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THE EDUCATION OF AMERICAN BUSINESS MEN.

BY C. H. OLDHAM, Vice-President, Professor of Commerce
in the National University of Ireland.

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THE inclusion in the Statutes of the National University of Ireland of provision for a Faculty of Commerce, intended to give teaching in subjects of higher commercial education leading up to Degrees in Commerce, has brought to our own doors a movement which is characteristic only of very modern times. The purpose of the movement is to extend university education to business men. Its problem is to devise a course of study specially adapted to prepare persons for a business career, analogous to the preparation which the Schools of Law, Divinity, Medicine and Engineering provide for persons who are intending to follow those so-called learned professions. This is a movement that has gone furthest in America, where it is about a quarter of a century in evidence; that has had a remarkable development in Germany during little more than a decade, and that has been taken up in England within a still shorter period. The problem which it offers for solution is being worked out in all these countries; and the solutions, having regard to the differences in their commercial and educational circumstances, are wonderfully similar. There is in the modern business world, on the one hand, a new consciousness that education is an economic power which must be availed of. There is a growing feeling among statesmen and educationists, on the other hand, that the real rulers of the modern world will be the business men who are capable of managing the "large industry," that the greatness of nations will depend more and more on their capacity of producing these capable masters of large enterprises. And the chasm which has so long separated the learned professions from the practical men of affairs is everywhere closing up by the drawing together of the two sides.

It will, surely, be worth while to indicate briefly some of the causes which have induced so many countries to become interested in this movement.

What first awakened the world to Commercial Education was that modern phenomenon, *the German Commercial Traveller*, who began to make his efficiency felt during the late Seventies. Improved means of transport had greatly widened the areas of markets, and a better-educated commercial representative was giving Germany an immense advantage under the new conditions of trade. Professor Edmund J. James, Ph.D. (then attached to the Wharton School of Finance and Economy, Philadelphia, but to-day President of Illinois State University, Urbana, Ill.), got himself sent to Europe by the American Bankers' Association to find out how it was done. His now-historic report, on "The Education of Business Men in Europe," was published in 1893; it explained for the first time to many English-speaking people the educational system which was producing this highly-accomplished business representative. The German Commercial Clerk was the output of the "Higher Commercial Schools" which had been set up in Germany (and in Central Europe) by business men at their own expense, operating through Chambers of Commerce, Municipalities, etc. Professor James' Report was widely debated, and led to much activity in promoting commercial education of a true secondary type in the United States. There are three ways of doing it:—

(a) Add new *subjects* as electives into the Schools as at present organised,—a bad plan; (b) Introduce distinct commercial *courses* into existing schools, *i.e.*, "schools within schools."—the technical work is thereby made more educational and sound education is at the same time brought to reach a wider number; (c) Form independent schools,—the best plan for any community having a sufficient number of students desiring commercial instruction. Thus, in 1898, the celebrated High School of Commerce, with its independent organisation and a full four-year scheme of studies (Director, Cheesman A. Herrick, Ph.D.), was established at the Philadelphia Central High School. At New York, Brooklyn, Washington, Pittsburg, Los Angeles, and Syracuse other independent commercial high schools now exist, while commercial departments are conducted by the scores and hundreds in every part of the country. These schools of commerce of the new type are no mere competitors with the private ventures well-known as "American Business Colleges": *i.e.*, they are not mere "clerk factories," or "educational repair shops," but branches of public education. "Those cities that established merely two-year courses of study, and called them commercial high schools," said Dr. Herrick, "did not duplicate the institutions that have been so important a factor in the

recent industrial and commercial success of Germany, and that have made German education so justly famous."

Passing from this development of efficient secondary education on commercial subjects, intended to train commercial clerks of the German type, we come to the action of universities in America in furtherance of Higher Commercial Education. Here we find a later development, dating in most instances since 1900, and one directed towards the education of a higher grade than commercial clerks, viz., the Employer Class. This remarkable movement, which synchronises with parallel developments in Germany and England, is really the consequence of certain evolutions in modern business organisation that I will refer to presently: momentous and far-reaching developments that have created within the last ten years a new era in the commercial history of the world.

