

Ben Franklin's Gift that Keeps on Giving

Our nation's founding inventor advanced the cause of democracy by devising a perpetual moneymaking scheme

By **Stephan A. Schwartz**



In the spring of 1789, Benjamin Franklin was in his eighth decade and he knew he did not have long to live. Tormented by gout, eczema, kidney stones, boils and a host of other afflictions, he said, “little remains of me but a skeleton covered with a skin.” As he lay in bed or, on good days, when it was warm, sat under the large mulberry tree in his back garden at 318 Market Street in Philadelphia, he conceived of a way to reach out beyond the grave to promote civic virtue. “I have considered that among artisans, good apprentices are most likely to make good citizens, and, having myself been bred to a manual art, printing...I wish to be useful even after my Death, if possible, in forming and advancing other young men that they may be serviceable to their Country,” he wrote.

Franklin had drafted a will dated July 17, 1788, making gen-

erous disposition for family and others, including even his son William, who he thought had betrayed both him and America by remaining loyal to the British crown. Now he amended the will with a codicil, executed on June 3, 1789, which was a final expression of his belief that culture was formed on the development of personal character. In one of the grandest expressions of benevolence in American history, Franklin combined his goal of promoting civic virtue and his fascination with the power of compounding interest to make even small sums of money grow by creating two carefully structured philanthropic trusts designed to last exactly 200 years. He made separate bequests of 1,000 pounds—the equivalent of roughly \$100,000 in 2008 dollars—to the cities of Boston and Philadelphia and instructed that the money be used to make small loans, at 5 percent interest per annum, to married men under 25 who had completed



Benjamin Franklin surveys the campus of the University of Pennsylvania, the institution he first proposed in 1749. Franklin hoped to instill America's future business and civic leaders with a classical love for learning and the practical skills to build a stable community.

apprenticeships and wanted to start their own businesses. He also estimated how the trust funds would grow over the 200-year period and specified that the additional money be used for municipal improvements “such as Fortifications, Bridges, Aqueducts, Public Buildings, Baths, Pavements or whatever may make living in the Town more convenient to its People and render it more agreeable to Strangers.”

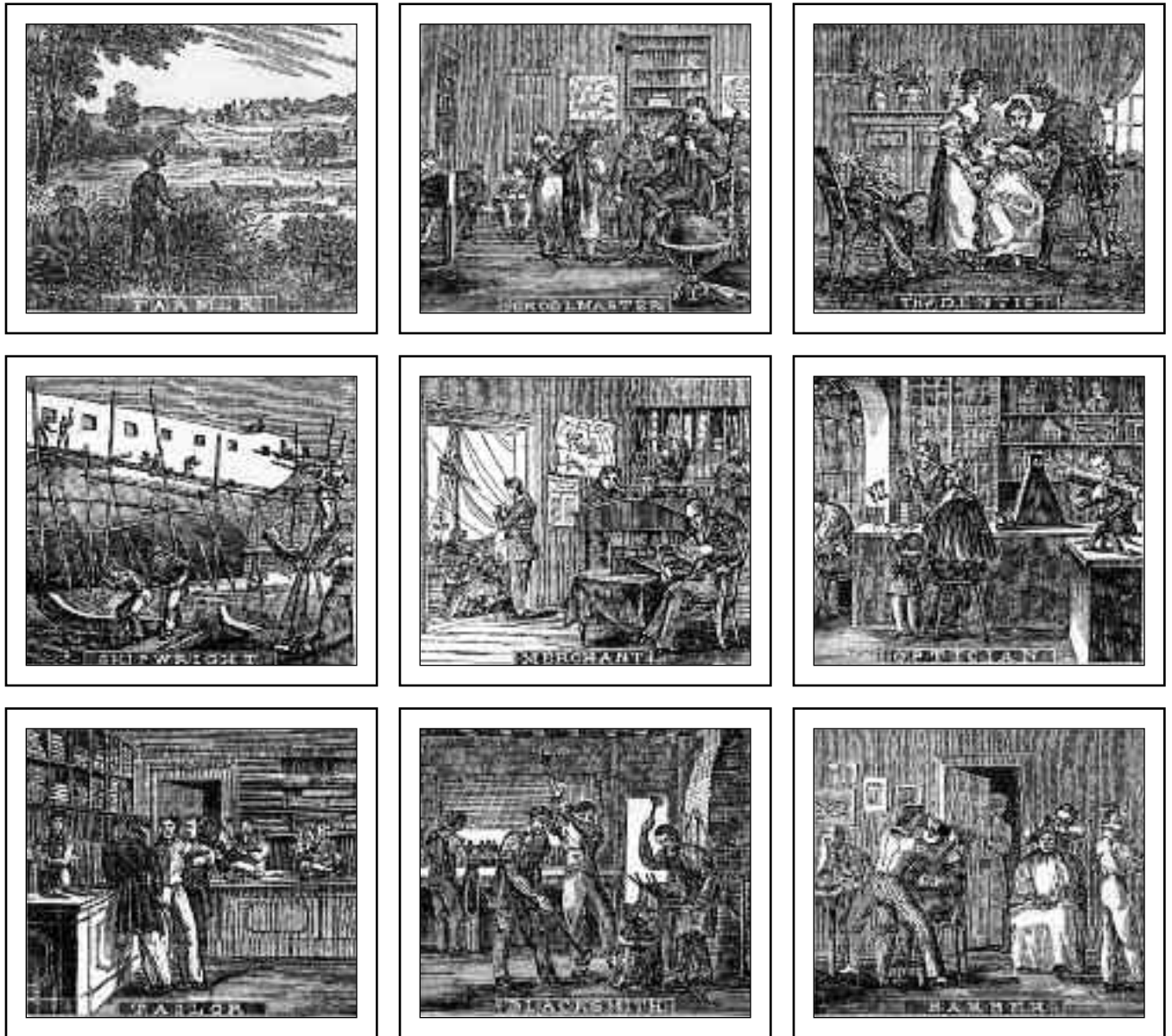
With his bequests, Franklin the inveterate inventor devised a financial system that bears startling similarities to one that earned Bangladeshi banker and economist Muhammad Yunus the 2006 Nobel Peace Prize: microlending. The terms and conditions Franklin laid out for small loans to young workmen

