

SAVINGS AND LOAN

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1951



Walter J. L. Ray

PRESIDENT, 1951

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FOREWORD

THE FIFTY-NINTH ANNUAL MEETING of the United States Savings and Loan League, assembled shortly after the Congress had enacted the Revenue Act of 1951 which made savings and loan associations and co-operative banks subject, for the first time in their 120-year history, to the income tax.

Probable effects and implications of our institutions being subject to the income tax were mentioned by many of the speakers before the general sessions and in the open discussion of committee meetings. In fact, a good portion of one morning's program was given over to a panel discussion among several experts who considered "The Management Problems of Taxation." Of course, their recommendations and suggestions were based largely on interpretations taken from other businesses since the regulations of the Internal Revenue Bureau had not been promulgated at that time and were not even expected before the middle of 1952.

The frank and open discussion of this problem with which management found itself face to face seemed to be healthy for morale as the delegates, generally, left the convention strengthened in their conviction that the future of the savings association and co-operative bank business continued bright.

On the basis of actual performance for the first ten months of the year, it was apparent that the savings increase for the full year would be the largest in actual amount in the history of the business and that assets would cross the \$20 billion mark during the first half of 1952. Aggressive promotion of the conventional savings association home loan was keeping lending volume at a continuing high level in spite of the credit controls imposed by the Government.

Many of the committees gave their final approval to special studies on various aspects of the business on which they had been working, and these will be distributed to the membership at large during the early months of 1952. One of the significant efforts of this nature was the revision by the Government Housing Committee of its "Statement of Housing Policy," which was originally drawn up as a guide to League members in connection with slum-clearance proposals and subsidized housing projects (see page 197).

As the United States League looks forward to its 60th year of service to the savings association business, you will find numerous evidences in the reports of its administrative officers of increasingly friendly relations with organizations representing other phases of our financial system. Those of you whom I have come to know during the past year as I visited you at your own state league and regional meetings will recognize this as one of my favorite topics of discussion. I urge that the leaders of our business continue to cement the gains made in this regard so that in ensuing years, our business may gain complete recognition as an important segment of the nation's financial system whose preservation is essential if the American Way of Life is to be maintained.

WALTER J. L. RAY

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Book **I** GENERAL SESSIONS

OUR CURRENT RESPONSIBILITY

by WALTER J. L. RAY, *President*

United States Savings and Loan League

Detroit, Michigan

A DEACON ONE DAY asked a minister to what he attributed his success in the delivering of his sermons. The minister replied, "I first tell 'em what I'm going to tell 'em, then I tell 'em, and then I tell 'em I told 'em."

It is my intention to follow the philosophy of this outstanding cleric tonight. My subject is "Our Current Responsibility." Our responsibility to ourselves, our responsibility to our business, our responsibility to our nation, and our spiritual responsibility.

OUR RESPONSIBILITY TO OURSELVES

The savings and loan business is a great business. Those of us who have elected to devote our lives to this business which is committed to the promotion of thrift and home financing owe a great responsibility to ourselves in seeing that we are thoroughly informed on all its manifold phases and are willing to work to the end that we become not only successful executives in the operation of our institutions, but, more than that, that we become devout apostles of the savings and loan and co-operative bank business.

At this time when our business is going through a period of unexcelled expansion, trebling our assets in the past decade, we all need that inward, personal feeling that there is no other business that is rendering a greater service to the public than the savings and loan business—a complete, unswerving devotion to the fundamental principles of thrift and home-ownership, two of the cardinal stones upon which our country has become the greatest nation in the world today.

There are many personal attributes which all of us should re-examine to make sure that we are not overlooking some of those qualities which will make us individually more effective. A good personal appearance, a winning personality, good manners, tact, and the spirit of co-operation are just a few of these attributes. Let us never underestimate the power of personal appearance as one of our greatest assets. It's ability that counts in the long run, provided ability is applied to the best advantage. Still, there is a great deal of ability that is so completely hidden behind an unattractive appearance that it is never recognized or given its legitimate opportunity. We've all had experience with the person with a winning personality, which is the reason why you go out of your way to do business

with a certain person when another concern with the same services to offer might be closer by.

An old proverb tells us that "manners make the man," and it is doubtlessly true that many a man has been made by his manners and many ruined by the want of them. Good manners are all that the words imply—the art of doing the correct thing at the right time, the showing of consideration for the other fellow. Simple, isn't it? Yet, countless men and women have failed to climb from the rut of day-to-day routine to the heights of leadership because of the lack of it.

Another of these great fundamental principles that seems to be a stumbling block for many is the lack of tact. Tactfulness is the very essential of getting along successfully with others. Its daily practice is vitally important to everybody, particularly to those of us in the savings and loan business who are constantly dealing with people. Tact is a subtle form of courtesy and thoughtfulness that enables one to do and say the right thing under all circumstances. Some have said it is more important than talent. It is not easily acquired by those to whom it does not come naturally. It is most important to cultivate it.

As we continue our thoughts of our responsibility to ourselves, let's never forget that we must have confidence in ourselves. Nothing in this world can take the place of confidence. Talent will not. Nothing is more common than unsuccessful men and women with talent. Genius will not. Unrewarded genius is seen everywhere. Education will not. The world is full of educated derelicts. Confidence and determination alone are all powerful. "I cannot do it" never accomplished anything. "I have confidence that I can" has wrought wonders. Confidence coupled with soundness of judgment are truly great essentials. The greatest prizes of life do not fall to the most brilliant, to the shrewdest, or the cleverest, or to the best educated, but usually to the most level-headed—the men and women of confidence and soundness of judgment. It is one of our greatest responsibilities.

May I take this opportunity to compliment the American Savings and Loan Institute for the outstanding educational job it is doing for our business. The Institute classes and the Graduate School which it sponsors are truly two of the bright lights of our business as they challenge our managers and our younger people, who are devoting their lives to this business, to a greater appreciation of their individual responsibility. As I see these fine, young, outstanding men and women in our Institute classes and at the Graduate School, I feel greatly encouraged about our future.

May none of us be found wanting in leaving any stone unturned to fully equip ourselves to be outstanding savings and loan executives.

OUR RESPONSIBILITY TO OUR BUSINESS

By the end of this year the assets of the savings and loan business will be close to \$19 billion. This means that during the year 1951 the business will show a spectacular rise of approximately \$2 billion from a year ago. This remarkable increase has been due in large measure to the favorable acceptance by the public of the soundness of the savings and loan business and

to the aggressive promotion of our services by our managers and institutions. It's been a healthy growth and has been carefully and wisely integrated into the fabric of the business. This great increase of savings into the savings and loan associations has had a stabilizing effect in our country's fight against inflation. Our institutions have accepted the savings of our people in a period of time when the spending of such funds would have materially added to the inflationary spiral and the increasing of commodity prices.

It is doubtful whether many of us in the business truly understand the staggering job that has been done by the savings and loan associations in our country in the advancement of home-ownership. It has been our business that has provided the stimulus for the greatest surge of private home-ownership in American history. For the first time in the life of our country or any democratic country in the world, there are now more homeowners than there are tenants. This is a fact of far-reaching social and political significance. It has been one of the goals of the United States Savings and Loan League to work toward the end that at least 75% of the families in this country own their own homes. When this is accomplished, we'll have less fear of many of the "isms" and ideologies that are threatening our country today.

It's a matter of no little significance that the surge of home-ownership has penetrated to all income classes of America. The most dramatic and convincing proof of this development was offered in the 1947 statistics of the Bureau of the Census which showed that 46% of all families with incomes under \$3,000 owned their homes. The savings and loan associations during 1950 made 935,000 loans of which at least 25% were for new construction. The dollar volume of the loans made by our business during 1950 was \$5,238,000,000. The interesting part of these figures is that in spite of Regulation X and in a year when we have heard there is a "crisis" in the mortgage market and funds for mortgage loans are not obtainable, the record of the savings and loan business this year of 1951 will be almost as great as it was in 1950—its peak loaning year.

We hear much during these days about the VA-guaranteed loans and the FHA-insured mortgages. It's worthy of comment that the bulk of American home financing is done by the so-called conventional type of loan. The 1950 figures show that 15.5% of the private nonfarm units started were financed with GI loans and 16.5% of the total, with FHA loans. All of the balance were financed with conventional loans or required no mortgage financing at all. This is definite proof of the fact that these government programs have by no means dominated the home-financing field.

The savings and loan associations today are a far cry from the neighborhood thrift associations of yesteryear. The trend has been definitely toward a smaller number of associations, better staffed, better equipped, and better able to render a maximum of service to our customers. It was that great savings and loan man, currently chairman of our Legislative Committee, George L. Bliss, who gave to us in 1940 the ringing challenge, in a speech entitled "Let's Call It a Business," that has sparked this past decade of accomplishments.

Let me call your attention to the fact that the rising level of individual

incomes places an even greater demand upon us for the promotion of our thrift services. Today there are approximately 8,000,000 families with incomes of \$5,000 a year as compared with only 1,570,000 ten years ago. Our savings market has been greatly increased. The expanding population also provides the basis for greater home-financing demands. In the past decade our total population has increased by 14.4%. More significant, however, is the fact that the number of individual family units increased by 25%. During the early years of this past decade, we saw the highest rate of marriages in the history of the country, and a "war baby" boom. In another decade these "war babies" will start coming of marriageable age, and we can then expect to see the rate of new family formations zoom upward to a new all-time high. This leads me to the feeling that we can foresee by 1960 with a reasonable degree of certainty a \$40 billion savings and loan business, if we recognize and assume our full responsibility.

As we plan and set our goals for the future, may I urge with all the strength and power at my command that we build our institutions soundly in this period of expansion, keeping constantly before us the building of substantial reserves and the maintenance of good liquidity so that we will be prepared in all reasonable periods to meet the withdrawal demands that are placed upon us; that we carefully watch our operating costs in this period of increasing expenses so that we may always return to our savers a maximum yield consistent with the safety and availability of the investment.

As we serve our individual institutions let us also be willing to serve the business as a whole through the giving of our talents and leadership to our local leagues, our state leagues, and our United States League.

It was no small measure of reassurance to me, as your president, that when the call for help came from Morton Bodfish and George Bliss, when the tax bill was before the Senate, it touched off such a spontaneous wave of helpful response. At one time or another delegations of our people from 34 states made the trip to Washington at their own expense and made a significant contribution to our fight for the protection of our business. To these men and to all of you who aided in this fight I should like to extend personally my sincere and heartfelt thanks. It was a great demonstration of the success of co-operative effort.

OUR RESPONSIBILITY TO OUR NATION

Let us never forget that, while we are savings and loan executives, first and foremost we are American citizens. We hear much about the protection of our freedoms and the preservation of the American Way of Life, but this will only be accomplished when you and I are willing to give a substantial portion of our time, effort, and ability to preserve it. Let me touch on and challenge your attention to just a few things that are vital, in my humble opinion, to the preservation of our nation and about which all of us can do something if we accept our full measure of responsibility. I refer to the problems of inflation, taxes, public housing, moral degradation, and citizenship.

INFLATION: In the opinion of many, one of the truly great dangers facing our country today is inflation—probably more dangerous than war itself. Whether we continue to have more or less inflation in the next year is squarely up to the 150,000,000 American consumers. The price inflation since the outbreak of war in Korea has been caused chiefly by panicky consumer buying which has been spurred on by cries of shortages and higher prices by some governmental officials and businessmen. It should be perfectly clear to all of us by now that, unless we get into a full-fledged, all-out war, the scarcities and shortages that we remember from World War II will not re-appear.