The pioneer institution to give commercial instruction of university grade was the University of Pennsylvania, at Philadelphia, acting through its "Wharton School of Finance and Economy," opened in 1881. Mr. Joseph Wharton, a local manufacturer, gave 250,000 dollars originally: more recently, he added another 250,000 dollars to the permanent endowment, and gave a site for an independent building; and he has signified his intention to spend about 240,000 dollars on a building to be specially adapted for the work of the School. The purpose of this celebrated "Wharton School of Finance and Economy" is to give an adequate education in the principles underlying successful civil government, and to furnish a training suitable for those who intend to engage in business or to undertake the management of property. From 1881 to 1895, the Wharton School gave two years of collegiate work to students of the University who elected at the beginning of their "junior" college year. [In America the four years of College education are named—1. Freshman, 2. Sophomore, 3. Junior, 4. Senior.] In 1895 a four-years' curriculum was introduced, adding certain concrete courses in economics and politics. More recently, the Wharton School, in order to adapt itself to changes in the College side of Pennsylvania University, has adopted a new form of organisation, viz.—the unit system was applied: So studies are now classed as "required," "required electives," and "free electives."

Apart from this pioneer institution of 1881, we find that commercial education of a university grade begins in 1898, when the University of California, at Berkeley, Cal., and the University of Chicago each inaugurated a School of Commerce, having a four-year course of study. Well-planned four-year courses were adopted for the University of Wisconsin, at Madison, Wis., 1900; for the University of Illinois.

at Urbana, Ill., 1901; and for the University of Michigan, at Ann Arbor, Mich., in 1902; while quite a dozen other State Universities of minor note established two-year courses, The Amos Tuck School of Administration and Finance, attached to Dartmouth College, Hanover, N.H., since 1900, is an exceptional institution; it gives an advanced course for post-graduate study, to which students are admitted after they have become college graduates, or have completed three years' undergraduate study; that is to say, it puts higher commercial education on to a professional basis, similar to law or divinity, and demands a preliminary preparation greater "than is required in any other of the higher schools of commerce in either Europe or America." The School of Commerce, Accounts and Finance in connection with the New York University, established in 1900, is also of a unique type. It was a natural outgrowth of the Certified Public Accountants' Association, and its chief work is to prepare men for the profession of accountancy: as its prospectus states, "it is in no way to be confounded with or substituted for the course of liberal culture in a college of arts and science"; and it appears to give all its teaching at night-time, 8 to 10 p.m. on five nights a week.

It is a striking fact that the year 1898 also dates the beginning of the movement in Germany, which has created those special commercial universities, named *Handelshochschulen* (as distinguished from the *Hochhandelschulen* already referred to). These institutions have been originated by German business men, acting through Chambers of Commerce, often aided by the Municipalities, but without any subsidy or direct authorisation from the State. The two first were at Leipzig and at Aachen, followed, a couple of years later, by Cologne and Frankfort-a-Main. Hamburg, Berlin, Mannheim, and Solingen have since followed by establishing independent schools of the same type of specialisation. Moreover, Great Britain, during the same period since 1901, has developed new Universities at London, Birmingham, Manchester, Sheffield, Leeds, Liverpool, and Bristol, each of which are giving advanced training in commercial subjects. The London School of Economics and Political Science dates from 1895, and the Association for Commercial Education in the West Riding of Yorkshire from 1899.

How are we to interpret the simultaneity of this widespread movement on behalf of higher commercial education of a university grade? I have already ventured the assertion that this whole movement is a consequence, a striking change in modern business organisation, amounting to a new era in the history of commerce, and I will endeavour briefly to define its nature.

We are witnessing an economic revolution, which has

been in progress during quite recent years owing to the cumulative effects of several distinct causes. I will mention four of these: (1) Great mechanical improvements in machinery (*e.g.*, turbines) and industrial implements (*e.g.*, electrically-driven tools) have very much enlarged the play of Capital in manufacturing production, and reduced the importance of Labour. (2) The decisive economies of large-scale production in heavily-capitalized businesses has necessitated a far-reaching reconstruction of business organization—smaller businesses getting consolidated everywhere into great amalgamations, whose capital is counted by millions sterling. (3) Competition on the old free lines is unsuited (can be shown, in fact, to be highly detrimental) to mammoth businesses when the element of *fixed capital* bulks very large; so that, in self-protection, all such rival concerns are compelled to establish a *Gemeinschaft*, or “community of interests,” among themselves. (4) At the same time, the known tendency of highly-machined production to outrun consumption has caused detrimental trade fluctuations, with recurring depression-periods of short-time working—involving ruinous expenses for underworked fixed-capital and great human suffering through the “Unemployment” of Labour; with the consequence that combinations of all individual producers have to be superimposed upon each highly machined industry, with the purpose of adjusting the output more accurately to the market demand.

