, the brokerage business fell off badly, and practically all pulled in their belts, closed down offices and threw people out of work.

Banks used to get eighteen percent for call money—money with which to buy stock that paid perhaps one or two-percent dividends. They figured the price would continue to rise. Everybody was banking on it. I used to receive as much as twenty-two percent from brokers who borrowed from me. Twenty-two percent for money!

Men who built empires in utilities, would buy a small utility, add a big profit to it for themselves and sell it back to their own public company. That's how some like Samuel Insull became immensely wealthy. The thing that caused the Insull crash is the same that caused all these frenzied financiers to go broke. No matter how much they had, they'd pyramid it for more.

I had a great friend, John Hertz. At one time he owned ninety percent of the Yellow Cab stock. John also owned the Checker Cab. He also owned the Surface Line buses of Chicago. He was reputed to be worth \$400 to \$500 million. He asked me one day to join him on a yacht. There I met two men of such stature that I was in awe: Durant and Jesse Livermore.

We talked of all their holdings. Livermore said: "I own what I believe to be the controlling stock of IBM and Philip Morris." So I asked, "Why do you bother with anything else?" He answered, "I only understand stock. I can't bother with businesses." So I asked, "Do men of your kind put away \$10 million where nobody can ever touch it?" He looked at me and answered, "Young man, what's the use of having ten million if you can't have big money?"

In 1934—after he went through two bankruptcies in succession—my accountant asked if I'd back Livermore. He was broke and wanted to make a comeback in the market. He always made a comeback and paid everybody off with interest. I agreed to do it. I put up \$400,000. By 1939, we made enough money so that each of us could have \$1,300,000 profit after taxes. Jesse was by this time in the late sixties, having gone through

two bankruptcies. "Wouldn't it be wise to cash in?" I asked him. In those days, you could live like a king for \$50,000 a year. He said he could just never get along on a pittance.

So I sold out, took my profits, and left Jesse on his own. He kept telling me he was going to make the killing of the century. Ben Smith, known as "Sell 'Em Short Ben," was in Europe and told him there was not going to be a war. Believing in Smith, Livermore went short on grain.\* For every dollar he owned, plus everything he could pyramid.

When I arrived in Argentina, I learned that Germany invaded Poland. Poor Jesse was on the phone. "Art, you have to save me." I refused to do anything, being so far away. I knew it would be throwing good money after bad.

A couple of months later, I was back in New York, with Jesse waiting for me in my office. The poor fellow had lost everything he could lay his hands on. He asked for a \$5,000 loan, which, of course, I gave him. Three days later, Jesse had gone to eat breakfast in the Sherry-Netherlands, went to the lavatory and shot himself. They found a note made out to me for \$5,000. This was the man who said, "What's the use having ten million if you can't have big money?" Jesse was one of the most brilliant minds in the trading world. He knew the crops of every area where grain grew. He was a great student, but always over-optimistic.

*Did you sense the Crash coming in 1929?*

I recognized it in May and saved myself a lot of money. I sold a good deal of my stocks in May. It was a case of becoming frightened. But, of course, I did not sell out completely, and finished with a very substantial loss.

In 1927 when I read Lindbergh was planning his memorable flight, I bought Wright Aeronautic stock. He was going to fly in a plane I heard was made by Wright. I lived in Milwaukee then. My office was about a mile from my home. When I left my house, I checked with my broker. By the time I reached my office, I had made sixty-five points. The idea of everything moving so fast was frightening. Everything you bought just seemed to have no ceiling.

People say we're getting a repetition of 1929. I don't see how it is possible. Today with SEC † controls and bank insurance, people know

\* "Selling short is selling something you don't have and buying it back in order to cover it. You think a stock is not worth what it's selling for, say it's listed as \$100. You sell a hundred shares of it, though you haven't got the stock. If you are right, and it goes down to \$85, you buy it at that price, and deliver it to the fellow to whom you sold it for \$100. You sell what you don't have." Obviously, if the stock rises in value, selling short is ruinous. . . . Ben Smith sold short during the Crash and made "a fortune."

† Securities and Exchange Commission.

their savings are safe. If everybody believes, it's like believing in counterfeit money. Until it's caught, it serves its purpose.

In 1932 I came to New York to open an office in the Flatiron Building. Macfadden, the health faddist, created penny restaurants. There was a Negro chap I took a liking to that I had to deal with. He agreed to line up seventy-five people who needed to be fed. At six o'clock I would leave my office, I'd march seventy-five of 'em into the Macfadden restaurant and I'd feed 'em for seven cents apiece. I did this every day. It was just unbelievable, the bread lines. The only thing I could compare it with was Germany in 1922. It looked like there was no tomorrow.

I remember the Bank Holiday. I was one of the lucky ones. I had a smart brother-in-law, an attorney. One day he said to me, "I don't feel comfortable about the bank situation. I think we ought to have a lot of cash." About eight weeks before the bank closings, we decided to take every dollar out of the banks. We must have taken out close to a million dollars. In Clyde, Ohio, where I had a porcelain enamel plant, they used my signature for money. I would come in every Saturday and Sunday and deliver the cash. I would go around the department stores that I knew in Milwaukee and give them thirty-day IOU's of \$1.05 for a dollar if they would give me cash.

In 1933, the night Jake Factor, "The Barber," was kidnapped, an associate of mine, his wife, and a niece from Wyoming were dancing in a night club. Each of us had \$25,000 cash in our socks. We were leaving the following morning for Clyde, and I was supposed to bring in \$100,000 to meet bills and the payroll. We were all dancing on \$25,000 apiece. In the very place where Jake Factor was kidnaped for \$100,000. The damn fools, they could have grabbed us and had the cash.

## Jimmy McPartland

*Jazz musician. A trumpet player, he was regarded by Bix Beiderbecke as his successor. He came East, out of Chicago, in the late Twenties, along with Benny Goodman, Bud Freeman, Gene Krupa, Eddie Condon.*

SO MANY GUYS were jumping out of windows, you know, because they lost their money. Goodness gracious, what for? We used to say to each other: Are they nuts? What is money? We were musicians, so what is money? That's nothing. The important thing is life and living and enjoying life. So these guys lose all their money, what the hell's the difference, we used to