It's folly for consumers to try to build up their own little stock piles against an uncertain future. Not only do they buy things they really do not need and thereby build up prices, but they also spread confusion and alarm everywhere. If hoarding must be done, let's do it with the surplus cash we have over and above our living expenses, and in that way everyone can take part in the battle against inflation.

Inflation is a malignant social disease which must be arrested. As savings and loan executives, interested in the future of our nation, we should put on the greatest drive in the history of our business for the savings of our people with the full knowledge that we will be rendering to our country a great service in the fighting of inflation. With increasing expenditures for national defense during the immediate years ahead and with a resultant higher rate of consumer disposable income, it certainly creates a very serious problem. However, if the consumer and business and governmental officials join hands in working together against this dreaded octopus, we can be successful in the preservation of our monetary system.

TAXES: Another of the great problems confronting our republic today, which if not curtailed might result in a change in our very form of government, is the question of taxes. We are taking about 32% of the income of our people for the maintenance of federal, state, and municipal governments. With the enactment of the recent tax bill by our Federal Government and the increasing of taxes in our state and municipal governments, this figure will be increased in the immediate months ahead. Students of this question have said that no country has ever prevailed as a capitalistic democracy when more than 35% of the income of the people has been taken for the maintenance of government. It may be reasoned that because of the tremendous wealth of our nation, our natural resources, and our ability to produce we could survive as a democratic nation even if the tax take from our people should go as high as 40%. If and when it reaches that point, we are, in my humble opinion, at the door of socialism.

Another of the great dangers of this whole problem of taxation is the destroying of one of the greatest assets in the country—*incentive*. This applies not only to the executive group which has been responsible in large measure for the productive capacity of our country through its "know how," but it is also reaching down into every class of worker. The other day I talked to a bricklayer who was disgruntled because he had been asked to work on a Sunday. I inquired of him if he was not going to receive double time for his work on this holiday. He replied he would but continued, "What's the use of putting in this extra time when I would have to

pay such a large part of what I would receive in taxes?" He has lost his initiative and incentive to better his financial position because of heavy governmental taxes.

It should be understood that the problems of inflation and higher taxes are out in the open, and the people can recognize them for what they are. The hidden, and, therefore, most dangerous adversary to the "will to save" is the insidious siren call of "cradle-to-the-grave" security provided by the Federal Government. The siren is elusive. It has appeared in many disguises during the past two decades, with promises of all things to all men. Here is the most corrupting moral influence we have among us today, for in smothering the spark of self-reliance, it strikes at the very heart of our competitive capitalistic system. If we are to secure a return to fundamental principles, we must increase our efforts to restore the dignity and self-respect of the people of America. Each of us can do his part by becoming a "citadel for small capitalists," where millions of thrifty Americans may turn for counsel and help.

PUBLIC HOUSING: Concerning public housing the position of our business is the same now as it was when the program first started back in 1935. We opposed it then, and we oppose it now. It has long been our belief that should, God forbid, the Government ever assume ownership and operation of a large percentage of the nation's housing, then surely and inevitably a huge hole will have been driven in the dike wall of our free economy. Our reasons for opposing public housing are many and varied. First of all, we maintain it is a vital program for national socialism for the Government to own and operate a substantial number of our homes. We resent bitterly the hypocritical attempts of the proponents of this program to present it as a device to aid the poor when, in fact, the most needy of our population are ineligible to live in the subsidized projects. We also deplore the wily propaganda which paints the program as a slum clearance program when it is not anything of the sort and which describes the opponents of public housing as opponents of slum clearance and rehabilitation. May I make one point clear—the savings and loan business through our United States League has been on record for many years in favor of a workable slum clearance program which would be administered apart from the public-housing program. Our position on the matter of public housing has been honest and forthright. Let us continue the fight and not become weary in well-doing on a matter of such vital importance to our nation.

MORAL DEGRADATION: The present times cry out for nationwide public indignation at the low state of morals in public office. The spectacle of deep freezers, mink coats, and influence peddlers is a blight upon our country and an insult to the honesty and integrity of the American people. How can we expect the youth of our country to become outstanding men and women of high ideals when they see and hear of corruption being carried on in high places in our government? The blame for the condition that exists rests with you and me for we make up the government. Our people have never been given a clearer mandate than we have today to use to the fullest extent our ability and our influence to bring back into the operation of government the fundamental principles of our forefathers of truth and good common honesty.

CITIZENSHIP RESPONSIBILITY: As your president this year, I have been urging in all meetings with savings and loan executives, from one end of the country to the other, the full acceptance of their individual citizenship responsibility. Let me say it is most encouraging to see the number of men and women in the business who are accepting that responsibility. There is still room, however, for many more of our leaders to become active. Thank God the day has passed when our institutions had the feeling that because of our mutuality we should not give to worth-while community philanthropic programs.

It is not sufficient, however, that we give only of our means, but that we also give of our time and ability in the promotion of these worth-while projects for the betterment of our respective communities and the nation as a whole. We also owe, as good citizens, the obligation of accepting our responsibility of exercising one of the greatest franchises we possess, that of the right to vote. It should not stop only with ourselves but should continue in our urging of other eligible citizens to do likewise. It's a deplorable indictment of the American people that only 51% of the registered voters voted in our last national election. It's been aptly said that "most of the bad people elected to office in this country are elected by the good people who are either too lazy or unconcerned to cast their ballots."

We are certainly slipping because of this complacency. In 1896 in the campaign for president between McKinley and Bryan, 81% of the registered voters voted. In 1916 in the campaign between Hughes and Wilson, 71% voted. In 1940 in the campaign between Roosevelt and Willkie, only 56% voted. And in 1948 in the campaign between Dewey and Truman, 51% voted. A drop of over 31% in the number of eligible voters exercising their right to vote in the past 50 years is an alarming situation and a real challenge to you and to me in our responsibility to our nation. There are only two kinds of economies—an economy of free enterprise or a government-planned economy. Which do we want?

OUR SPIRITUAL RESPONSIBILITY

On the wall of the chapel at Stanford University, the following is inscribed: "A noble ambition is among the most helpful influences of student life, and the higher this ambition is, the better. No man can work well unless he can speak as the Great Master did of the job set before him. And this leads to the greatest of all safeguards and the most encouraging of all stimulating influences to a nobler life, that is the power of personal religion. We need something outside of and beyond ourselves."

The Master said, "Whatsoever man soweth, that shall he also reap." In this spiritual truth there is more value than in all the material axioms. It's difficult for me to see how a savings and loan man or woman committed to the fostering of the principles of thrift and home-ownership could fail to realize that there is a Supreme Being from whom he or she can draw for strength in meeting the perplexing problems of life.

Our nation is engaged in a deadly contest over the integrity of the individual versus the integrity of the state—whether the philosophy of Jesus

Christ or the philosophy of Karl Marx will prevail. A democracy such as ours cannot be defeated in this struggle; it can only lose by default. It can lose if we fail to accept our spiritual responsibility for its security and continue to occupy our minds with the little things of life.

Our fathers founded in this promised land a nation built on the eternal but newly recognized God-given principles of *liberty, equality, and opportunity*. We have proved the fundamental value and validity of these principles by becoming under them in one short century and a half the *happiest, the largest, the most progressive, the most powerful, and the most prosperous* nation in the world. We've had some ups and downs, some variations in our development, but they're variations of prosperity, they're varying degrees of greatness and happiness. We have never sacrificed our liberties, our right to breathe the wholesome, healthful air of freedom as free men of God.

The very strength of our country has been the realization that we could draw inspiration to carry on and meet every problem from our Lord and Creator.

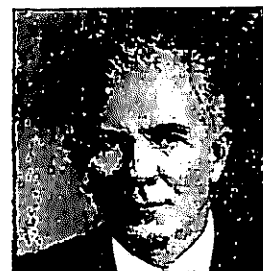
I told you at the beginning of my address that I'd tell you what I was going to tell you. I've now told you. And now I would conclude by telling you what I told you. It's a simple, concise statement. *The degree of the future success of the savings and loan business depends on how you and I, individually, accept our current responsibility—to ourselves, to our business, to our nation, to our Creator.*

AMERICA'S NEEDS . . . ECONOMY, DEFENSE, INTEGRITY

by the HON. A. WILLIS ROBERTSON

Senator from Virginia

Lexington, Virginia



FIFTY YEARS after the battle of Bunker Hill, Daniel Webster dedicated the famous Bunker Hill Monument. Turning to the surviving veterans of that conflict, Webster said: "Venerable Sirs, you have come down to us from a previous generation." And what a glorious generation it was!

When I feel depressed by fears that the communists will beat our brains out if we don't re-arm and that we will go broke if a necessary defense program is not kept within proper bounds, it strengthens my courage and renews my hope to recall the difficulties and hardships of the first English settlers in Virginia and Massachusetts who came to a new country in search of greater political and economic freedom. Of them Webster said at Bunker Hill: "We shall not stand unmoved on the shore of Plymouth, while the sea continues to wash it; nor will our brethren in another early and ancient colony forget the place of its first establishment, till their river shall cease to flow by it. No vigor of youth, no maturity of manhood, will lead the nation to forget the spots where its infancy was cradled and defended."

Had there been a socialist government in Great Britain in 1607 to sponsor public housing projects at Jamestown, there would have been no Patrick Henry in 1775 to cry: "Give me liberty or give me death"; no Thomas Jefferson in 1776 to declare that governments derive their just powers from the consent of the governed; and no John Hancock to be the first to sign that immortal document.

The log cabins built by the first settlers were crude, but they were homes and, under the English common law, castles—as much so as if built with cut stone and a tile roof. It was the personal effort that went into building those log cabins, it was the pride that accompanied the private possession of a home, that put iron in the blood and courage in the hearts of our colonial ancestors. Those log cabins were the symbol of a new economic system, now called private enterprise, under which those of superior character, brains, and energy could expect a commensurate reward and under which in the relatively brief span of three centuries we developed the richest and most powerful nation in the world. But, be it remembered, that in the struggle in the wilderness for the establishment of a new social and economic order *the home came first*, then the church, then the trading

post, and then industrial craftsmanship.

The British Statesman Disraeli said: "I have always felt that the best security for civilization is the dwelling, and that upon properly appointed and becoming dwellings depends more than anything else the improvement of mankind. Such dwellings are the nursery for all domestic virtues and without a becoming home, the exercise of those virtues is impossible."

I subscribe to that statement, and, therefore, at this crucial hour in world history, when all must be concerned about the security of our civilization which is threatened by the corrosive influence of communism, I feel it most appropriate that I should discuss some of our national problems with representatives of a business which has for 120 years devoted itself to the two purposes of encouraging individual thrift through the accumulation of personal savings and encouraging home-ownership by the extension of credit on reasonable terms.

The savings and loan associations with their combined assets of \$18 billion, making loans at the rate of around \$5 billion a year, are an important factor in our economic life. But, perhaps more important is the influence which you representatives of this business can exert on the 4,000,000 borrowers and the 11,000,000 savers with whom you have business contacts. I feel, therefore, when I discuss with you some of the problems of appropriations, taxes, defense production, and economic controls, with which we have recently been dealing in the United States Senate, I am in a very real sense making a report to the people of the nation whom I am pledged to serve. And, as Patrick Henry said when he went to the first Continental Congress in Philadelphia, "I speak no longer as a Virginian; now and henceforth I shall speak as an American."

IN AGREEMENT WITH LEAGUE'S LEGISLATIVE AIMS

As a member of the Senate Banking and Currency Committee, I have been intimately associated with some of the legislation which concerns your business and I am happy to say that I have found myself quite generally in agreement with the position taken by the representatives of the United States Savings and Loan League on these matters.