The outstanding feature of this new era in commercial history is the reduction of the individual firm to a subordinate position, and the handing-over of the direction of business to a co-operating group of firms, all acting in concert. The harness that links these firms together is looser in some industries than in others. But now-a-days no modern business, in which the element of fixed-capital bulks large, can be quite free to act as an individual, without regard to what the other firms are doing at the same time.

I have given but an outline sketch of this complicated situation. Nevertheless it is sufficient, I would submit, to make it obvious to any reflecting mind that the education of a modern business man—I mean one of the employer class—must be quite different in the future from what it has ever been before. There are profound economic forces in operation which are producing these educational developments in every progressive country, with the object of providing education of the university type for the members of the Employer Class, the *Grossindustrie* men of the modern business world.

Two considerations may be suggested in this connection. It is a far more difficult thing to run an amalgamation of (say) twenty businesses than to run these businesses

separately ; more complex questions of business organisation arise, and the functions of the supreme governors of the undertaking are of a higher order. The manager of one out of many competing businesses has to take part in a scramble for trade ; the manager of an amalgamation has to provide for the supply of a whole market. A huckster may run the former, but a statesman is required for the latter. Any individual ambitious of playing an influential role in modern business is well aware that the problems faced day by day by a business man are as difficult, at least, as those faced by the doctor, lawyer, or engineer. "The day has gone by when doctors learnt their business merely by serving apprenticeships ; and the day will soon have gone by when our leaders in commerce and industry were expected to learn their business best merely by undergoing office routine."—(*Professor S. J. Chapman, of Manchester*).

Take the thing from the standpoint of the nation. The question has been raised—How far the tendency towards concentration in modern business is destined to go ? In other words, what are the factors on which the ultimate size of the modern business unit will depend ? The answer which economists are finding to the question is of startling significance. The size of the modern business unit will depend, says Mr. J. A. Hobson, on one thing only, viz., the capacity for administration of the supreme directors of the undertaking. Since the scale on which production is carried on now determines very largely the capacity for supplying the market at a profitable price, there is a premium in modern business on the able administrator. Business capacity has become a national asset which every nation requires to produce and to develop. In the modern mammoth business the man who directs is not necessarily nor often the man who owns the capital invested. The career is open to talent. It is the man who has demonstrated his capacity for business statesmanship who directs. The nations are eager to find ways of educating their business men, because it is known that the leadership of the world's commerce is likely to pass away from any country which cannot supply the supreme business administrators such as the new era imperatively demands.

It is natural that a movement so recent as the provision of university education for business men should fail to find acceptance everywhere. About the question whether higher education is really profitable for a merchant every merchant will have his own private opinion. Some will hold that higher education unfits a man for business and cripples his practical sense. On the contrary, others will contend that the old well-tried curricula of the Colleges furnish the best training for persons about to enter business or the professions.

They will have misgivings about the possibility of making a course in commercial studies a thorough mental discipline. Nevertheless, the experiment is watched with interest and sympathy rather than with criticism and predictions of failure. The question whether a study of pure mathematics, or of Greek, or of a branch of natural science, would give a finer edge to the faculties and a larger horizon does really not arise for the youths who are to enter commerce at an early age. They must get a mental training by concentrating their intellectual activity on the subject matter of their future labours or none. The aim of a Faculty of Commerce is not to cram the student with indigestible information, but to discipline and educate. The training is offered not as a substitute for experience, but, in Professor Chapman's words: "It should broaden the outlook, train the faculties to analyse new commercial and economic situations, and impart organised knowledge."

When the Business Men's Association of Berlin began to lay down plans for a commercial university, their conviction only amounted to a feeling that Berlin could not afford to be left behind when so many other German cities were moving in this direction. Since the claim of Americans for practical sense was accepted by all, it was decided to send Dr. J. Jastrow, Privatdozent in the University of Berlin, to report on the American manner of preparing young men for business life. Dr. Jastrow's report was published in the *Berliner Jahrbuch für Handel und Industrie*, 1904, and was translated in the Report of the U.S.A. Commissioner of Education for 1905. It is a remarkably interesting document, more especially since Dr. Jastrow has since been called to the head of the Berlin Commercial University, opened in 1906.