resemble those that Yunus' Grameen Bank, as well as Kiva.org and other modern microlending organizations, use today to provide seed money to entrepreneurs who lack collateral and don't qualify for traditional bank loans.

“I have always thought,” Franklin once wrote a friend, “that one man of tolerable abilities may work great changes and accomplish great affairs among mankind, if he first forms a good plan and...makes the execution of that same plan his sole study.” His microlending scheme was the culmination of a lifelong plan to help mold American democracy by developing a model for citizenship built upon skills and prosperity attained through work done with integrity. As a scientist and

Citizen Ben Entrusted Democracy to Tinkers, Tailors and Cabinetmakers

Benjamin Franklin's belief that an industrious middle class is democracy's best defense inspired him to create a microlending system to help young men launch their careers. Recipients of the money spanned a wide variety of occupations depicted in woodcuts from Edward Hazen's 1836 *Panorama of Professions and Trades*, a book intended to educate boys about lines of work they could pursue.

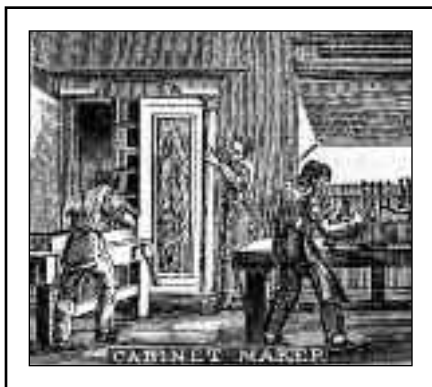
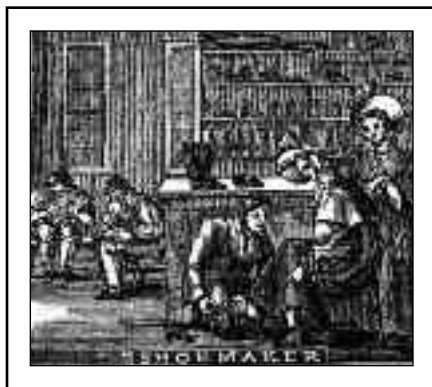
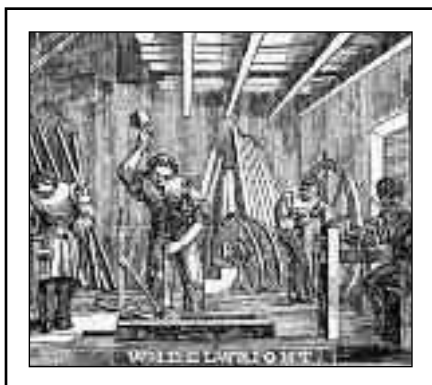