For example, I have agreed with you in preferring encouragement of private building and individual home-ownership to government-subsidized public housing which would create a limited, preferred class of tenants and ultimately undermine private building as it has done in Great Britain. We were in accord with respect to the regulation of real estate credit as applied to new construction in the Defense Production Act of 1950 and against the proposed extension to existing structures. We were in agreement also that powers given to the Federal Government to stimulate defense housing should be limited to restrictions which would give private enterprise an opportunity to do the job before resorting to public housing.

I was pleased to have a part in reporting out of our committee the obviously meritorious new savings and loan law of 1950 which increased the insurance of your accounts up to \$10,000, reduced the premium to 1/12 of 1% and provided for retirement of government capital in the Federal

Home Loan Banks and the Federal Savings and Loan Insurance Corporation.

NEED FOR ADDITIONAL TAX INCOME

When the question of taxing savings and loan associations came up in connection with the new tax bill, I recognized the validity of your claim that you should be allowed to build up adequate reserves for protection against a future sudden decline in real estate values. I, therefore, participated in the debate which led to your receiving more liberal treatment than had been proposed by the committee which handled the bill.

All of us regret, of course, that it has been necessary during the past year to increase existing taxes and to seek new sources of revenue, but we have been faced with the hard fact that we must engage in a costly defense program. This program is costly not only in terms of money but also in terms of men and physical resources, and it carries with it a continuing serious threat of severe inflationary developments.

If inflation is permitted to take place it will impair our capacity to produce and ultimately to defend ourselves and will work serious hardship and inequities on many sectors of our population. An adequate tax program is one bulwark against inflation. It was for this reason that last January I urged prompt Congressional action on those tax increases which we obviously would have to include in any bill ultimately accepted.

I pointed out then that if we waited to attempt a comprehensive revision of the tax law we were unlikely to get it enacted before October and that large amounts of revenue would be lost because personal income taxes and excise taxes could not be retroactively collected. As you now know, my prediction was correct, because the new tax bill became effective only this month and will fail to produce enough revenue to balance the budget at the end of the current fiscal year.

I made my recommendation of a tax increase last January knowing how unpopular higher taxes would be but realizing that the cost of a tax bill still would be smaller and would be spread more fairly among our people than the cost of inflation which has amounted to \$16 billion since that time.

ECONOMIC REGIMENTATION DISTASTEFUL BUT NECESSARY

I also advocated, as early as October, 1950, the imposition of price and wage controls as a check on inflation. Nothing is more distasteful to me than economic regimentation, because political and economic freedom are root and branch of the same tree and I have consistently opposed government encroachment on free, competitive enterprise. But we are living in perilous times which call for unusual measures to protect the things we cherish. Controls admittedly do not cure the causes of inflation, but if a plaster cast is necessary to heal a sprained financial back, it will pay us to wear it.

From the outbreak of war in Korea in June of 1950 to the end of Janu-

ary, 1951, there was a 44% increase in the level of basic commodities, 16% in wholesale prices generally, and 7% in consumer prices. While the Administration dragged its feet in using the control powers over wages and prices which had been made available by the Congress, the Federal Reserve Board moved in and, with the co-operation of various lending agencies including your savings and loan associations, the brakes were applied to fiscal inflation. The rapid rise in consumer installment and stock market credit was checked and the increase in home mortgage credit was slowed down. Bank loans to business recently have been running below the rate for the corresponding period last year. Prices of basic materials are now well below their earlier speculative peaks. Wholesale prices generally are moderately lower, and consumer prices have shown little change since last spring.

This is encouraging but we should not be lulled into a sense of false security because the real test of our conversion from a normal peacetime to a limited wartime economy is still to be met. Deliveries of military goods are still on a rather limited scale, but within the next six months they are expected to reach the rate of \$1 billion a week. There will be a large business demand for plant and equipment expansion, a great part of which will be essential to the defense effort. In the year ahead a 6% increase in over-all output of goods and services is considered close to the maximum performance for our economy under favorable conditions, but this would amount to only \$20 billion as compared with \$25 billion that our defense program will demand. The resulting shortage of available goods will be inflationary because there will be an increase of dollars chasing a decreasing supply of consumer goods.

We must sanely and courageously use all our resources to check inflation and they include not only economic controls and taxes but also substantial reduction of nondefense spending through the exercise of rigid economy in government.

Our Federal Government in recent years has become the biggest business in the world, intimately touching the daily life of every citizen. In such circumstances, consciously or unconsciously, the average business man in his political actions will prove the truth of the adage that trade has no politics.

In the late winter of 1935, President Roosevelt recommended to the Congress expenditure of the then unprecedented amount of \$4,800,000,000 for relief and recovery. In opposing that bill, as a member of the House of Representatives, I said the endorsement of an unsound fiscal policy was no proper and appropriate test of a man's party alignment or party loyalty. That has been the keynote of my attitude on all subsequent spending bills. In 1935, I predicted that the appropriation of billions of dollars for relief would set a pattern for waste and extravagance and ultimately would result in the creation of a back-breaking public debt.

There should not be and there must not be any party partisanship over the issue of what in 1935 was prudent and in 1951 is necessary economy in public spending.

A PROGRAM FOR NATIONAL SECURITY

Another major issue that confronts all business men and all public-spirited citizens is national security. Shakespeare said: "The quality of mercy is not strained. It droppeth as the gentle rain from Heaven upon the place beneath." In its issue of October 27, *Collier's Magazine* carried a series of disturbing articles on what would happen in many large metropolitan areas if the Russians dropped atomic bombs in World War III.

I know, of course, that when defense spending next spring reaches the predicted rate of \$1 billion a week, it will be a heavy burden to carry. When you require a man who gets one of your mortgages to insure against fire you may possibly say to him that it's the uninsured house that burns. By the same token, George Washington was never more right than when he said in his first message to Congress: "To be prepared for war is one of the most effective means of preserving peace."

While international co-operation as an integral part of that preparedness program may be a political issue in 1952, in my opinion it should not be and I hope it will not be, for the simple reason that if we become involved in another world war, we shall not only urgently need foreign bases for our strategic bombing, but we shall likewise need manpower on the ground which can only be furnished in an adequate amount by freedom-loving allies in Europe.

In the coming year, the military and economic support of those allies will cost \$8,100,000,000, including unexpended balances. In the following two years, Atlantic Pact allies will need additional military aid. I voted last year and again this year to make a substantial reduction in our rehabilitation program under the Marshall Plan, but I supported this year and shall support for the next two years a mutual security aid program, provided, of course, the recipient nations live up to the promises of co-operation which they have made and do not attempt to unload on us the entire financial burden of our mutual defense against communism.

THE NEED FOR POLITICAL INTEGRITY

A public office is a public trust. That is such a fundamental application of the common-sense approach to the problem of right and wrong that it could not possibly be a test of party affiliation. In 1952, both major political parties could not do better than to incorporate in their respective platforms an endorsement of the instructions which Moses gave to the Judges of the Children of Israel as they waited on the Plains of Moab for God's signal to enter the promised land: "Thou shalt not wrest judgment; thou shalt not respect persons, neither take a gift: for a gift doth blind the eyes of the wise, and pervert the words of the righteous."

Also, as Daniel Webster said: "There are means of influence not generally esteemed positively corrupt, which are competent to produce great effects."

I have indicated to you three fundamental issues—economy in government, an adequate defense program, including international co-operation,

and integrity of public officials—which, in my opinion, should characterize not a Democrat or a Republican in 1952, but which should be accepted by every patriotic citizen who desires to put the welfare of his nation first.

Since this is a business organization, this is no appropriate occasion for a political speech. I shall not even attempt to make a prophecy concerning who the opposing candidates will be or the kind of platform on which they will ask for public support. I shall hazard the prediction, however, that the candidate of the Democratic Party will not be the present occupant of Blair House.

In 1952, I hope that the major objective of all Presidential candidates will be to quicken in the hearts of all true, patriotic Americans that sense of personal responsibility that characterized our early home builders, that self-reliance that faced unafraid the hardships of the wilderness, the danger of hostile Indians, and, above all, that unwavering faith in the fact that God governs in the affairs of men.

I have only two sons, one engaged in business and the other with the First Marine Division in Korea. I shall not deem my years of public service to have been a failure if I can have a part in passing on to them the same type of free, competitive enterprise under which I, as the son of a minister of the Gospel, was able to provide for my own economic security since I was 18 years of age.

As a descendant of a Virginia family that furnished one signer of Jefferson's Declaration of Independence and three members of the Virginia Convention that ratified the Philadelphia Constitution, I take pardonable pride in the contribution made by colonial Virginia to the birth of a nation. I want to see passed on to generations yet unborn those precious principles of political and economic freedom that were born of the brain and purchased with the blood of our founding fathers.

LIQUIDITY, RESERVES, AND DIVIDENDS AS RELATED TO THE TAX PROBLEM

by the HON. WILLIAM K. DIVERS

Chairman, Home Loan Bank Board

Washington, D. C.



I AM PLEASED to appear before your convention again. It is a real privilege to see so many of my acquaintances from all over the United States gathered in one place and to have an opportunity to address them briefly.

I have appeared before many of you at your State League meetings in recent years and have stated that it was not my intention to give you advice on how to run your associations. Although I did not follow my intentions strictly and usually managed to dispense a little free advice, it was not my intention to do so. My disinclination to advise was based upon my modest opinion that a newcomer in the savings and loan field should be silent on methods of operation.

Today I come before you stripped of all false modesty. Whether I am right or wrong, it may be useful for you to hear from me what I believe to be several important points for consideration at your convention and when you return home. I will be the first one to admit that I do not understand all the details of your operations, and I hope that you, in turn, will appreciate that in view of the Board's responsibilities, its viewpoint may differ from yours.

SIMILARITY OF INTERESTS AND PURPOSES

Although our viewpoints may differ at times, I am sure that such differences will be minor and temporary. Men of good spirit working together in the interest of the public and co-operating to develop better, sounder financial institutions of greater service to the public will not differ on basic objectives or policies.

The members of the Board at times have been accused of speaking for the savings and loan business and of fighting the battles of your business. If our mutual desire is greater public service, why should we not fight battles side by side? I plead guilty of the charge and am proud that we have fought a number of battles together. What would be more natural when our basic objectives and principles are the same?

Another thing our self-appointed critics cannot understand is the interest of our Board in the sound progress of savings and loan associations. They

overlook the fact that your state legislatures created your institutions not only for accumulating savings but also to provide additional home financing. They overlook the fact that Congress set up the Federal Home Loan Bank System, the Federal Savings and Loan Insurance Corporation, and the system of federal savings and loan associations in order to provide additional funds for financing the construction and acquisition of homes. In the past few years when residential construction was at a very high rate and when more dollars were needed to construct a house because of high costs, we would have been derelict in our duty if we had not urged the use of every proper promotional device to attract the additional quantities of dollars necessary to do this part of the job.

Neither do our critics appreciate the competition provided for the benefit of the public. Of course, they recognize and deplore the competition for savings by your institutions, but they have never shown any appreciation whatsoever of the improvements attained in the direction of economical home-ownership because of competition furnished by your institutions.

Competition, in our opinion, is the basic concept upon which our high American standard of living has been erected. We believe it is good for financial institutions, as well as for steel companies or soap companies. We recognize that institutions operated with savings entrusted by the public must operate more conservatively than if the managers were using their own money or the money of a limited number of stockholders. At the same time the public should not be denied the benefits of competition because of fear of the future or because some financial institutions would like to have a monopoly in certain fields or certain areas.

The interests of the Home Loan Bank Board are closely connected with the interests of your association and the interests of your shareholders. We each have our own responsibilities, our duties, and our obligations, but we are seeking the same objectives. We are meeting here so that each of us can have the benefit of the others' opinions, and the only influence we seek to exercise is the influence of careful, deliberate, constructive thinking.