At the very outset he is met with the fact that the business apprenticeship (*Kaufmannslehre*), which is universal in Germany, is non-existent in the United States. During their preliminaries at Berlin "it was at every step of the preparation considered as settled that the (proposed commercial) university should, as a rule, be open only to those who had already passed through their commercial apprenticeship. . . . This 'commercial apprenticeship,' as I tried to render our German word, is unknown in America. From the moment in which the young man leaves school and enters a business he is a clerk, and all his superiors up to the representative of the proprietor are clerks. . . . The relation between theory and practice in commercial education is, briefly stated, in the two countries, America and Germany, the reverse of what is generally imagined. Germany, the land of thinkers and dreamers, conducts its commercial education chiefly in a practical way; America, the land of practical men, *par excellence*, is obliged, for want of a system of

apprenticeship, to resort to purely theoretical instruction. The great majority of American business men, it may be said, assign to-day not a lesser, but a much higher rôle to theoretic preparation for the mercantile profession than do the most extreme leaders of the commercial university movement in Germany."

He finds a marked difference also, between the principle underlying American and German university education. "The modern German universities have each become simply a cluster of professional schools, which have discarded all arrangements designed merely to serve general education. The development has gone in the opposite direction in America . . . Out of the former mere preparatory schools for professional studies the Americans have made an institution for general education, the principal instrument of that general culture which represents the educational ideal of the Americans . . . The American is perfectly clear about the fact that what has raised the 'educated' man above the uneducated multitude is the general culture which he has received at college, not the legal, medical, or other professional knowledge which he may have acquired for the purpose of his calling. For this reason the position of an educated man in America differs vitally from that of one in Germany . . . With us Germans a lawyer is valued higher than a cobbler, because he is a lawyer; while in America he is only esteemed higher because, and in so far as, he received a general culture which enabled him to enter upon his professional studies . . . If we compare the educational views of America from the standpoint of general culture with those of Germany, we have not the least cause for superior airs. In the German universities during the last few generations everything has been done away with that reminded of the former mission of the university as an institution of general culture . . . To-day in Germany the not very pleasing state of affairs exists in which professional men inherit a veneration which dates back to the times when professional training was indeed synonymous with general culture." Accordingly Dr. Jastrow finds that the American merchant takes a social standing which the German merchant ordinarily cannot claim and does not obtain. His admiration for the fact that in America the merchant is socially the equal of the professional man is outspoken; and he accounts for it by his having acquired a college education. "Academic education of business men in America not only plays a rôle in programmes of study but is to a great extent realised already, for the academically educated merchant may be met with there every day."

This is all very interesting as coming from a German, and it is a view of American education that is impressive to me, because it seems to explain something of the adminis-

trative capacity which must be available to run the mammoth business organisations that are so characteristic of present-day America. It is my main inducement in writing my paper to lay these views of Dr. Jastrow before you.

“If at any of the American universities a commercial department parallel to the general college course is established, it is essentially only an effort to make general education palatable to the students. On the whole it may be asserted that the colleges of general culture, so far as they are connected with the mercantile profession, and the specific higher commercial schools, have the same purpose. In the city of New York there are two universities, Columbia and the New York University, the former without, the latter with a separate higher commercial department. But for the purpose of commercial education the latter is not necessarily preferred. The general advantages which Columbia is said to have given to this university the preponderance also in the eyes of those who seek primarily commercial education. And if the deliberations now going on at Columbia end in establishing a separate higher commercial branch, it would not in the least mean a revolutionary change, since for future merchants likewise general culture would be the chief educational aim.”

Compared with America, with its college as the starting point for all academic education of business men, Germany is faced with what Dr. Jastrow calls “the negative fact, that every institution for general culture which goes beyond the gymnasium, formerly existent in the universities, has been lost for us. The highest culture is, with us, connected with professional schools, and the commercial universities will have to be professional schools also.” If in Germany, therefore, the desire of business men would seem to be to keep aloof from existing universities for professional men and learned scholars, the fact is not to be interpreted as a desire to erect barriers between classes. When business men in central Europe support independent institutions it is merely another instance of the prevailing German desire to specialise in all branches of learning, in order to accomplish most in the various fields of human effort.

