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Rags to Riches in the Land of Opportunity

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This research project grew out of the merger of two disparate interests: a long-standing one in intellectual history and one of more recent vintage in economic history. That merger was formed through the catalyst of my participation in the South Arkansas Rural Development Study (SARDS) team, which I serve as the token historian. It required investigation into the literature on entrepreneurship and Arkansas history in general and entrepreneurs in Arkansas in particular. It has been financed in part through a research grant, for which I have been most grateful. It has taught me several things, not the least of which is that one should never undertake a research project on living subjects, for they have a nasty habit of dying at the wrong time!

As a schoolboy, I was privileged to hear Jascha Heifetz play. He told us that the program would begin with some music that we might not particularly like, but that he had a deal for us. "Think of it as intellectual spinach," he remarked. "You don't like it, but it's good for you. If you'll listen attentively to my music, then I'll play some of your music." We did and he did. This project is a work in progress, and I want to take the same tack. I want to take you on my intellectual odyssey briefly, then tell you of the findings so far. Since much of history is process, and the other major part is narrative, I even have professional license to pursue that path!

INTELLECTUAL HISTORY

Wealth and its accumulation have fascinated Westerners from antiquity. While the stories may be forgotten, the Western tradition still speaks of "the Midas touch" and measures wealth against that of Croesus. The idle desire for wealth resonates through the culture, as individuals dream with Tevyeh about what they would do "if I were a rich man" instead of a fiddler on the roof.

Americans' embrace of the dream of riches is as nationally pervasive as tales of Sutter's Mill and the '49ers and as old as the Jamestown settlement, where colonists were finally told "if a man does not work, neither shall he eat" because they spent their time seeking gold. Immigrants sought the New World at least in part (*in toto* if one is a Marxist) because of the stories of wealth for the taking, because of stories of El Dorado with its streets of gold.

As the above indicate, the American lust for wealth has involved several philosophical constructs. Individualism has played a part. The individualism which would spur one on to seek the New World despite its dangers or pursue a fortune single-mindedly has been a cornerstone of the American psyche. Individualism and its concomitant self-reliance have been salient features of the myth of national heroes.

Democracy, one of the great American shibboleths, has played its part in the American veneration of wealth. Construction of an aristocracy of wealth rather than of birth has opened the door of economic opportunity to all, especially in a setting which offered land freely and abundantly to those willing to take the risk of farming it. The Homestead Act of 1864 is just one example of that faith.

American belief in individual freedom, which has always been part of the worship of democracy as an ideal, likewise fostered the apotheosis of wealth. Individual freedom renders the pursuit of wealth a universal privilege—indeed, almost a right—and a virtue in the dogma of our civil religion.

The virtues of a rural setting have been part of the veneration of wealth, but in a complex and paradoxical way. The land-based economy which Americans first experienced heightened our trust in that symbol of individualism and freedom, the yeoman farmer. Thomas Jefferson's objectification of the yeoman farmer as "God's chosen people" lent a religious affirmation to the quest for wealth. Yet American veneration of the rural virtues and suspicion of all things urban proved a barrier to those who would make their fortune in a "big-city" setting.

For most Americans, the American Dream's major component can be identified with the term "success," and especially with the version commonly known as the "self-made man." Americans have historically identified that success with upward mobility, with material prosperity acquired through hard work and shrewd ability. The American conception of the accumulation of wealth has been shaped by one popular writer perhaps more than by any other consideration save avarice. That writer, of course, is Horatio Alger, Jr.

Born in 1832, Alger churned out over a hundred novels—which one biographer called one book rewritten 118 times. Between the first one's appearance in 1856, four years after his graduation from Harvard and four years before his graduation from its divinity school, and his death in 1899, Alger sold about 800,000 copies. His popularity's zenith came during the first two decades of the twentieth century, when cheap editions and the country's temper probably produced sales of about an additional sixteen or seventeen million copies.