With this as background explanation I would like to make a few observations concerning the most important problem in the coming year.

Savings and loan associations, co-operative banks, homestead associations, and savings banks are soon to become subject to the federal income tax. This will mean that one novel and important factor must be taken into consideration in making your 1952 decisions with reference to liquidity, reserves, and dividends. I urge that you notice the order in which I mention them, namely, liquidity, reserves, and dividends.

CURRENT LIQUIDITY RECORD

The liquidity of members of the Federal Home Loan Bank System has improved in the past year. Although the average liquidity has dropped one point nationally, there are many more associations with 10% or more of their share capital in cash or governments. I am not suggesting a liquidity formula but I am advocating a minimum of 10% for any full-time institution.

The need for ample liquid assets is demonstrated by the constant increase in the withdrawal ratio and the rate of turnover of savings in recent years. It was pointed up sharply by a period of sudden and heavy withdrawals after the outbreak in Korea—which helped to bring a sustained rush of business to the District Federal Home Loan Banks.

People expect to get their money when they need it, and institutions should be ready to meet withdrawals promptly. To most people—who do not understand long-term finance—that will be the real test of your stature as financial institutions.

So, to those of you who may be straggling behind the procession in respect to liquidity, the Home Loan Bank Board would suggest the following policy: "Let us establish a reasonable liquidity for our shareholders, accept a slight reduction in earnings, adjust our dividends downward, and be ready for any sudden dips in the economic roller coaster."

RESERVES AS A BULWARK AGAINST INSOLVENCY

Reserves were never intended to be what is left after paying dividends. Reserves are the only bulwark of a mutual institution, such as yours, against insolvency. They cannot be accurately determined by any mathematical formula, so they must be generous. Without reference to any tax law, we believe that reserves equal to 15% of share capital are reasonable and do not constitute any withholding of earnings from shareholders.

Due to the tremendous growth your institutions have enjoyed in recent years, the percentage of reserves to share capital has remained relatively static, notwithstanding the substantial volume of dollars added to those reserves. At December 31, 1950, 72.6% of all insured associations had reserves of less than 10% of share capital. Only 14% of such associations with 11% of the assets had reserves in excess of 12%. If we are to improve the financial stability of the savings and loan structure, an improvement must be made in the percentage of reserves as well as the dollar reserves. Every reasonable means should be sought to improve the percentage of reserves to share capital within the coming year.

As I see it, the principal concern of most associations will be "how to get to 10% reserves" rather than "what to do when we get to 12% reserves." I have attended a number of meetings recently, at which it seemed that every one was worrying about what other associations were going to do rather than working out his own institution's problems. If each association will spend more time on its own problems and less on those of competitors we will all be better off.

A WORD ON DIVIDENDS

So much for reserves. When I come to the subject of dividends, there isn't much left to say. If you have already provided a reasonable liquidity for the shareholders of your institutions and have improved your reserve ratio with an objective of 15% of reserves in mind, the remaining earnings can

be distributed to the shareholders.

I have heard some loose talk about increased dividend rates and rate wars. I have heard some managers say, "We will have to raise our dividend rate because such-and-such an institution is raising its." As a supervisory official, I want it to be clearly understood that I do not understand that line of reasoning. I do not concede that any institution under our jurisdiction need raise dividend rates to meet competition. Such thinking is entirely alien to a concept of true mutual institutions. I do not recall ever seeing language in an annual report which says, "We wish to report to our shareholders that we had to increase our dividend rate to you this year in order to meet competition," or "We are notifying you that we are reducing our dividend rate this year because we believe we can keep your money anyway at a reduced rate." If the institutions are run for the shareholders, and not for the managers, such thinking will not prevail. In my opinion, you will be so busy with income tax problems next year, there will be little time left to worry about your competitors.

Again I want to repeat that I consider it a privilege to appear here and address you. I have told you before that I have unflagging confidence in the integrity and judgment of the 4,000 executive officers of the member institutions of the Federal Home Loan Bank System and their more than 30,000 capable directors. I know that no new factor, such as the federal income tax, will stampede them into any false conclusions. I agree with Morton Bodfish's analysis of the tax situation: The tax was not intended as a punitive measure against savings and loan associations. If we adjust ourselves sensibly and calmly to the new tax, we can continue to hold the respect and friendship with which the members of Congress now view us.

If I know you directors and managers the way I think I do, you will debate the effect of the tax at length; you will discuss it with the directors and managers of other institutions; you will seek the advice of all concerned; and then you will make your own decisions in terms of your own institutions. As in all other decisions, the effect on each individual institution will present a special problem which can be met only by your own board of directors and executives.

I am confident that the sum total of the decisions made by individual boards of directors will demonstrate that the savings and loan business can solve such a problem in its stride, can digest the effects of such a problem, and can move on without faltering to provide greater public service in the fields of thrift and debt-free home-ownership.

It is true we have taxation of the savings and loan business for the first time, but I detect no signs of an ambulance, an oxygen tent, or a solemn wake. Instead, I see rugged vitality, ambition, and horizons unlimited.

THE COMMON GROUND OF MUTUAL THRIFT INSTITUTIONS

by EARL B. SCHWULST

President, The Bowery Savings Bank

President, Savings Banks Association of the State of New York



I DEEPLY APPRECIATE THE INVITATION to speak to you today. In the first place, it gives me an opportunity to congratulate you upon the progress you have made and the success you have had in developing a thrift facility which has been so warmly received by millions of savers in this country and by millions of other people who needed to borrow money for the construction or acquisition of homes. In the second place, it gives me an opportunity to pay a well-deserved tribute to those exceptionally competent leaders in your field with whom I have recently been rather intimately associated. I refer particularly to Morton Bodfish, who has a wonderfully fine, clear head on his shoulders, who is a determined fighter for any cause he believes in, and who is, for my money, a very real leader. I refer also to George Bliss, Mike Murphy, and Bill Divers. Any business would be sincerely proud to claim such men. And there are many others, of course, but these are the men in the savings and loan field whom I know best.

I would like to say a special word about Bill Divers. It would be impossible for a man to be a competent supervisory official and be deeply loved at all times by all the people he has to supervise. Maple Harl, my boss who sits on the platform, can testify to that. But Bill, like Mape, comes very near to being the impossible combination of a very competent supervisor and a man who, at the same time, holds a place of affection as well as respect in the hearts of the people whom he supervises. I think he is a wise and good man. You have guessed it. I like Morton and Bill very much.

As I intimated before, I have recently had a very close association with these two men and with other leaders in your business. My respect and regard for them have not been diminished but, rather, have been enhanced as the result of that association. I have in mind the tax battle that the savings and loan associations and the mutual savings banks have just been through in Washington. We did not exactly win that battle, but, on the other hand, we did not exactly lose it either. I believe that under all of the circumstances, the removal of the exempt status of our institutions was probably inevitable. Our Government is hard pressed for funds, taxes generally were bound to be increased, our country is gravely threatened; and

under those circumstances almost any exempt organization, particularly a business-type organization such as ours, has two very hard strikes against it in any attempt to justify its exempt status to a person or corporation that is paying taxes. Your leaders and ours understood this fact, and they understood also that the case for taxing us is one that can be argued and, indeed, was argued as the legislative results show, not without some effect. Notwithstanding all that, your leaders and ours fought a good fight in a cause which they thought and still think was right.

DESIRE FOR BETTER RELATIONS WITH COMMERCIAL BANKS

I would hope that the time has now come when the commercial bankers—many of whom sit on our boards and the great majority of whom, I am sure, are our friends—will cease to make the question of taxing us a cause of controversy; at any rate, until they have examined more closely and, I would hope, much more dispassionately the basic differences between commercial banks and the mutual thrift institutions. We are now subject to tax, and if that tax is not to be applied under the law to the savings banks and savings and loan associations in precisely the same manner as it is applied to commercial banks, I sincerely hope that the commercial bankers will come to understand that the reason for that is the fact that there is a fundamental difference between their institutions and ours. I am sure that the wiser heads among our commercial bank associates do already understand that difference or will come to understand it.

And on your part and ours, we should try without emotion to discover whether we are doing things to which the commercial bankers can properly object. Are there certain phases of our operations which cause unnecessary annoyance or which give us competitive advantages that might properly be modified or eliminated without preventing us from continuing to serve effectively the social purposes for which we exist?

When I get into an argument with a man, I try to understand his case as well as my own. I not only try to persuade him with respect to those points about which I believe I am right, but I try to ascertain and yield on those points about which he is right and I am wrong. Would there be any harm in the leaders of the savings and loan associations and the mutual savings banks trying to examine objectively the complaints that the commercial bankers bring against us, trying to find out where the shoe pinches, and trying to find out if we can, without doing violence to our own rights and purposes, eliminate the causes of complaint? Sometimes some things that we do which in themselves are not too important may be very considerable causes of friction. Let us search those things out and eliminate or correct them if we can.

I have great confidence that the human animal in this day and age is basically decent and fair if he understands the facts and if he can be induced to examine those facts in an environment free from emotion. Unfortunately, emotion is often a hard thing to eliminate; and the facts may not be entirely clear; and vested interests may have been created which will not be willingly given up; and, equally, unfortunately, under those circum-

stances the two parties may simply have to fight it out. But I always like to sit down and try to reason a thing out with men on the other side who at least are sensibly disposed before I draw a gun and start shooting.

COMPLETE TAX AVOIDANCE DEEMED UNWISE

I should like to make one or two suggestions, bearing more directly upon the tax question, and I make these suggestions particularly with reference to those savings banks and associations which find themselves with aggregate surplus, undivided profits, and reserves amounting to 12% or more of year-end deposits. It will lie entirely within the discretion of the Commissioner of Internal Revenue as to whether those institutions will be allowed to add anything tax free from ordinary earnings to that aggregate margin of safety.

First let me raise the question as to whether it will be in the long-run interest of such a bank or association to attempt to escape taxes entirely. There may be ways open to that bank to escape all taxes, for example, by paying out all net earnings as interest-dividends or by arranging the investment program in such a way as to have sufficient tax credits (e.g., tax-exempt municipal bond interest) to offset fully all net income after operating expenses and interest-dividends to depositors.

Your leaders and ours have consistently maintained before Congress that the mutual savings banks and savings associations are not properly or logically subject to the federal income tax. They believe that position to be sound and that our institutions should not abandon it. The day may come when taxes will be reduced; when that day comes, the exempt status of our institutions should be restored. But, for the time being at any rate, our Government has concluded that our institutions should give up their tax-exempt status and, under certain circumstances, should be taxed; the Government needs revenue, and we must not forget that if the basis for taxing us chosen by the Government proves to be one that produces no revenue, the Government may very well adopt some other basis—perhaps a much more unsound basis—that will produce some revenue. The life insurance companies have had this experience.

INTEREST-DIVIDEND RATE ADJUSTMENT

With due regard to a sound interest-dividend policy and the setting aside of a reasonable margin of safety to protect increases in deposits, we should be willing to pay some taxes; that is, our policies and operations should not be shaped primarily with the end in view of escaping taxes, no matter how strongly we may believe that our institutions should not be taxed. The Government has spoken, and we should try so to conduct our affairs that the Treasury will have no grounds for saying that we are not playing the game.

This means that we should not raise the interest-dividend rate excessively. If we do not proceed with caution in this respect, we may well find such an influx of new deposits as to reduce materially our earnings rate on total

deposits with the result that we may a little later on either have to cut back the interest-dividend rate or put restrictions on deposits, both of which are undesirable alternatives. Therefore, we should not let the fact that we may otherwise have to pay some taxes lead us into unwise interest-dividend policies. This does not mean that the individual institution should not, if it otherwise can, increase somewhat its disbursement to depositors—perhaps in the form of an extra interest-dividend rather than an increase in the interest-dividend rate. The Government certainly should not object to this, because these increased payments are taxable in the hands of the depositors and, therefore, enter the tax stream. I would suggest, however, that we work in close liaison with the supervisory authorities in making any adjustments in our interest-dividend programs or policies.

