

THE MARCO POLO OF THE CLASS OF 1934: SIR JOHN TEMPLETON

BY

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THE FIRST annual letter of the Class of 1934 appeared in *The American Oxonian* in October 1938. The class secretary, C. Lyman Emrich, Jr. (Illinois and Exeter), was eager to get the class history complete and correct from the beginning, so he sent out a questionnaire with nine items ranging from how the Scholars got home to what they thought of the present administration in Washington (i.e., FDR). One response to that last question from an unnamed classmate was interesting: "The closer one views it [the political situation] the more muddled it seems. May I express a feeling of No Confidence in the Democrats, the Republicans, the LaFollettes, and though it is completely irrelevant here, the Chamberlain government." (*TAO* Fall 1934, vol. XXV p. 349)

But I digress. It is the response to the first question which should occupy our attention: how did the class members get back to the United States? Emrich states that the majority came home in considerably less affluent style than they had enjoyed in their fine tourist class accommodations on the S.S. *Transylvania* on their outbound voyage. They came home by ship, of course, but in a variety of accommodations from sailing in family-paid cabin class to working for passage on a freighter. One member of the class, however, did not come back across the Atlantic. He came home "by way of the Orient. The class Marco Polo, let it be known, was TEMPLETON." (*ibid.* p. 344)

John Templeton (Connecticut and Balliol) had grown up in southeastern Tennessee in Winchester, a rural community on the Elk River about sixty miles from Chattanooga. His father practiced law in Winchester. Having only finished the eighth grade, he apprenticed himself to a judge and passed the Bar Examination. His mother, who had studied history and Latin in a state "normal college", devoted herself to her family and to works of philanthropy in Winchester and the surrounding area. Already ambitious, the young John Templeton asked "an old farmer", who had grown up in New England, "What's the best university in the world?"

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The farmer replied “Yale”, and young John “determined that I was going to get admitted to Yale, although nobody from my high school had ever taken College Board exams.” Undaunted by this hurdle, he found that he had to have two courses not offered by his high school. He sought the advice of the principal who said if Templeton could recruit eight fellow students for each class, the mandated minimum, and teach them he would get the course approved. John thus taught himself and his classmates solid geometry and trigonometry. He and all his classmates passed the examinations set by the principal, and he was off to Yale, “the best university in the world.”

Coming from a modest professional home in the rural south, John Templeton found himself at Yale in the company of sons of wealthy families. He reports that in all his years in Tennessee he had never met anyone who owned “a share in anything”; they owned real property like farms, of course, but no common stocks. He was fascinated by finance, and as a first year student he began to read about investing. “As I visited and talked with [the families of his classmates] I was impressed by many things,” he said, but he was “impressed especially that I didn’t meet any family [that] owned anything outside one nation.” “It just didn’t seem to me,” he continued, “if you just looked at only one nation you could find as good values as if you looked elsewhere.” The young outsider saw a weakness in the sophistication of the investing class, and he did not forget the lesson.

John Templeton applied for the Rhodes Scholarship and was elected from Connecticut in the Class of 1934. His interest in the financial markets had now shaped his career goals, and he arrived at Oxford not knowing which course of study would best serve that ambition. When the college authorities asked him what he intended to read, he replied “business management.” “Well,” he told me, “you never saw such an expression on their faces, as if I had told them I’d like to study garbage. And they didn’t say it in these words, [but] what they were really saying [was] why would any Oxford *gentleman* want to study business,” pronouncing the word “gentleman” with ironic emphasis in his conversation with me. He decided to read Jurisprudence, another subject which he thought would serve him well in his career in finance.

John Templeton had made good friends among his classmates, one of whom, George McGhee (Oklahoma and Queen’s 1934)—later the distinguished diplomat and Under-Secretary of State—was interested in oil exploration. McGhee openly expressed to his classmates his ambitions to make a million dollars, and he saw in the new seismographic techniques of exploration a way to find oil deposits more accurately and economi-

cally. John Templeton recalls that McGhee enlisted his services in helping him perfect these skills in using “the new-fangled seismographs to get earth waves to tell him where the oil was.” The two of them went on geological expeditions in the English countryside, so that McGhee, as Templeton puts it, “could get better and better instruments.” In fact, George McGhee published the results of these findings in *The Mapping of the Subsurface Geological Formations of South-Eastern England with the Refection Seismograph* in 1938. Templeton and McGhee would team up later as well. John Oakes (New York and Queen’s), another of his friends, had a motor car, so Templeton, McGhee, and Oakes set out in Oakes’ car “to learn [during the Christmas vacation] everything that could be learned in six weeks about the Roman Empire,” and they saw “everything we could see in the area of the Roman Empire.” The late John Oakes was to become Editor of the Editorial Page of the *New York Times*.

When the time came for the Class of 1934 to return to the United States, almost all his classmates decided to come straight home back across the Atlantic. John Templeton, however, had another idea. Perhaps to the astonishment of other Rhodes Scholars then and now, he had saved £100 from his Scholarship stipend, and he decided to use this money to return home by going east. He traveled for eight months through thirty countries, earning for himself the sobriquet the “Marco Polo of the Class of 1934.” Typical of his lifelong clarity of vision, he saw this as an unparalleled opportunity to learn about economic and business conditions throughout Europe and Asia. Thus began a remarkable career in inventive financial management.

Where should a young man like Templeton begin that career? Shrewdly, he realized that he needed experience, so he took a job with Fenner and Beane, the brokerage firm that later merged with Merrill Lynch. The firm had recently formed a new division to advise clients on investing in stocks. He was offered a job in the division, but it paid only \$150 a month, a somewhat lower salary than he had planned. He reasoned, however, that the lower salary would be justified because, as he put it, he would be starting where he would be in contact with “the worldwide area of stocks.” After less than a year had passed, George McGhee, who had gone back to Texas, telephoned Templeton to invite him to come to Dallas to be financial vice-president of the National Geophysical Company. So Templeton “dropped out” of his Wall Street career for two years.