From such Alger masterpieces as *Ragged Dick; or, Street Life in New York with the Boot Blacks* (1868), *Mark the Match Boy; or, Richard Hunter's Ward* (1869), and *Ben, the Luggage Boy; or, Among the Wharves* (1870), Americans drew a particular moral which became best known in the phrase "Rags to Riches"—do your work with diligence and integrity and you'll get your just reward. It was an interesting mixture of the Puritan ethic and the Yankee shrewdness which William Taylor outlines in his book *Cavalier and Yankee*. The name Horatio Alger became synonymous with the success story aspect of the American Dream. One has only to look so far as the latest version of Proquest to find that while no one is writing about Alger, his name consistently appears as a success story descriptor.

ARKANSAS HISTORY

Before arriving in Arkansas for the first time in 1971, I became intrigued by the story of William Hope "Coin" Harvey and his "Arkansas Pyramid." I had learned in graduate school of Coin Harvey and his 1890s bestseller *Coin's Financial School* and the part played by Harvey, his book, and the "Free Silver" crusade in the 1896 Presidential election between Republican William McKinley and Democrat William Jennings Bryan. Then I learned that at the turn of the century, Harvey had come to Arkansas where he spent the last half of his life in Monte Ne in the northwest portion of the state promoting a real estate deal and dabbling in politics (including a 1932 run for the Presidency).

The upshot of this initial interest was a research project which raised further questions about Northwest Arkansas. Why has northwest Arkansas historically attracted the kind of "otherwise-minded" usually attributed to Missouri or North Carolina? Why was it from the 1870s a stronghold of Republicans, one of whom (ex-governor Powell Clayton) helped put Eureka Springs on the map? Why did "Coin" Harvey and Carry A. Nation seek refuge in the Ozarks? "Coin" Harvey had been responsible for initiating modern tourism in that part of the state, including the attempt to bring modern transportation through his "Good Roads Association" (which sought to build good roads through the Ozarks—all leading to his "Arkansas Pyramid").

SARDS

Work as the SARDS team's historian member seeking historical background to various issues produced the realization that Harvey was not the last to dream of a non-metallic fortune to be found in the northwest Arkansas hills. Several modern Arkansas fortunes sprang from an area noted neither for population density which would produce markets nor for transportation facilities which would provide access to markets. That realization led me to look at the whole state and the issue of the apparent anomaly of a poor state producing such a rash of highly-successful super entrepreneurs.

Much of the SARDS team's work impinges on public policy questions. Public policy always centers on two great issues—wealth and equity. Taxes and exemptions, "supply-side economics," "empowerment," "entitlements"—these and words and phrases like them swirl around rooms where public policy is debated and made. At the heart of the debate is the search for the philosopher's stone, that fabled method of turning base into pure metals, or lead into gold. In the realm of policy debates, that "philosopher's stone" is this question: How does one create wealth and increase the GDP while simultaneously balancing the good of the many with the good of the wealth-creators?

Public policy decisions are made on the basis of information, much of it supplied by academicians. Many of these academicians seek to supply answers to public policy issues through narrowly-focused case studies of either persons or corporations. Others seek answers in broad vistas with sweeping generalizations. Too often both approaches leave policy-makers awash in information of limited applicability to the decision at hand.

THE PROJECT

Recognizing the need for data which avoided the pitfalls of the two common too-narrow or too-broad approaches, I decided to ask a series of simple questions about an interesting phenomenon—the rise of some Arkansas entrepreneurs to superstar status in traditional endeavors during the last three decades. These quiet Arkansans, who only began to receive national attention about a decade ago, built unlikely fortunes. Those unlikely fortunes arose from unlikely sources (the old "Industrial Revolution" endeavors of transportation, food, and retailing) in an unlikely place (the poor state of Arkansas in general and especially a Northwest Arkansas plagued by low population density and poor transportation and communications) at an unlikely time (when the fortunes were being made in high tech industries and questionable banking and stock deals in those halcyon days of junk bonds).