CONSIDERATION OF PURCHASE OF TAX-EXEMPT SECURITIES

Nor should we let the fact that we may otherwise have to pay some taxes lead us into a mad rush to buy municipal and other tax-exempt bonds or, if we get the power to do so, invest too heavily in equities in order to enjoy the tax credit resulting therefrom. Of course, there is no tax benefit in the purchase of tax-exempt obligations on the part of a bank or association with surplus, undivided profits, and reserves equal to less than 12% of its year-end deposits or on the part of one which is going to pay out all of its net earnings as interest-dividends to depositors. It will merely lose income by going into tax-exempt obligations because of the low rate borne by those obligations. And we must bear in mind that a bank or association now having a margin in excess of 12% may, if it is growing rapidly, drop below that figure, and then it would be losing by virtue of having invested too heavily in tax-exempt obligations. And also in this connection, we must bear in mind the possibility that the basis of taxing our institutions may some day be changed, with the result that tax-exempt obligations may bring no benefit whatever. In fact, they would operate to the bank's or association's disadvantage because of their low yield.

The purchase of tax-exempts in some reasonable measure and with due regard to a well-balanced investment portfolio in general would be advisable in the case of a growing institution that has more than a 12% margin of safety, because that institution, unless it is to pursue the unsound policy of rapidly diluting its present margin of safety, may well find at present yield levels that income from tax-exempt obligations will provide it with the cheapest income for margining growth. In these days of inflation, the Treasury and Congress should want our banks and associations to continue to encourage thrift—that is, to grow. It so happens that the tax in the case of a bank or association with a margin in excess of 12% operates as a terribly high penalty upon growth if the institution does not have some tax-exempt income available to margin such growth. I believe that if our banks and associations invest moderately in tax-exempt securities for the purpose of enabling them at a livable cost to encourage reasonable growth, the Government could not with justice object to such a program.

A bank or association with an aggregate margin of safety in excess of

12% would be justified in increasing gradually its disbursements to depositors and, if it is a growing institution, investing moderately in sound tax-exempt obligations at appropriate yields. But in no event should the management and trustees or directors of the institution let their desire to decrease the income tax burden (which, admittedly, is a burden upon the depositors) be the sole or even the most important consideration in the determination of dividend and investment policies. In fact, I think both these policies should be shaped with a view to paying some reasonable tax to the Government in this time of the Government's great need and in recognition of the desire which I know we all feel as good citizens to place ourselves in accord with the decision of Congress, no matter how unwise we think that decision may have been.

APPRECIATION OF SAVINGS ASSOCIATION SUPPORT

I doubt that you would consider me worthy of your kind invitation to speak to you if I did not say at least one or two things before I sit down about the relations between your institutions and the mutual savings banks. These relations have certainly been cordial and close in the tax battle, and I am certain that we would have fared much less well had you not been with us, and I hope that we may have been of some little assistance to you. Certainly I must make a statement at this point, and I must make it gratefully and out of fairness to your men who were on the firing line in Washington.

Since many of your institutions are considerably younger than the savings banks and since many of them have been growing at a relatively very rapid rate, the tax bill as passed by the Senate providing for a 10% tax-free accumulation of surplus, undivided profits, and reserves would have affected adversely a much smaller proportion of your institutions than of the savings banks. While I am not saying that bill had anything at all to recommend it, I am saying that it would have affected the mutual savings banks as a group much more adversely than it would have affected the savings and loan associations as a group. Therefore, the mutual savings banks stood to benefit relatively much more than the savings and loan associations by any improvement that could be brought about in the Senate version of the bill. Notwithstanding this fact, Morton Bodfish, George Bliss, and your other leaders stood side by side with the savings bankers in trying to get improvements in that bill although those improvements would be of relatively greater benefit to the savings banks than to the savings and loan associations. I hope that our people are not entirely unappreciative of that part of the history of this legislation. In short, your leaders went right down the line with us.

DIFFERENCES WITH MUTUAL SAVINGS BANKS

Our association with you in the tax fight leads me to hope that the savings banks and savings and loan associations are going to get along together

despite the existence of some points of difference between them. Will you permit me to discuss with you in the friendliest spirit of which I am capable some of these points of difference?

The savings bankers wonder whether you do not sometimes overemphasize in your advertising the interest or dividend rates that you pay. We know that constant attempts to outdo each other in this respect may well lead to trouble for all of us in the future. Yet, no doubt, the savings bankers themselves could improve upon some of the things they say in their own advertising.

Of course, you know we are not entirely happy over the aggressiveness of some associations in advertising for funds far away from the places of their domicile and permitting brokers to solicit those funds. But I understand that some changes are taking place along these lines also. Let me hasten to point out that some of the advertising in which the savings banks have indulged is no doubt not entirely above criticism.

BRANCH CONSIDERATIONS

Perhaps the strongest difference at the present time between the savings and loan associations and the mutual savings banks arises out of the question of establishing branches. We have doubts that Congress intended that federal savings and loan associations should have branches, but that question will probably either be cleared up through final court action or by legislation. Some of us have also expressed doubt that the Home Loan Bank Board was observing closely enough its own policy of not authorizing branches in communities already adequately served by existing thrift facilities.

But I have asked the savings bankers whether their approach to this particular branch question is not negative rather than positive. Are not the proper considerations as to whether a branch of an existing savings facility should be established in a given community the following:

1. Does the community need and can it support a savings facility or an additional savings facility if such a facility is provided?
2. Is it impractical to establish an independent thrift facility in the community (as distinguished from a branch)?
3. Is the home office of the savings facility (whether a savings bank, a savings and loan association, or a commercial bank) strong enough to establish and maintain the branch on a sound and profitable basis?
4. Is the proposed branch within a manageable (that is, reasonable) distance of the home office?

If the answers to the foregoing questions are in the affirmative, then why should not the savings and loan associations *and* the mutual savings banks *and* the commercial banks all have the right to establish branches under proper supervisory authority and under reasonably uniform conditions?

If the federal savings and loan associations already have or are going to be given the right to establish branches (presumably in those cases where the four questions can be answered in the affirmative), then would not the efforts of the savings banks be exerted more effectively if, instead of oppos-

ing the establishment of branches by those associations, they sought the corresponding privilege from their own legislatures?

I have dwelt upon these differences because we are all in the thrift business, we are going to continue to be in the thrift business, and we ought, as sensible people, to try to sit down and work out our differences in the light of reason and logic, and we ought all to be willing to try to get our state and federal laws and the supervisory rulings and regulations issued under those laws to conform to reason and logic.

I do not see why the differences of the savings banks with the commercial banks and with the savings and loan associations must necessarily be resolved through the use of the bludgeon. Of course, I recognize that both sides in a given controversy must be willing to make concessions to reason and logic and that if one side, because of the human factors involved or because of special privileges presently enjoyed, is not willing to make the proper concessions to reason and logic, then recourse to an open trial of strength may regretfully be unavoidable. I believe that wise and properly disposed leadership can resolve most of the differences.

I hope that you will not consider me willfully critical in what I have just said about your business for which I have such a deep respect and for many of whose leaders I have both a deep respect and a very warm regard. But some differences and disagreements do exist, and it would be a pity indeed if our two great segments of the thrift business for the little fellow in this country should find it impossible to sit around the table and resolve those differences and disagreements, particularly in view of the vast extent of the common ground which our two segments occupy and the vast extent of the common interest that exists between them.

OUR BUSINESS UNDER THE NEW REVENUE ACT

by MORTON BODFISH

Chairman of the Executive Committee

United States Savings and Loan League

Chicago, Illinois



THIS IS the second delightful experience that this great organization has had as guests of the Florida savings and loan community and the people of Miami and Miami Beach. We were here, as you may recall, some ten years ago for our Convention. Some of us went to Cuba afterward, and Hirohito had his fleet on the way while we were crossing the water.

Many things have happened to our business since that occasion, most of which have been good, all of which have been important and interesting. I think one of the most interesting things about the period has been the quality of leadership that our organization has had. The presidents of the United States League have given most generously of their time and tremendously of their talent, each contributing something additional to the ideals of this organization and the program for which we stand.

We all have confidence in Walter Ray. We respect his character. He has long served the business as well as his community in a very able way. He has been a fine president.

I am sure you share my confidence in Ben Hazen and in Charlie Clements. The greatest confidence you have given to your elected leadership has been your membership—fully paid and participating—in excess of 3,800. It has made possible the assembling of a superb staff of young men headed by Norman Strunk, as your executive vice president, several of whom have spent many years in your service and all of whom I know will continue to do intelligent, effective, dynamic, and forward-looking service for this great business.

The United States has lived largely outside the stream of world history until just a few decades ago. For 150 or 200 years we built an economy that was free and energetic; we were removed from the oppression and the colonialism, the backward political and economic organizations that characterized so much of the world. And today we find ourselves one of the two great centers of economic and political power.

We are engaged in a third world war, Russian-made, Russian-conducted, and probably Russian-won so far, because psychologically we are a people that are ill-adjusted to this kind of strife. As a people we simply don't under-

NEW REVENUE ACT

stand revolutions and "fifth columns" and assassinations and propaganda and purges and wars by satellite armies. Russia does. And as we arm and develop our armies and our atomic weapons, Russia fights on in her own planned and expected way. There is nothing unknown about her plan; those who read the works of Lenin and his intellectual followers will find it all recorded. She has added some 600,000,000 people to her dominions and has accumulated tremendous resources.

INFLATION AND CREDIT CONTROLS

The reason I mention this is because I feel it is a question and problem so much bigger than our own workaday operating problems. In wartime, we place our lives and our fortunes, and particularly the lives of our young people, in the hands of the leadership of our government. It seems to me that in a mobilization period (although I regard it as a war period) we owe our government loyalty and co-operation clearly beyond that of ordinary times. I think it owes us integrity and lofty purposes. I agree with President Ray that integrity and morality in government are a crying need.

Aside from the perils abroad, such a period as the present brings us face to face with the dangers of inflationary decay; I shudder to find some of my former colleagues in economic study and teaching saying that we must learn to live with inflation. The nation is in sufficient peril that we should always remind ourselves to be citizens, first, and businessmen and financial men, second. If we can keep this in mind when we talk about the cost of living, wages and salaries, and even thrift and savings, I think we will make the greatest possible contribution to our communities and our country.

We have had some experience with government and legislation during the past year. I want to review some of it very briefly. You will recall that credit control was proposed over all existing real estate transactions. We had never seen any objection to credit control over new construction where that had some ultimate bearing on the use of men and materials; but the idea of controlling every credit transaction on the 44,000,000 pieces of real estate in the nation seemed amazing to some of us. We discussed the matter with the distinguished men on the House and Senate Banking and Currency Committees; they agreed with us that the matter did not involve dangers sufficient to warrant the prodigious expenditure of effort such controls would necessitate. I also think that should prices on transactions get out of hand to the point of endangering the economy, we would be among the first who would want to see established some appropriate restraint.

DEFENSE HOUSING

Credit controls on new construction have been adjusted somewhat. The Voluntary Credit Restraint program in which we are co-operating hasn't been unduly restrictive to our institutions which have always specialized in conservatively made conventional loans.

The comprehensive defense housing bill which came early in the year

was discussed and finally enacted. Certainly we didn't feel we could dissent, particularly on the matters that had to do with military housing needs. We were disappointed to find wrapped up in that big defense housing project a number of things that Congress had rejected several years before in connection with some phases of the housing program. We were very much disappointed to find in 1951 the public housing or public ownership program running about 200% ahead of 1950, especially with private building being cut some 40%.

