

If You Can Trust Yourself . . .

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To the Student Body at the Roxbury Latin School

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It's a special honor for me to have the opportunity to speak to you young gentlemen of Roxbury Latin School. I hardly need tell you that your school is widely considered to be among the best schools—some say *the* best—in America. I'm particularly proud to have your schoolmate, my grandson and namesake, John Bogle III, here in the audience.

Believe it or not, gentlemen, we have a lot in common. I was once your age—yes, once a seventh-grader, and finally a twelfth grader, and there is much about those years that I carry in my mind to this day—memories of my classmates and especially of my teachers, whom I've come to describe as “characters who had character.” They demanded of us boys not only that we study and learn, but that we held high values and developed in ourselves the kind of character to which we were witness every day. I have no doubt that you are finding the same experience right here.

What's more, like Roxbury Latin, Blair Academy, the superb school in New Jersey where I spent my final two school years, was an all-boys school. And so, for that matter, was Princeton University (I guess I should say, “all-*men's* school”), where I spent the following four years. I loved those years, and while both Blair and Princeton are now co-educational, I hope that all-boy and all-girl schools will remain as options for our youth for as far ahead as we can see.

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

In any event, speaking at an all-boys school gives me the opportunity to quote from one of my favorite poems, which is about becoming a man. My theme is taken from a single phrase of that poem: “If you can trust yourself . . .” *If you can trust yourself*. Now trusting what is in your own heart and soul is a truly big idea. But I didn’t think much about it until I was perhaps 15 years of age, and my father read me this poem that I have never forgotten. Written 100 years ago by the British poet Rudyard Kipling, it was entitled “*IF* . . . “

Many of you may already know it, but since it is a fairly short poem, I’d like to read it to you.

IF . . .

If you can keep your head when all about you
Are losing theirs and blaming it on you,
If you can trust yourself when all men doubt you,
But make allowance for their doubting too;
If you can wait and not be tired by waiting,
Or being lied about, don’t deal in lies,
Or being hated, don’t give way to hating,
And yet don’t look too good, nor talk too wise:

If you can dream – and not make dreams your master;
If you can think – and not make thoughts your aim;
If you can meet with Triumph and Disaster
And treat those two impostors just the same;
If you can bear to hear the truth you’ve spoken
Twisted by knaves to make a trap for fools,
Or watch the things you gave your life to, broken,
And stoop and build ‘em up with worn-out tools.

If you can make one heap of all your winnings
And risk it on one turn of pitch-and-toss,
And lose, and start again at your beginnings
And never breathe a word about your loss;
If you can force your heart and nerve and sinew
To serve your turn long after they are gone,
And so hold on when there is nothing in you
Except the Will which says to them: ‘Hold on!’

If you can talk with crowds and keep your virtue,
‘Or walk with Kings – nor lose the common touch,
If neither foes nor loving friends can hurt you,
If all men count with you, but none too much;
If you can fill the unforgiving minute
With sixty seconds’ worth of distance run,
Yours is the Earth and everything that’s in it,
And – which is more – you’ll be a Man, my son!

Many years ago, I read this poem to my own two sons—including John’s father—and, lest they forget its message, had copies of it framed for them. When the time comes, I’m hoping that *my* son, in turn, will read it to *his* son, your classmate. And if any of you would like to read it, well, just Google it. Better yet, stay with Google long enough to hear Kipling himself reading it, captured for eternity on film, happily, before his death in 1926. If you’re into tennis, go to YouTube and hear the poem recited by Roger Federer and Rafael Nadal, with some of their great action shots showing behind them. (Yes, even at my ancient age, I Google, and I visit YouTube. You can even find *me* there!)

Of course a lot happens in 100 years, and the world has changed dramatically since *IF* . . . was written. But the ideas expressed by Kipling are eternal. So what I’ll try to do this morning is relate just a few of those phrases from *IF* . . . to my own life and career, and to their relevance to dealing with the global financial and economic crisis that we citizens face today, the worst since the Great Depression of the early 1930s.