The questions are why and how these men made their fortunes in these ways in this place at this time. Specifically, these two simple questions can be broken down into a whole array of discrete areas. How, for example, are these individuals collectively different from other successful entrepreneurs, and what separates them from the failures? What common personal characteristics do these men share? Are there commonalities which prompted them toward entrepreneurship and which might be predictive in some way of other successful entrepreneurs (in short, are there characteristics which can be identified and promoted to enhance entrepreneurship within any given population)? What pivotal people and/or events enhanced or perhaps made possible their success? What is the relationship between individual and milieu in producing success (i.e., is or was there something about Arkansas which made success more likely, and if so can that feature or those features be identified)?

The questions should produce certain categories of answers: what characteristics do these individuals share in temperament or philosophy; what links exist among them or between them and other enabling individuals; what part did the environment play in their success. The *caveat*, of course, is that these answers are more indicators than predictors; they will give policy-makers better data, but will not ensure direct correlation between application and results. If this process were an exact science, picking the up-and-coming companies in the stock market would be no gamble!

The method of providing those answers is one historians call collective biography—to collect information from all sources about the lives of a particular homogeneous group of individuals and to examine correlations among them.

The public policy ramifications for answers to this set of questions through collective biography are numerous. The United States is a nation in which fortunes have long been ascribed to the almost exclusive domain of urban areas. As Carl Bridenbaugh so eloquently observed, urban growth has been the nation's story since its inception. The wilderness has retreated before the onslaught of settlement as certain locations have coalesced into ever-broadening aggregations of people. Such "progress" has typified the country certainly since a more urban, industrial North defeated a more rural, agrarian South in the Civil War—a settlement pattern which has accelerated since World War II. Frederick Jackson Turner's observation that the 1890 census no longer revealed a frontier line (the demarcation between civilization and frontier which stretched from southern to northern borders) merely recognized a national development which produced demographic and economic backwaters, isolated from the urban centers. Pockets of low- and high-density population alternated with each other. To seek one's fortune was to leave farm for city as demographically the rich got richer.

Rural areas began to wither slowly, then more and more rapidly. Policy thinkers began to fear the loss of a certain set of values which had long been identified with and reinforced by the rural, agrarian life. Loss of "the family farm" surfaced as a concern as modern American agriculture began to have the look of the England of the Enclosure Movement and the Industrial Revolution, a look which prompted the famous observation that sheep were devouring men and Swift's "modest proposal" that children of the poor be used for food. Policy-makers began to seek means of "rural development," a process which began with governmental aid (most significantly with the 1930s New Deal era) and has come to the point of looking once again at the individual, especially this time at rural entrepreneurship.

THE PROBLEMS

The problems inherent in this project were readily apparent. First, gathering reliable information for the study was problematic. Background information is extremely scarce. In part, the comparative dearth of published information about these Arkansas entrepreneurs must be laid to the media, which has only discovered them recently; in part, the lack of information is due to an academic phenomenon—the state lacks the graduate-level degree programs which are engines of academic delving into "oddments" such as this; in part, the "blame" lies with the individuals themselves, who jealously guard their privacy on the one hand and on the other allot no time to a personal publicity they neither seek nor appreciate. Books have appeared on Sam Walton, on Tyson and on Dillard; all promise tantalizing stories, then deliver vast amounts of information about the companies but little about the men involved. They are more company histories than biographies. Most of the magazine articles are more concerned with the companies than the men behind them.

Second, this lack of published information has meant more reliance in the project on personal interviews, or oral history. Biographical evidence which relies on oral history is often anecdotal at best and apocryphal at worst. It requires careful attention to the source's words and inflections, both at the interview and later, and necessitates an inordinate amount of cross-checking. For an historian like myself who is grounded in reliance on documentary evidence, it is nerve-wracking at best.

Third, the issue of access to those men who were the focus of the study continues to deal me fits. Getting them to submit to an interview is daunting. These folks are unlike The Donald—they guard their privacy and are notorious among writers for their unwillingness to be interviewed. Sam Walton was willing to spend longer explaining why he wouldn't be interviewed than the interview itself would have taken. And, of course, some of these folks are old enough to be in danger of dying in the natural course of events (as two now have).