Now, we come to perhaps the key subject of all. As you know, in the new tax bill Congress gave some attention to mutual savings banks, savings and loan associations, and co-operative banks. The idea of taxation of mutual institutions seemed to many of us a year or so ago quite illogical, and we hoped it would be unnecessary at this time. There were some who felt that as our expenditures for government, particularly in the military phase, expanded, and as our strength and size grew, we could not ultimately justify not making some contributions.

TAX LEGISLATION

This matter commanded a great deal of time and attention of the Ways and Means Committee of the House and the Finance Committee of the Senate. I feel now that the decision has been made, we must adjust to it intelligently. We should recognize that there was no vicious hostility toward our institutions on the part of any of the men on those committees or in Congress, regardless of their final judgment as to the appropriateness of including the co-operative and mutual finance institutions in the revenue bill. I talked to scores of these men, and I don't recall any evidences of bitterness or hostility or deep criticism of the work and activities of your institutions.

This was a matter of the action of sincere men with a tremendous responsibility, who felt that some additional funds must be found from some additional sources, and whose attention to the problem was being rather vigorously stimulated, I might say, by the commercial banking interests of the country, by many businessmen, and particularly by the National Tax Equality Association.

It is a program of your League organization to assist, as intelligently as possible, in guiding your institutions in this period ahead, during which all of us will be figuring tax returns and many will be sending in tax checks. It will be Activity Number One, and we will be doing our best to be intelligent and helpful about it.

When we felt that the matter should be discussed directly with members of Congress and particularly with members of the Senate, the response was splendid. We didn't engage in a flamboyant campaign; we encouraged our men to discuss the problem rationally and thoughtfully with their Senators, recognizing that they were men of good will and good intentions who were carrying a tremendous responsibility.

This was not a new problem. In 1913, when the first income tax legislation was applied to corporations, through the work of Herman Cellarius

and particularly the great Nicholas Longworth, our institutions were placed in an exempt status. One of our members recently sent me a copy of one of the first *Kiplinger Letters*, issued in Washington in 1923; one item reported that commercial banking was demanding repeal of the tax exemption on our institutions.

The matter has been before the Congress many times. We almost encountered taxation in the World War II period when additional funds were urgently needed. On the floor of the Senate the conclusion was reached that the needs were not yet great enough so that the co-operative institutions would have to be called upon.

RECENT AGITATION

We know there has been a great deal of agitation in the last two years about taxing co-operative institutions. We have been called "financial 4-F's," and our own Chambers of Commerce have written letters and resolutions; our own depository banks have been contributing to the NTEA. But this grew into a situation with some completely new elements in it. There was, number one, the great need for funds; and, number two, for the first time, there has been a substantial and sincere public opinion that all businesses should make some contribution and that none should be tax exempt. The office of one United States Senator received more than 7,000 communications on the question in a single week; there was something more than a typical passing propaganda interest in the matter.

Senator George last year promised that the whole question of taxation of our institutions would be given careful study by his Finance Committee. This year, the House Ways and Means Committee declined to add us to the tax list but did vote a withholding tax on our dividends. In the Senate, the situation was somewhat different. There is no more powerful and respected committee in the Senate than the Committee on Finance; it was charged with producing some additional funds. When the great Senate Finance Committee decided, 12 to one, that the mutual savings banks and savings and loan associations were to be added to the tax list, that was almost equivalent to action by the Senate itself. It was a vote by such powerful Senate leaders as George, Connally, Byrd, Johnson, Hoey, Kerr, Frear, Millikin, Taft, Butler, Brewster, Martin, and Williams.

As we discussed this matter, we found that practically all of these men, including Senator George, were determined that we were going on the tax rolls. At the same time, they were willing that the strength and stability of these institutions be protected by a proper reserve exemption; in the language of the report by the Senate Finance Committee, the committee thought it had adequately protected our accumulation of reserves.

As the discussion developed, it was necessary to establish first and foremost our desire to remain on a non-tax basis. But, as many of you found when you discussed the matter with your Senators, often the only continuing wedge to keep the discussion open and to see that it would arrive at a fair conclusion was to talk about reserves necessary to protect the savers in these institutions.

The matter had an extremely fair consideration on the floor of the Senate, in my judgment. Never, as I have seen it in all of my years of trekking back and forth to Washington—except the one time when we had the controversy over the Senate's enactment of the Home Loan Bank System, in which we were in a vigorous controversy with the large insurance companies and commercial banks—has the Senate given so much time to the discussion of savings and loan associations, co-operative banks, mutual savings banks, and their problems and progress.

SENATORIAL DEBATE

I want here to go only into a little of the very important detail of the debate. When the question before the Senate was the complete restoration of our exemption, it was clear in the judgment of Senate friends that we did not have the votes for a striking of Section 313. Then, Senator George expressed willingness to concede a reasonable formula under which the institutions could live and grow and prosper and not be unduly weakened.

As you know, we had extraordinary assistance from the leaders state by state, from the officers and executives of state leagues, and from the state supervisors, who expressed their views on the problem of strength and stability. Bill Divers placed the question squarely before the Senate in a letter dealing with safety and long-term stability.

The Senate decided that 10% reserves were sufficient and, then, that earnings could be allocated to reserves as a deductible item. The Senate put in a 10% formula, which was one of hundreds of formulas submitted. Every savings and loan man I knew was for tax exemption, but he would talk to his Senator's assistant for a little while and usually would find himself saying, "Now, if we just had a formula."

You ask why 12%? I don't know. The question was discussed for three or four days in Congress, and there *had to be* a tax bill. Money was needed, and they finally decided on the in-between. It could have been lots worse, and, of course, it could have been better. But the decision was made. I think it was made by men of good will and in all fairness. It was made on a basis under which we can live; we can grow and protect ourselves and build our institutions.

LONG-RANGE EFFECTS

Now, about the long-range implications of making our institutions taxable corporations. In the first place, these institutions are trustees of an idea and ideal. The ideal is thrift on the part of the working class of Americans and the opportunity for those people to have reasonable long-term credit with which to acquire homes. It was for this special reason, along with our co-operative nature, that since 1913 we have been accorded different tax treatment than has been accorded other mortgage institutions and banks. We must keep that ideal of thrift and home-ownership clearly before us, because it is still the greatest source of public approval of our institu-

tions, and it will still give you the greatest personal satisfaction in your daily work and in your contribution to your community.)

Granted we are now taxable corporations, on a limited basis. If prudent lending at our own risk was good business before the tax bill, I still think it is good business. If reasonable liquidity was sound and wise policy before the tax bill, it is still good policy. If more advertising and better public relations were good policies before the tax bill, they are still good policies. If better office quarters and appointments for our customers, our officials, and our staffs made good policy before the tax bill, they still make just as good policy. If better compensation and retirement assistance plans which go toward making a happy, contented, and efficient office family made good policy before the tax bill, then they are still good policy. If GI loans to returning veterans at 4% comprised good policy before the tax bill, I still think it is consistent with our ideas and ideals that we continue such business, and it is still good policy. If long-term stable credit was wise before the tax bill, it is still wise policy.

I doubt, despite all initial reactions and discussions, that the tax bill is going to bring any great change in our operations. I think we should review our services again in the light of our ideals, because this business you have built can attract capital well beyond the outlets in the now competitive and restricted home-mortgage field.

I think that we can look more to the bond field, including municipals. I see no reason why we should not indirectly finance utilities in connection with the development of homesites. I see no reason why we should back away from financing shopping facilities, because they, as the home, are a part of the community.

I see no reason why we shouldn't participate somewhat more in the larger construction units, because some persons of our nation will want to have rental units. I also see no reason why we shouldn't go much farther than we have dreamed of in connection with home equipment and home furnishing, so that the individual is acquiring and paying for his home and equipment together on a reasonable interest-rate basis. In other words, I think we can re-examine our services and still see many things that we can do within the dictates of our ideals.

I am even foolish enough to feel that we might pick up the need that exists for intermediate capital for small businesses. The average small business, whether a grocery store or filling station or hardware store, has some real estate on which no one will lend much of anything; these small firms have some equipment and some inventory. I know of nothing that could better serve the things we believe in than to have a real source of intermediate capital for small business development.

OUR SERVICE GOAL

Adversity and disappointment often lead to greater effort and real improvement in individuals. I think that sometimes a little adversity and disappointment can lead to strength in institutions. Our savings institutions have made progress in recent years which has been unparalleled in financial

history. In about the last 15 years, for example, there has been a growth from something around \$5 billion to \$19 billion.

It has never been our idea to become as rich as Croesus—but just as dead as the pyramids. We have wanted to grow in order to serve more broadly the small people in their thrift efforts, in their acquisition of homes, and in building up sound communities. We will do well to keep working hard and driving ahead on the big tasks in which we have been engaged through these great years. There is no reason why this change in public policy with regard to taxation should unduly impede, disrupt, or seriously injure the continued successful operation of our institutions.

THE VOLUNTARY CREDIT RESTRAINT PROGRAM

by OLIVER S. POWELL

Member, Board of Governors, Federal Reserve System

Chairman, Voluntary Credit Restraint Committee

Washington, D. C.



WHEN YOUR NATIONAL officers requested me to talk about the Voluntary Credit Restraint Program before this great audience, I eagerly accepted the invitation. First of all, it affords a splendid opportunity to explain the program to this important branch of finance, and second, I want to thank you collectively for the wholehearted support you are giving to the program.

The title of this talk might have been labeled "Learning to Live with National Defense." Outside of actual wartime conditions, the United States for generations has found it possible almost to forget defense against outside enemies and to devote its energies completely to developing a higher standard of living at home. Now we find ourselves the most powerful non-communist country in the world, able to depend on other countries for protection only in very limited ways and faced with the problem of rebuilding a strong national defense.

The problem resolves itself into one of increasing the production of defense items while maintaining the supply of civilian goods at as high a level as possible. If the total demand for goods exceeds the supply, prices go up. This is inflation. It hurts the civilian economy and increases the cost of the defense program.

You will recall the panicky buying that followed the Korean invasion. Remembering the shortages that developed during World War II, we rushed to the stores and bought abnormal quantities of merchandise—everything from sheets and coffee to television sets and autos. As you well know, there was also an unprecedented increase in residential building. This buying rush caused retailers and manufacturers to step up their inventory purchases and production rates, and there was a sharp increase in employment. The inevitable result of all this was a sharp rise in prices, and another round of wage increases.

It is important to analyze the sources of buying power which made possible this abnormal buying movement which was superimposed on a high level of peacetime trade. There were three principal sources of buying power:

1. Current income: The sum total of wages, rents, and income from invested capital which normally just about equals the production of goods and services at stable price levels.

2. The use of savings by drawing down savings accounts, cashing savings bonds, and spending funds which had remained idle in checking accounts awaiting a suitable time for use.

3. Borrowing against future income: Consumers' borrowings to buy automobiles, household appliances, and houses; business firms' borrowings to increase inventories, to pay higher prices for inventories, to extend credit to consumers, or to expand plants.

GOVERNMENT ACTION TO CURB BUYING-SPREE INFLATION

The combination of these three sources of buying power, when used to purchase a quantity of goods and services that could not expand with equal rapidity, caused a sharp price rise.

The monetary authorities made important moves in their field of action to counteract these inflationary forces.

1. In August, 1950, the discount rates of the Federal Reserve Banks were raised somewhat and short-term money rates were allowed to rise.