The oil company was “highly profitable” and the CEO decided to move the company headquarters to Chicago and to abandon its New York office. John Templeton acquired the company’s lease at 30 Rockefeller

Plaza and put his name on the door as an investment counselor. He then set about finding partners for his fledgling firm. Telephoning around he found a man who was nearing retirement. His new partner brought his clients with him to the new firm, and they soon added a “merchandiser.” “In those days like a medical doctor or lawyer,” he recalls, “it was disgraceful to advertise or even to ask somebody to be a client. So we had to wait for people to find us, and, although we had good performance, it went quite slowly at first.” In fact, he says that it took him two years to be able to pay himself a salary, and he was “lucky to be able to pay the other people in the office.” Yet the young firm was making progress.

A turning point came September 1, 1939, the day that Hitler invaded Poland. Templeton recognized that, in spite of American neutrality, this was the beginning of a major world war, and he knew that wartime would alter the economic climate. Companies would have more business and profit margins would “skyrocket.” He told his broker to order \$100 worth of the common stock of every company that was trading on the two exchanges for less than \$1 per share. His skeptical broker warned him that this unusual order would include thirty-seven companies in bankruptcy. Templeton replied, “That doesn’t matter. During a world war even bankrupt companies come back.” When the order was finally completed, Templeton owned shares in 104 companies. He later sold these shares “making good profits” in all but four. His investment in one company, in particular, caught the attention of the press. The \$7 preferred stock of the Missouri Pacific Railroad, which had been in bankruptcy for a number of years, was selling for 12¢ a share, and Templeton bought 800 shares. He later sold this holding for \$4 a share. It went up to \$107, a market movement he remembers with rueful modesty: “If I had held on to that stock for another two years, I would have been smart.” His firm prospered, and it opened a number of mutual funds with a global outlook to its investment philosophy. He sold his interests in the Templeton Group in 1992, becoming, as the Templeton Foundation says on its web page, “a full-time philanthropist.”

Philanthropy is not a new role for John Templeton. A member of the Board of Trustees of Princeton Theological Seminary for forty-two years, he served as president of the Board for twelve of those years. He had originally been asked to serve as a trustee in order to give the trustees “free investment counsel,” as he says, and his advice was better than his fellow trustees could have hoped. Princeton Theological Seminary, a Presbyterian theological school located in Princeton, New Jersey, had an endowment valued at \$3 million when John Templeton became a trustee. Dur-

ing the years following the seminary engaged in several fund-raising campaigns with much of the money going to buildings, but it added \$25 million in gifts to the endowment. With Templeton's guidance that endowment of \$28 million rose to \$980 million during his trusteeship, "so the rest of [the gain] was just good luck in how we selected investments," he remarked again with his characteristic modesty. This growth in the endowment, he went on to say, "was very satisfying to me," as he noted that Princeton Theological Seminary is now the wealthiest theological school in the world.

The Centre for Management Studies in Oxford gave Oxford a toehold in business and management education. It was struggling with "no capital, no endowment" when its authorities got in touch with one of the University's most successful alumni men of business. They believed that with significant help they could become a college of the university, and they approached John Templeton, who, after investigating the Centre's claims and prospects, decided to give \$5 million. In 1984 Templeton College, named for his parents, was founded. Located on the outskirts of Oxford it has a large "campus" and currently has about forty graduate students and a faculty of fifteen fellows and two professors. John Templeton's philanthropy had now circled back to help fill the curricular void left by the University's disdain for instruction in finance and management which he had encountered a half a century before. In recognition of his worldwide philanthropic work John Templeton was knighted by Queen Elizabeth in 1987, the fifth American Rhodes Scholar to be accorded this honor.

I asked him how he felt about being called the "Marco Polo" of his class. He demurred, but I said that he had helped many persons to find their own Silk Route. He responded: "It did work out well in the sense that even when I finished these travels and got back to Wall Street I was still the only investment counsel firm in Manhattan who claimed to understand common stock investing in twenty nations, and it worked out very well. We had [such] a wide appeal we could buy things that were selling at ridiculously low prices in other nations. So it did become a big part in boosting my career."



I spoke with Sir John on March 19, 2003, the day the 33rd Templeton Prize for Progress Toward Research on Discoveries about Spiritual Realities had been announced. Although he had had a tiring and exciting day, he was vibrant, charming, and filled with joy and enthusiasm. The Tem-

pleton Prize, with a cash award of £725,000, is believed to be the largest prize in the world given to an individual. Sir John explained that the Templeton Prize is intended to be larger than the Nobel Prizes “to say to the world that new discoveries in spiritual realities are more important than new discoveries in medicine or chemistry or physics.” His belief in the value of this work is a strong testimony to his religious faith. The John Templeton Foundation, for example, describes its mission as seeking “to act as a critical catalyst for progress, especially by supporting studies which demonstrate the benefits of an open, humble and progressive approach to learning” in the areas of the moral and spiritual dimensions of life. Sir John Templeton’s three foundations are currently sponsoring eighty groups of scientists who, in his words “are trying to use scientific methods of discovering more about spiritual realities.” Their work, he continues, “is beginning to have major impact on religious people who are not resistant to new discoveries but are enthusiastic for new discoveries.” Having sold what he calls “all his business activities” twelve years ago, at age ninety Sir John says: “Now I’m the busiest I have ever been in my life, the most enthusiastic, the most joyful.”