Fourth, deciding where to draw the line—how many and who to include—proved immensely arbitrary, with no good criteria available (at least criteria with which I felt comfortable).

Fifth, failures are notoriously hard to find. All of us pay attention to winners; losers might as well have the plague. Perhaps we think of it as catching—we certainly act that way. Only when big winners fail do the savants examine the failure to ascertain any "lessons" which might come from the fall.

THE RESULTS

To this point, I have dealt to a greater or lesser extent with the printed information on the careers of a dozen men: William Dillard, Frank Hickingbotham, J.B. Hunt, Harvey Jones, C.H. Murphy, Jr., Walter Smiley, Fred Smith, Witt and Jack Stephens, Don Tyson, Sam Walton, and Kemmons Wilson. I'm in the process of adding others—like Hugh Wilbourn and Chesley Pruet.

I want to briefly deal with four major areas of findings, some of which fly in the face of the old conventional wisdom about the rich: education, career training, financing, and networking.

Education:

As one who grew up on the "old entrepreneurs" stories of unschooled men making their fortunes, I was surprised to find that most of these individuals were well-schooled. All are well-read and know the value of information. Jack Stephens graduated from Annapolis; Sam Walton from Missouri; Dillard from Harvard (but came home before finishing the London School of Economics); Frank Hickingbotham from UAM; Walter Smiley from UAF; and Fred Smith from Yale. Wilbourn had some college; Witt Stephens had none; Hunt dropped out of the 8th grade at twelve to work; Murphy, who has been described by one high-flown biographer as an "autodidact," got his education in part from a father who took him throughout south Arkansas and north Louisiana but directed his reading and quizzed him while they drove area roads; Pruet had two years in animal husbandry at UT Arlington, then a year in petroleum engineering at Texas Tech; and Tyson left UAF in 1952 without finishing his course in animal nutrition. I've nothing yet on Wilson or Jones.

Career Training:

The career training for these individuals depends in part on the type of business and in part on its origin. For most, their education was in the area into which they ventured. In addition, some had training from established concerns. Walton was a Penny's trainee and had a Ben Franklin franchise before forging out on his own. Dillard went through the Sears program before opening his first store in Nashville. Others had practical experience in their field before striking out on their own. Hunt drove trucks before launching his first venture (which had nothing to do with trucks but provided the capital to inaugurate his truck line). Pruet roughnecked and drove oil trucks in the north Louisiana fields. Smith flew in the military. If the endeavor was a family one, or related to a family one, these folks came up in the company. Smith's father had owned Greyhound. Tyson and Murphy learned the family business at their fathers' hands. Some put together skills learned in a variety of endeavors: Hickingbotham had been a junior-high principal, insurance salesman, chain-restaurant owner and trucking company CEO; Hunt had sold sod, auctioneered cattle, driven a truck hauling poultry, and designed and patented a machine to package rice hulls as chicken litter. Most interestingly, they are all basically salesmen, and all have that in their background.

Financing:

Most of these individuals made their mark after going public with their companies. Even those who are private, like Pruet, have taken public-financed flyers, sometimes with disastrous results. All were willing at some crucial point to "risk it all" on their vision. Hunt, for example, in 1962 at 36 gave up his job as a trucker, sold his house, sold stock in his venture, and borrowed $35,000 to build his hull-sacking plant in Stuttgart—only to see it lose $19,000 the first year. Smith sank $8.5 million in family money into starting FEDEX, but borrowed an additional $62.5 million before getting into the black in 1975. In a story which may be apocryphal, he flew to Vegas where he won $27,000 at blackjack to meet a payroll. Sometimes the financing was family, as in Smith's case or Walton's, whose banker father-in-law provided crucial capital on occasion. So far as I can tell, when each of these went public, Stephens handled the stock issue.