inventor, Franklin possessed keen powers of observation and a willingness to go wherever data led him, without bias or preconception. He discovered electricity and the Gulf Stream this way, just as he came to recognize that giving technically sophisticated young people the means to start up their own businesses would help create the foundation for a stable political system. It was an engineer's calibration.

The democracy Franklin envisioned and helped create with his prescient microlending scheme was solidly middle class

and encouraged upward mobility. It was also urbanized and technologically oriented. And more than two centuries later, Franklin's vision of democracy is still very much alive.

After Franklin died at the age of 84 on April 17, 1790, his codicil set in motion processes that even a seemingly endless chain of corrupt municipal officials and special interests have never been quite able to destroy. In the first 100 years, hundreds of young entrepreneurs in each of the two cities got a start with small loans from his bequests. Recipients of the



seed money included carpenters, bakers, shoemakers, coopers, tailors, painters, printers, cabinetmakers, blacksmiths, tanners, clockmakers and bookbinders. Many of these artisans became actively engaged in civic affairs, just as Franklin had anticipated. Liberty Browne, a Philadelphia silversmith who received a \$319 loan in 1800, was elected president of the Select Council of the City of Philadelphia in 1813. Charles Wells, a bricklayer who received a \$100 loan in 1808, was elected mayor of Boston in 1831.

Meanwhile, even though officials blithely ignored Franklin's wishes and diverted huge sums from his bequests to cover the public debt in Philadelphia and to finance various pet public construction projects in Boston, the money in the two trusts continued to grow.

When the first centenary of Franklin's microlending and municipal improvements project came around in 1890, the trust in Philadelphia contained roughly \$100,000 (\$2.8 million in 2008 dollars) and the trust in Boston had swelled to

‘FRANKLIN’S BLOOD heirs looked at the two pots of money on the centenary of his project and were stricken with greed’

\$431,756 (\$10.1 million in 2008 dollars). Franklin had stipulated in his will that after 100 years city leaders should reassess how additional income generated by the trust funds could be utilized for public works projects. But before they could move ahead, Franklin’s blood heirs looked at the two pots of money and were stricken with greed.

On Sept. 30, 1890, Albert D. Bache, a U.S. Navy paymaster and one of four great-grandchildren of Franklin’s only daughter, Sally, filed a legal petition in Philadelphia on behalf of the heirs arguing that the money was rightfully theirs. The crux of their petition was that there was no basis in English common law for trusts of the sort he created. On October 9, the heirs presented a similar petition in Boston.

Six months later, Judge Clement Biddle Penrose dismissed the heirs’ Philadelphia petition. The decision was appealed, and it took three years before it was finally settled. Judge J. Arnold of the Philadelphia County Court ultimately ruled, “The fact that a charity is a perpetuity, is no objection to it; and a charity may be created either in perpetuity or for a term of years.” The Boston petition was also dismissed. Franklin had prevailed against his avaricious descendants.

The attempt by Franklin’s heirs to break his trusts probably wouldn’t have surprised him. Descriptions of Franklin in his later years stress his good spirits, his benign spirit and his lack of “airs.” Some saw this as a front; like everyone in the literate class of the 18th century, Franklin understood the power of appearance and symbols. But such consistent equanimity cannot be maintained by artifice alone. His calm arose in large measure from accepting people as they are, including himself, and developing strategies that accommodated for their inevitable shortcomings. Franklin allowed for the reality of human behavior, factored it in and made a plan that would prevail in spite of greed, duplicity and the like.