Reflections on my Career

As much as I appreciate the generous introduction by your headmaster, I feel the obligation to bring my own life and career down to earth. I’m a pretty ordinary human being, blessed with a decent intelligence, extraordinary good luck, teachers and mentors who saw some potential in me and demanded that I live up to it, and (with apologies for bragging) a powerful determination to get ahead in the world.

Part of that luck, of course was being “Born in the USA.” (Yes, I’m a fan both of the Boss and of the United States of America.) Part—this may surprise you—was being born into a family whose wealth had vanished during the Great Depression. For when one is required at a young age to work for what he gets, you learn to take responsibility, to follow orders, and to work with people from all walks of life—“to talk with crowds” in Kipling’s words, “nor lose the common touch,” a truly priceless blessing as we move from school to college to career.

When I attended Blair and then Princeton, I was given full scholarships that covered my tuition, and earned the money for my room and board by working at demanding, time-consuming jobs. The greatest break of my academic life came in December 1949, when I happened upon an

article in FORTUNE magazine that described the then-tiny mutual fund industry. That piece of luck changed my life, for I immediately decided that mutual funds would be the subject of my senior thesis, which set the stage for my now-near-58-year career in the fund industry.

Put simply, my 125-page thesis evaluated the fund industry and found it wanting. Idealistic to a fault, I demanded that mutual funds be operated solely in the interests of their shareholders, in “the most honest, efficient, and economical way possible.” I also warned that mutual funds “could make no claim to superiority over the market averages” (i.e., that stock fund managers as a group could not beat the stock market).

The thesis led me right into the fund industry. After I graduated in 1951, Walter Morgan, my greatest mentor, liked the thesis enough to offer me a job at his budding Wellington Management Company. By 1965, at the tender (and in fact, for me, rather immature) age of 35, I was running the firm. But I impetuously entered into an unwise merger, and in 1974 my new partners joined together and fired me from what I had considered “my” company. It was not a pleasant experience. But, yes, I learned something about how to “meet with Disaster,” and quickly realized that I should treat my own disaster, using Kipling’s word, as an “imposter,” just one more obstacle that it was up to me to overcome.

So I used the heavily-disguised opportunity created by my being fired to found a new firm built on those idealistic principles that I expressed in my thesis. (As it is said, “if you’re given a lemon, make lemonade.” No, that’s *not* Kipling.) I named the firm Vanguard, and ran it for the next 22 years. Our policies were based on *honest* disclosure, *efficient* management, and—above all—on *economical* operations. (Remember those words—“honest, efficient, and economical”—from my thesis?) We chose a unique and untested, truly *mutual* structure in which we eliminated conflicts of interest by having the fund shareholders own our management company; and we held our costs to the bare-bones minimum, by far the lowest in the field, saving them tens of billions of dollars over the years. And if our managed-fund peers couldn’t beat the market, well, we would—and did—create a “market fund” that would beat our managed-fund peers. Of course it did just that, and that first *index* mutual fund that we created is now essentially the largest fund on the face of the globe.

It would be easy to describe as a “Triumph” Vanguard’s remarkable ascent to becoming the industry’s unarguable leader in the superior investment returns we’ve earned for our

shareholders, in the minuscule costs that they bear, and in the overwhelming trust that our shareholders have placed in us. But I couldn't forget Kipling's implicit warning, "if you can meet both Triumph and Disaster, and treat those two imposters just the same." After my earlier brush with Disaster in my career, it was easy for me to understand that Triumph too is an imposter. Far better than preening over the past, please realize that it is focusing on the future that must be the order of the day.

Creating a new kind of fund company defied the conventional wisdom. So did creating a new kind of fund which would not trade stocks in the market, but simply buy *all* of the stocks in the stock market—owning corporate America, and holding it, well, forever. The world doubted that this tiny new firm called Vanguard would make a go of it. In fact, our index fund was called "Bogle's Folly" for years. (But no longer!) So, yes, "when all men doubt you," as Kipling put it, simply "trust yourself." And when opportunity knocks, don't forget to answer the door!