2. Consumer credit regulation was re-established.

The re-establishment of this regulation has not brought about any drastic reduction in the total of consumer credit outstanding. Although the total has declined by \$800 million since last December, the amount of consumer credit outstanding on September 30, 1951, was still \$19 billion. It rose \$171 million in August and \$94 million in September after Congress eased the restraints.

3. A new regulation dealing with real estate credit was imposed. It is still impossible to appraise the restraining effect of Regulation X, since builders are working on the backlog of orders received before Regulation X was announced and on public housing projects as well as on private construction under the regulation. Moreover, Congress liberalized the terms in August.

4. In January, 1951, reserve requirements of member banks were raised substantially to their upper legal limits.

One of the most important tools of inflation restraint was practically out of use for this purpose for several years. This was the employment of open market operations, which were devoted almost solely for several years to maintaining a pegged price for long-term government securities. However, the recent reduction in prices of long-term government bonds has had far-reaching effects in the control of inflation. Holders of those securities have been reluctant to dump them on the market and as a result supplies of funds for mortgages and for other types of credit have been reduced.

The credit policies of the Federal Reserve System have been reinforced by a Program of Voluntary Credit Restraint among private lenders. The general credit policy of the System is intended to reduce the availability of credit in the aggregate and to make it unnecessary for the System to add to bank reserves by continued purchase of government securities; the selec-

tive credit controls are designed to restrain the extension of credit in a few lines where standard lending practices prevail. Reliance has been placed upon the voluntary credit restraint effort to foster a spirit of caution and restraint in lending policies in general, but especially in credit fields not suited to selective credit controls, and equally to assist in channeling the reduced supply of credit into the defense program and essential civilian activities, while at the same time restraining the use of credit for non-essential purposes.

This program was inaugurated under the provisions of Section 708 of the Defense Production Act. The authority to set up the program was delegated to the Federal Reserve Board, which requested a group of financial leaders to draw up a statement of principles and procedures for the voluntary program.

STANDARDS OF VOLUNTARY CREDIT RESTRAINT PROGRAM

We have now come to the principal part of my talk—the credit standards appropriate for an inflationary period. The first statement of such standards appeared in the Statement of Principles to which I have referred. Credit men in all branches of finance were asked to screen their loans not only as to credit-worthiness but as to consistency with our national efforts to contain the inflationary pressures. Listen to these sentences from the Statement of Principles.

"It shall be the purpose of financing institutions to extend credit in such a way as to help maintain and increase the strength of the domestic economy through the restraint of inflationary tendencies and at the same time to help finance the defense program and the essential needs of agriculture, industry, and commerce."

The voluntary program does not attempt to override the federal agencies in the field of inflation control. It does not have to do with such factors as inflationary lending by federal agencies, which the Statement of Principles states "should be vigorously dealt with at the proper places." Neither does the program "seek to restrict loans guaranteed or insured, or authorized as to purpose by a government agency, on the theory that they should be restricted in accordance with national policy, at the source of guaranty or authorization."

The first step in putting the program into action was for the Federal Reserve Board to request all lenders in the United States to take part in the voluntary program. For this purpose a letter was sent to some 90,000 lenders, the broadest list available to the Federal Reserve Banks. Thus, the members of this League are in the program to the fullest extent dictated by your good judgment.

THE COMMITTEE SET-UP FOR DIRECT APPEAL

The next step was the appointment of a national committee by the Federal Reserve Board. This committee is composed of men chosen from the prin-

cial kinds of lending institutions, with a Federal Reserve Board Member as chairman. The national committee has set up regional committees to deal with problems in five major lending fields: Commercial banking, life insurance, investment banking, savings banking, and the savings and loan system.

The savings and loan business has two stalwart representatives on the national committee: Mike Murphy of Rutherford, New Jersey, and Dr. Walker of Miami, Florida. There are also 12 regional committees, one in each Federal Reserve District, composed of leading savings and loan executives from institutions of varying sizes. Their headquarters are in Federal Reserve cities rather than in Home Loan Bank cities in order to take advantage of the clerical and other assistance which can be provided by the Federal Reserve Banks. These regional committees are set up to answer your questions if loans are presented to you about whose propriety, under today's inflationary pressures, you are in doubt. There are inquiry forms available which you may obtain and which will enable you to submit full information about the problem case so that a prompt and informed opinion can be rendered by the committee.

Right from the start the national committee recognized the need for direct contact with lenders to explain the program, to answer the most pressing questions without delay, and to insure uniform interpretation throughout the nation. The national committee has issued a series of bulletins to all lenders on credit problems in relation to the Voluntary Credit Restraint Program.

You are especially interested in the recommendations of the national committee regarding loans on residential real estate, particularly one-to-four-family units. Very careful study preceded the issuance of these recommendations. In the early weeks of the Program it was not thought necessary to provide any guidance to lenders in the real estate credit fields not already covered by Regulation X. However, reports were received from all over the United States of a sharp increase in prices of existing residential property. This seemed an inflationary development in the residential field which should be called to the attention of lenders. At the same time, as stated in the national bulletin:

"The committee conceives that it is not the function of the Voluntary Credit Restraint Program to make the transfer of real estate impossible or impracticable, but rather to reduce inflationary pressures by limiting the amount of additional credit created in the process of real estate transfer."

Accordingly, the national committee has recommended maximum credit limits on residential loans on existing property sufficiently below the maximum limits of many types of lending institutions to discourage shoe-string purchases. On the other hand, the loan limits are intended to be sufficiently high to permit the home buyer who has a reasonable nest egg of savings to make a purchase. As presently stated, the total amount of credit outstanding with respect to the property or with respect to the transaction should not exceed 66 2/3% of the fair value of the property or the limits which Regulation X would impose in the case of loans on new construction, whichever of such limits is the greater. You will note that the recommendation refers to the total amount of credit outstanding, including both the

amount loaned by your association and any junior credit which may be involved. The real estate loan bulletin also gives recommendations for limits on other kinds of real estate loans and certain other information which is too detailed for this address. Copies of this bulletin, called *Bulletin No. 4*, can be obtained from any Federal Reserve Bank or from the Regional Savings and Loan Committee in your District.

Perhaps the most significant and abiding contribution of the Voluntary Credit Restraint Program is that it has given lending officers new benchmarks for use in their appraisal of loan applications. It has broadened their horizon beyond the fairly limited objective of appraising the credit worthiness of the prospective borrower. The program has made them increasingly aware of the importance of credit policy in an economic stabilization program, and it has contributed to prudence in lending. Equally important, these have been achieved without shutting off the supply of credit to borrowers with needs in accord with today's part-defense, part-peacetime economy, and without imposing upon lending operations a burdensome harness of detailed and specific rules and regulations. This has helped keep to a minimum the injustices and inequities which are inescapable under a set of detailed rules and regulations, no matter how carefully drawn, and has preserved the flexibility of movement required by financial institutions if they are to serve the needs of the economy.

EVALUATION OF FUTURE INFLATIONARY PRESSURES

Returning now to the over-all national picture, the threat of inflation has not been removed although it is not possible to predict when the next upsurge in inflationary pressures will occur or what proportions it may assume. Business inventories are at peak levels, and the pressure to reduce them still continues. When these inventories stop rising the effect will be to reduce the spending stream. In other words that development would wipe out one of the most important inflationary factors which has been in the picture since the Korean incident in June, 1950. The productive capacity of the country is tremendous, and the record levels of plant and equipment spending are augmenting that capacity month by month, bringing us closer to an ability to satisfy all demands.

Nevertheless, it is not clear that production can be increased sufficiently fast to cover the increased takings for military equipment that are in prospect without some reduction in supplies available for the civilian market. It is significant that steel output is already 2% above rated capacity and unemployment is the lowest since World War II. Defense spending is rising rapidly and a growing percentage of our defense outlays is going into "hard" goods for which basic materials are short. This rise in defense spending, with unemployment at very low levels, poses the prospect of continuing upward pressures on wage rates and increases in personal income. Business spending for plant and equipment, at record levels, may remain high for some time to come.

The consumer also remains a big unknown. Following the two scare-buying waves of mid-1950 and early 1951, consumers reduced their spend-

ing and increased their savings substantially in the second and third quarters of this year. Currently, consumers are spending a significantly smaller portion of their income than was customary in the postwar years. But it is not certain how long it will be before money will again start to burn holes in the pockets of consumers. The new tax law will be a restraining influence but only to a limited extent. The large inventories of goods in consumers' hands, resulting from the overbuying during the past year, will gradually disappear. With personal income at record levels, and likely to increase further, and with large holdings of liquid assets widely distributed, the basic ingredients for an upturn in consumer spending are present in the economy. Even without adverse developments on the international front, consumer spending is likely to increase; given deterioration in the foreign situation, the rise in consumer spending might assume large proportions.

In closing, may I again express the appreciation of the national committee for the widespread voluntary adherence to the recommended limits on individual loans. The national committee is also appreciative of the fact that your institutions are depending principally on your own resources for the funds you are lending. Your borrowings from the Federal Home Loan Banks have been declining in recent months and your borrowings from other institutions continue small. Thus you are doing your part both to provide essential credit and to avoid over-extension of credit which is so dangerous to the future value of the dollar under today's emergency conditions.

THE REAL ESTATE OUTLOOK FOR 1952

by ARTHUR M. WEIMER

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Bloomington, Indiana



IT IS MY PRIVILEGE to present the report of your Committee on Trends and Economic Policies. This committee has operated very effectively under the chairmanship of William E. Taylor. Special work for the committee was carried forward by Don Dailey of the League's staff and my associate, Professor Edward E. Edwards. Copies of this report will be provided for you and, consequently, I shall present only a summary of it.

The members of the Trends Committee, of course, are practical men, and the report itself is directed to a number of specific problems which your savings associations are likely to face during the year ahead. Since I am an economist and not particularly noted for being practical or even realistic, I also wish to discuss a few of the broader and longer-range implications of current economic trends.

1952—ANOTHER MOBILIZATION YEAR

Your Trends Committee very properly stresses the fact that 1952 will be another mobilization year and that the mobilization program will be the most important single factor affecting business trends, mortgage lending trends, and savings trends during the year ahead.

Defense spending probably will reach an annual rate of \$65 billion within a year from the present time. The amounts appropriated under the defense program for procurement and construction total nearly \$100 billion, and of this total, deliveries have been made on only about \$14 billion worth of contracts. It is likely that during the next year between a fifth and a sixth of our total production will go to defense purposes. Thus, there is little doubt of the magnitude and the potential impact of this program on the economy.

If this program is reduced sharply, a possibility that now seems remote, the momentum already generated from the contracts that have been let will continue to serve as a stimulant to many lines of business for some time. Of course, a reduction in the program would cause many businessmen and consumers to alter their plans immediately—a development which would,

of course, tend to affect the real estate and mortgage markets adversely, at least for short periods of time.

If the mobilization program should be stepped up, it is probable that a number of more rigorous and more direct controls would be instituted, and these would have very definite and very immediate effects.

On the basis of current trends, however, it is reasonable to assume that the present plans for the defense program will be carried out with relatively slight deviations upward or downward.

While this program will tend to stimulate many lines of business, it will also tend to retard others. Shortages of materials and labor will undoubtedly reduce activity in a number of lines. Residential construction, for example, which has already been reduced under the impact of the program, may be reduced somewhat further. Automobile production will be limited and many other lines will be affected adversely.

In addition, the heavier tax rates recently imposed to support the program will tend to retard consumer spending and savings. Then, too, the very uncertainties that gave rise to the defense program itself will tend to hold back various types of business developments that might have moved forward under conditions of greater stability.

On the basis of current trends it now appears that industrial production will be maintained at high levels, moving upward from the present 220% of the 1935-39 average to nearer the wartime peak of 247%; the gross national product will increase by 6% to 8%; incomes will remain high and probably will move upward by 5% to 6%; civilian employment will remain at peak levels with unemployment near the irreducible minimum; prices will be firm and may move upward somewhat; and savings will continue at high levels for some time.