The Amos Tuck School at Dartmouth College, Hanover N.H., is the only instance of an American higher commercial school which is exclusively arranged for post-graduate work: it is a professional faculty, side by side with the law and medical faculties, for students who have graduated from the college. Dr. Jastrow did not himself visit the Amos Tuck School. But he says:—“According to all I heard about it, the course of study, which goes very deeply into special branches of commerce, seems to have had for a result that the school is not frequented by future merchants, so much as by students who, besides the opportunities for general culture,

make use of this opportunity to prepare themselves for professorships in higher commercial schools."

The movement in America for higher education for merchants would seem, after Dr. Jastrow's observations, to be only a part of a much larger movement for higher education in general: it is meant to draw large numbers of students into the fold of the college "provided with a certain mercantile bait." But this is the view pedagogical. America is the business continent, and the dollar is king. It is also the continent where the economic forces that are evolving larger and more intricate forms of business organisation have the greatest effect. The American man must know that it pays in these days to be a college-bred business man. "If my son does not attend a college he will, later on, have friends who have received a higher education, and in this circle he will be the only one without it. This is so important for the future that it will probably decide me to send him to college, although I might be convinced (which, however, is not exactly the case) that a college education is of no special use to a banker." When Dr. Jastrow repeated this saying of a leading New York banker to an American economist, the latter exclaimed:—"That man has grasped the situation. It is all up with the high position of the American business men in the life of the nation when they fail to acquire a higher education."

Nevertheless the movement is still young; and in different branches of business higher education for the business man is very differently esteemed. "According to my experiences," says Dr. Jastrow, "opposition to college education is greatest among merchants and traders, less among manufacturers, simply because among the latter science is a watchword. . . . Especially in the banking business, opposition to higher education dwindles more and more. In the New York Stock Exchange a college-bred man is no rarity. But what is more important, if you talk with a member of the Exchange who has not enjoyed a higher education, he will never recommend for his sons a school education such as he had to content himself with, but will have them go to college. . . . In no branch of business, however, is the desire for the academic education of the younger generation for the leading positions so almost universal as in the transportation business. Here the movement for higher education finds no opposition."

This last fact is very interesting, and is intelligible on economic grounds. The specific mark that distinguishes the business organiser is that he understands how to secure execution of his orders even in his absence. Now the business of transportation has one peculiarity which it shares with no other branch of business activity—there the personal absence of the manager results from the very nature of the

business operations. Trains must proceed to a distance, hundreds of stations must be worked on the same system, and the system can be contrived and put into motion only from the central office. Hence transportation business is the highest school for business organisation. It requires a talent to devise rules and regulations which are rigid enough to secure uniformity and elastic enough to guarantee their general applicability. It is just in the transportation work that the man of business feels the need of a power of abstract thought in direct application to the concrete facts of practical life.

For the purposes of pedagogism clearly this keenness of the transportation men for a higher education would be an important asset. But Dr. Jastrow, intent on enlisting German business men in his *Handelshochschule* at Berlin, finds himself robbed of this resource. There is a comical pathos about the following passage from his interesting report which I conclude by quoting for the sake of its unique point of view:—"Never before have I become so conscious of the high price we in Germany have paid for making the business of transportation a Government affair as when I viewed the apparently far-removed subject of commercial education. In America not only the entire system of railroads is in the hands of private individuals, but also the telegraph and telephone systems. The fact that railroad presidents are not state officers, as in Germany, but business men, and that a not inconsiderable number of wholesale merchants and manufacturers go through the school of transportation business in their younger years, or give it the result of their experience in later years, has given the American business world quite a different position in the social structure of the nation. One only needs to imagine what a different aspect our German business world would assume, how differently it would be regarded, if railroad, telegraph, and telephone men were part of that world. I will not have it understood that I am in principle opposed to government acquisition of the means of transportation, but one need not be an opponent of state railroads in order to emphasise the social dislocation which has taken place with us as compared with other nations. One may be in favour of the purchase of an object and yet be keenly conscious of the high price involved. At any rate, it was necessary to point out the vastly different social aspects of the business men of the two countries when the attitude of the American business man towards academic study was to be explained."