Networking:

These folks seem to know each other and communicate on a reasonably regular basis. A good example is the "Good Suit Club" and A+ Arkansas. Another is Walton's foreword to the Dillard's book.

Common Characteristics:

All these people seem to have the ability to make quick decisions and move quickly, a characteristic most notably of Don Tyson and Dillard, who was always willing to seal a deal with a handshake even after pursuing a company for quite a while.

All seem to have some social conscience (perhaps a case of noblesse oblige), with the "Good Suit Club" as a good example. In addition, with a few exceptions they lack social or personal pretensions. Most reflect the traditional middle-class, middle-American values out of which they sprang. Examples are numerous: Tyson's insistence on a company uniform for EVERYONE and on being addressed as "Don;" Walton's use of his old pickup truck, habit of drinking coffee at the local watering hole, and insistence on getting his clothes off a WalMart rack and being addressed as "Sam." The lack of pretensions shows in their company offices and organization—where it is a good means of cost-control and helps provide competitiveness without debt through low overhead: WalMart headquarters is still often "early attic" (until the last few years Walton's desk was a plywood sheet on sawhorses) and the top Dillard's management shares a secretary and small offices. Hickingbotham and Smith are somewhat exceptions, perhaps a reflection of their generation more than anything else, and Dillard likes his fine house and car (which he will drive to the car wash at the bottom of the hill and wash personally, even though attired in his suit).

Willingness to admit failure and move on without hand-wringing inaction characterizes most of these folks. Walton dumped Helen's Arts & Crafts Stores as an ill-advised move, even though the stores bore his wife's name. A combination of this characteristic and their lack of pretension is their general willingness to admit ignorance—both Murphy and Hunt have observed that "Everyone ought to say 'I don't know' once a day."

This willingness allows these men to hire the best folks available, and make their assessments realistically. Murphy noted that once he had hired a crop of Harvard MBAs who had descended on El Dorado convinced that they had all the answers, but who couldn't ask the right questions. He fired them and replaced them with more flexible recruits from area schools whose education, while less prestigious, was no less excellent.

Hiring the right people means treating them well, and most of these folks are known for that trait and their loyalty. Chief in this department are Tyson, Hunt, Walton, and Dillard. It also means having the ability to lead people and communicate a vision to them.

Each of these men shares "the vision thing" and the ability to see potential in the everyday. Sometimes that vision is fragmented, resulting in an "idea-a-minute" style (notably for Hunt and Tyson, who have people follow them around whose sole function is to capture those ideas for staff action). Part of the vision lies in single-minded pursuit and an intensity and concentration which threaten staff. Dillard is notorious for firing, then rehiring staff. Walton once rear-ended a truck on Highway 71 while counting cars in the KMart parking lot.

Their intensity carries over into their hobbies, perhaps because discipline is such a strong point with them. Tyson is a deep-sea fisher; Walton played tennis and quail-hunted. Even Hunt, who says "If it doesn't make money, I don't want it. I don't waste time," rides horses every day and loves to hunt.

Conclusion:

While Americans imputed a message of hard work reaping just rewards to Alger's "rags to riches" stories, while they bought into the myth of the "self-made man," they ignored an element implicit in all the tales. That element is perhaps best summed up in the Alger title *Luck and Pluck; or, John Oakley's Inheritance*.

Without taking anything away from these individuals' intelligence, drive, and perseverance, there is great truth in the "right place at the right time" adage. But as one of these individuals has noted, "You've got to know when you're there." That and a willingness to invest everything in their judgment that the right place and time had arrived—regardless of what others might say (Hunt's wife observed that if he'd listened to her he'd still be driving a truck) or any other obstacle (Walton couldn't sell Ben Franklin on his marketing concept)—is perhaps the most significant difference between these men and those around them. They know themselves and their abilities—and limits—and make the most of what they have by perseverance and hard work. As Fred Smith noted, such success exacts a high personal price, and one must have an inner-directed philosophy of life which allows one to pay that price because one believes that what one is doing is important and makes a contribution to the larger world.