Reflections on Today's Crisis

In our present financial and economic crisis, Vanguard's simple strategies have paid off in spades. In a fund industry now deeply troubled by its aggressive marketing of investment fads, its speculative policies, its excessive costs, and its periodic scandals, our firm remains vibrant, healthy, and pristine. In fact, much of today's crisis finds its roots in the very failures of our financial sector that I described in my ancient thesis, and, most recently, in my seventh book, published last November.

In *Enough. True Measures of Money, Business, and Life*, I warn of too much cost and not enough value; too much speculation and not enough investment; too much complexity and not enough simplicity; too much counting and not enough trust; too much salesmanship and not enough stewardship; and so on; even too many 21st century values and not enough 18th century values—those values exemplified by the great philosophers of The Age of Reason—men such as Rousseau and Hume and Burke, and Adam Smith, and Tom Paine—who in turn helped shape the minds of our Founding Fathers—especially Washington, Jefferson, Madison, Franklin, and Hamilton. And all of these men, in turn, stood on the shoulders of earlier giants such as Socrates, Plato, and Aristotle. (Some of them are likely quoted in the halls you walk here each day. Read their words! Think about them! Gain their wisdom!)

It is the values of these giants of Western Civilization that have inspired me—yes, as you well know, the dead teach the living*—to speak out on the ethical failings of so many of the leaders of our corporations and our money managers, our regulators and our legislators. What we refer to as Wall Street has become a casino, one in which enormous—but momentary—changes in short-term stock prices are treated as intrinsic reality, rather than ephemeral perception. Think about it. All of today’s frenetic trading simply pits one speculator against another, with the only winners being the croupiers—the traders, the brokers, the investment bankers, and the money managers who facilitate those trades. If that undeniable reality reminds you of gambling in Las Vegas, or going to the race track, or hoping to hit the jackpot in the state lottery, well, you see where I’m coming from.

The stock market casino has become a giant—and costly—distraction to the serious business of investing. Greed, recklessness, and self-interest ride in the saddle of today’s capitalism, and it is high time we undertake the necessary reform, with federal laws that demand the return of fiduciary duty and stewardship to their traditional role in the trusteeship of other people’s money. That is my dream. But in this case, I confess, I’ve failed Kipling, for that dream may indeed have become my master. (I don’t apologize for that!)

But while the crisis was created largely by Wall Street, it is Main Street that is paying the price. And I’m sure that many of you students have a father or a mother who has been stung by the stock market crash or by the severe recession we are enduring. It won’t be easy, but I hope that they have the strength after Kipling, to “force their heart and nerve and sinew to serve their turn” until the crisis at last abates and our country again moves forward. *Which we will.* And when in your own lives you “watch the things you gave your life to, broken”—which will surely happen to some of you and your families—remember to “stoop and build ‘em up with worn out tools”.

Wrapping Up

Let me conclude with a final lesson for you, expressed in the last few lines of Kipling’s poem. Recall them with me:

* The motto on Roxbury Latin’s crest is *mortui vivos docent*.

*If you can fill the unforgiving minute
With sixty seconds' worth of distance run,
Yours is the Earth and everything that's in it,
And—which is more—you'll be a Man, my son!*

Today, the Earth, as it were, needs leaders with the insight and wisdom that you have the opportunity to develop right here at your extraordinary school, and with determination and virtue that, perhaps without your even realizing it, you are already beginning to develop right here at Roxbury Latin as you grow to maturity. You can help—you *must* help—to make our world a better place. So do your best, every day, to develop the will which says to you, “hold on.” Hold on to your values, and live a full and active life. And do what’s right for your family, your school, your community, your nation.

Although none of you is my son—and only one of you is even my grandson—let me pretend for a moment that you are all my sons. So it is that I close by taking the liberty to urge each of you to live your own life, and to give it your best shot over those many exciting decades that lie before you. Run your own distance, at your own pace, with your own values, with your own brains and your own character. *Trust yourself.* Trust yourself, and be worthy of the trust of others. Live a life of honor. Then, I assure you, young gentlemen of Roxbury Latin, that “yours will be the Earth, and everything that’s in it,” and, which is more, you’ll all be men, my sons.