Nor is it likely that Franklin would have been surprised to learn that in both Boston and Philadelphia the trusts had been badly managed and produced in a century only a fraction of the income his estimates predicted. The trusts were structured around the assumption that the money would be spent in ways that had multiplier effects that served his strategy. Franklin understood that creating sanitation, bridges, baths

or public spaces on any scale would, over time, impact the lives of many, many people. Each interaction with clean water, or a decent emergency room, or a place to go for a picnic, improves the quality of life and lifts morale. The interactions might be individually small but, in aggregate over time, they shape character, and the goal is served.

Boston Mayor Josiah Quincy, kin to the famous Adams family, took to heart Franklin’s admonition of the importance of personal hygiene; old Ben bathed daily and was one of the few people of his era who had a proper bathtub. Part of the money from what came to be known as the Franklin Funds was spent on the grand Dover Street Baths that opened in 1898 in the city’s South End. The city had also planned to tap the trust to buy the land that became Franklin Park in Jamaica Plain. But litigation by the heirs held up the money, and another source to pay the bonds, already sold and maturing, had to be found. Nonetheless, just the anticipation of the Franklin Funds had prompted the city burghers to lay the groundwork for what became the crown jewel of Boston’s parks, designed by America’s premier landscape architect, Frederick Law Olmstead.

For the remainder of the money set aside for distribution in 1890, the city of Boston put out a call for proposals and got 27, covering everything from health institutes to museums and hospitals. The proposals were eventually narrowed down to one, and on Dec. 28, 1893, the Franklin Trade Schools were authorized. As the country moved beyond small workshops and cottage crafts to more mechanized industries, apprenticeship was fading as a training system. The trade school, said city treasurer Samuel F. McCleary, “will take the place of the old apprenticeship system and a diploma upon the lad’s graduation will furnish a complete proof of his competency to do faithful work, and will entitle him, if he be under the age of twenty-five and becomes married, to a loan of three hundred dollars with which to set up his chosen art.”

The project was delayed by years of legal wrangling between the City of Boston and the Commonwealth of Massachusetts, each fighting to get their hands on the money in the trust. Finally, in 1906 the matter was settled and plans were implemented for the Benjamin Franklin Institute of Technology, a technical college offering one- to four-year programs. Aided by an additional gift from industrialist Andrew Carnegie—who revered Franklin and, like Franklin, had come from humble beginnings, working as a boy in a textile mill “dipping bobbins into an oil bath and firing the factory boiler”—and land donated by the city, the school enrolled its first class in 1908. Since then, more than 85,000 students,

PERFECT MATCH

In 1751 Franklin convinced the reluctant Pennsylvania Assembly to allot 2,000 pounds for a hospital for the poor if he could first raise 2,000 pounds from private donors. Thus was born the matching grant.



Beneficiaries of Franklin's far-sighted financial planning include children marveling at "The Giant Heart" exhibit at the Franklin Institute in Philadelphia (above) and students learning auto repair at the Benjamin Franklin Institute of Technology in Boston.

men and women, have benefited from the unique approach to technical education that Franklin had encouraged.

In Philadelphia, the bulk of the public portion of the trust distribution went to the Franklin Institute, a center for scientific and technical education founded in 1824. By 1906 hundreds of students were taking programs in virtually every cutting-edge technical field of the age, consulting a 107,000-volume library. And the legacy continues: Today, the institute's museum is one of the city's most popular public venues.

During the next century, the two institutes created by the funds grew and prospered, improving the quality of life of gen-

erations of young people. In addition, the scope of the trusts was expanded to include a broad range of loans for academic studies or technical advancement. From 1962 to 1976, loans totaling \$3,476,000, went to 1,749 young people who, at the time of receiving help, were mostly living at "bare subsistence level." Applicants could get up to \$7,000.

Franklin's glorious 200-year experiment in microlending came to an official end in 1990, by which time the compounded value of the funds was \$4.5 million in Boston and \$2 million in Philadelphia. Ultimately, the Franklin Institute in Philadelphia and the Benjamin Franklin Institute of Technology in Boston received the money.

Although the trusts ended, Franklin's impulse to educate Americans and provide them with opportunities to succeed did not. The institutes attract thousands of visitors each year to their museum spaces and provide hundreds of young people, mostly from modest backgrounds, the technical training to help them become the kind of model citizens Benjamin Franklin believed would be the nation's greatest strength. The gift he conceived under his mulberry tree in Philadelphia has arced across more than two centuries and may well continue to keep on giving for centuries yet to come. □