HOUSE BUILDING NEAR 1951 LEVELS

On the basis of reports for the first three quarters of the year, there is little doubt but that a million dwelling units will be started in 1951. This represents a reduction, of course, from the record 1,400,000 housing starts of last year. The reason for the decline may be found chiefly in tight conditions in the mortgage market and stiffer terms of lending. Current developments indicate that financing will be somewhat more favorable to home builders and buyers in the year ahead and that money will be available at or near the terms that have been announced under the relaxed mortgage credit regulations.

The principal factors retarding residential building in the year ahead are likely to be shortages of labor and materials. It is not now expected that more houses will be built in 1952 than in 1951; in fact, the materials and labor situation may lead to a reduction of 10% to 15%.

Housing demand undoubtedly will be strong as a result of high incomes plus easier conditions in the mortgage market. Costs may advance somewhat because of the shortages of labor and materials; however, no major upward movements are anticipated. Relatively more houses are likely to be built in the price ranges below \$12,000 because of the greater relaxa-

tion of mortgage credit controls in those ranges.

It should be noted, of course, that local markets will differ widely depending on the extent to which local industry is stimulated or limited by the defense program. In many localities there is a growing shortage of suitable building lots. Because of materials problems, the amount of subdivision development during 1952 probably will not be extensive, and as a result the shortage of lots may be aggravated.

HOUSING MARKETS ESPECIALLY STRONG IN LOWER-PRICE FIELD

The Trends Committee has pointed out that residential real estate markets have remained active during the current year, and in a majority of localities it is expected that activity will continue at or near current levels. Such sales problems as are being found currently are chiefly in the higher-price field and, especially, for older houses. Because of the stimulus of easier financing, there is likely to be more activity in the lower-price fields during the year ahead in the case of both new and used houses.

If prices begin to move upward again, sales will be stimulated because of the number of people that will want to purchase houses in order to hedge against additional inflation. High personal incomes will encourage a large number of families to "trade up" in order to improve their housing conditions. Activity of this type is likely to be strong during 1952.

Of special interest currently is the provision in the recently enacted tax law which exempts earnings resulting from the sale of owner-occupied homes if such earnings are reinvested in another home within a 12-month period. As a result, house sales may be stimulated to a greater extent than would otherwise have been the case.

INCREASING COMPETITION IN MORTGAGE MARKETS

On the basis of current trends, it appears that mortgage market competition will grow somewhat more intense during the year ahead. Savings are expected to continue at high levels barring some unforeseen international outbreak that would set off another wave of scare buying. The demand for mortgage money is likely to be somewhat lower in the year ahead. Recent declines in bond yields have reduced the competition of non-mortgage types of investment. This condition is likely to continue well into 1952.

Incidentally, it appears to be the trend of bond yields rather than the actual differential between bond yields and mortgage interest rates that is of major importance in influencing the decision of investors. Once the upward trend on bond yields is halted, mortgage funds tend to become more plentiful even though bond yields stabilize at a new high level.

The volume of mortgage lending in the year ahead is likely to be slightly lower than in 1951. In all probability FHA and GI types of financing will increase in importance, especially in the lower-price field.

Members of the Trends Committee report relatively little change in

mortgage lending policy to date. With stiffer competition anticipated, savings associations undoubtedly will adapt their lending policies to meet such developments.

Only a handful of committee members reported that consideration is being given to higher dividend rates for the second half of the current year. On the basis of the current economic trends it is doubtful that there will be much of a movement toward higher dividend rates in the year ahead. However, the new tax on savings associations may bring a greater tendency in this direction than would otherwise have been the case.

Your Trends Committee recommends that savings associations give special attention to the following problems: the hiring and training and development of personnel during a period of labor shortages; greater mortgage market competition; maintaining a high volume of savings both in order to provide for growth and to help fight potential inflationary developments; and continuing carefully planned public relations and advertising programs.

THE LONGER-RUN FUTURE

Suppose now we take a somewhat broader and longer range view of the implications of current economic developments. Many people are predicting that the economy will move into a depression period in the not too distant future after the defense program has reached its immediate goals and spending for these purposes is reduced. While we may encounter a short-run period of readjustment I doubt seriously that we shall have to cope with the problems of a major depression in the foreseeable future. Whether we shall have to do this or not depends to a great extent on the imagination, foresight, and advance planning of our business executives and government officials.

Think, for example, of the tremendous requirements for houses that would exist if we decided to anticipate the problems of atomic bombing and provide housing for people that might have to be removed from some of our larger industrial and commercial centers.

Think of the longer-range, peacetime impact of atomic power and what the development of atomic energy for peacetime uses could mean in terms of industrial decentralization, new types of industrial buildings, and the transmission of power over long distances.

Think what the use of atomic energy would mean in terms of revolutionizing our transportation system. There is little doubt but that our cities could be expanded to a much greater extent than is currently the case, a factor which would create demands for new outlying subdivisions, decentralized shopping districts, decentralized industrial districts, and the like.

Consider what technology could mean to the building industry and the cost reductions that may result. Consider the advances that have already been made both in terms of prefabricated construction and improved on-site building methods and think of the advances that are possible in these areas.

Consider the longer-range impact of television on our homes. The home may become again the major center of amusement as well as family life in this country. Because of television, architects undoubtedly will be called upon to redesign many house plans. We may soon see houses with two living rooms, at least one of which will be adapted especially for television purposes.

These are only a few of the potentialities that we face. Consider, for a moment, what some of the current economic trends are likely to mean in terms of total production and output. With our population expanding, with a larger proportion of our adult people working, and with continually expanding and improved plant and equipment, prospects for enlarging our gross national product either for peacetime or wartime purposes or both are very great.

During the past century our output per worker has been doubled every 40 years. Even if we only continue at the same rate, you can see what the productive potential of the American economy is going to be.

There are now 30,000,000 savings accounts in this country. Higher production and, hence, higher incomes will undoubtedly expand both the number and size of these accounts.

Fifty-four per cent of the dwelling units in this country are owner-occupied. There is little doubt but that this trend will move upward and that in the not too distant future two-thirds of all the dwelling units will be owned by the people who live in them.

There are currently 9,000,000 corporate stockholders in this country, and the number is increasing. This trend undoubtedly will continue. The more widespread ownership of American industry will have a major effect in generating interest on the part of citizens of all types in the efficiency of our business enterprises and in the caliber of their management.

All of this does not mean that progress will continue regardless of a number of problems that require solution. Of special importance is the problem of industrial relations and the growing areas of disagreement between trade unions and management. Unless solutions are found, these areas of disagreement will tend to impair our productivity. Rapid advance in progressive income taxes has resulted in the socialization of a considerable portion of our income—a trend which may reduce the rate of capital formation and tend to limit our progress in the years ahead unless adequate solutions are found.

The difficulties arising from problems of international relations must be solved if the world, as a whole, is to make progress and if the American economy is to push forward as rapidly as it should. We need to expand the free trade areas of the world, and we need to provide outlets for American capital through foreign investments which will benefit both this country and the areas that are developed.

Substitutes will need to be found for a number of raw materials and natural resources, especially in those cases where we are reaching marginal uses. This factor itself will force the American people to work hard for improved international relations and for wider areas of foreign commerce and investment.

It seems to me that strong local communities and strong local govern-

ments are the essential basis of a strong America. All of us know that there are some real problems that have to be solved in improving the efficiency of our local governments, and in devising appropriate governmental arrangements to provide for the rapidly developing rural nonfarm areas and the accelerating suburban trend.

More specifically, in the housing field we need to solve problems in every area from land development and building to home-ownership and use. For example, we need a substitute for sewer systems. Engineers are now working toward solutions of this problem. While progress has been made, building costs are still very high relative to costs in other areas. Certainly the processes of mortgaging property—the tremendous amount of paper work involved—can be streamlined and improved. Much greater efficiency can be developed in many of our day-to-day work processes.

American families want to learn how to make more efficient use of their homes and how to maintain them in good condition over longer periods of time. Savings associations can render real service in this field in addition to expanding their facilities for aiding families with home planning, buying, and building programs.

But on a broader scale, there must be a chance for home-financing institutions, and especially for savings associations, to invest directly in homes, to develop their own subdivisions, shopping centers, and community facilities. There are many wastes in the present processes of subdividing and developing land. Savings associations, with their wide knowledge and experience, could render a real service in this area if proper authorizations were provided. Buying, planning, and developing land for new residential areas, including both housing for home-ownership and for rental purposes plus the necessary commercial establishments and community facilities would provide an opportunity for savings associations to make real contributions to progress.

All in all, it seems to me that the future holds great promise. As I suggested earlier, what happens in the years ahead depends to a large extent on the imagination, ingenuity, and drive of our business and government leaders. Those of you in the savings association business have already demonstrated your capacities. The challenges to management in the years that lie ahead are among the greatest in the history of the nation. I feel certain that you will be able to meet them successfully.

LET'S MAKE GOD'S DREAMS COME TRUE

by DR. WILLIAM H. ALEXANDER

Pastor, First Christian Church

Oklahoma City, Oklahoma



YOUR GRACIOUS invitation was accepted because I wanted to talk with the leaders of one of the greatest businesses in the world about a few of the ideas upon which I think the future of mankind depends. I will probably say some things that are not popular. I am not here primarily to be popular; I am here because I believe in something, and all I ask is that you give me the benefit of the doubt as far as sincerity is concerned.

I doubt that it is necessary to say to this intelligent audience that we are living in the most perilous age that mankind has ever known. You know that. We have developed an atomic, a bacteriological, a biological, and probably a hydrogen warfare that can blast us off the very face of the earth. That has never been true before in history.

We have learned how we can all die together, but we have not yet learned how we can all live together. May this not be the sequel: that we are all cremated equal. For the first time in history that is possible. But I did not fly all the way here to give you that discouraging message. Do you know why not? Because there is one thing more powerful than anything that has been discovered, is being discovered, or will be discovered in the laboratory of modern science.

It is that something within the heart and mind of an individual or a group, which, when tied to an eternal truth, results in all of humanity being lifted up to a new level.

It may be a partially paralyzed doctor, 43 years of age, who refused to get out of town when the Teutons were attacking his city, and his neighbors thought him a useless mouth to feed. He refused to leave because he knew he had something to give France that no man with a sword could give. Twenty-five years ago when the French people chose the greatest Frenchman who ever lived, it was this man—Louis Pasteur. Today, modern medicine rests more upon his works than those of any other man in medical history. And why? Because, he allowed himself to be captured in the clutch of a great conviction to which the future belonged.

It may be a 15-year old boy down on a New Orleans dock seeing slavery for the first time. He turns to his dad and he says, "When I hit that thing, I'll hit it hard." Then 50 years later he was in the White House signing the Emancipation Proclamation, and humanity was lifted to a new level.

You may say, "I am no Abraham Lincoln or Louis Pasteur, so what can I do?" Well, you are either part of the answer or you are part of the problem.

THE NEED FOR GREAT IDEAS

There is no problem facing us for which we do not have the answer, if we will give ourselves to the great ideas. May I point out to you that the great things of history have always depended not upon the 98% but upon the 2%? Not upon the majority but upon the minority. Always that has been true.

Take public education, for instance. We take it for granted today, but the majority told Horace Greeley and a few others they were crazy when they said that we would have to have free education for all because, in order for Democracy to stand, it had to be an intelligent Democracy. Today, we take public education for granted. Why? Because the majority became part of the minority and gradually that great idea became the conviction of the majority.

Take your great business, and it is a great business. In a very real way, as business men, you are trying to do the same job that I am trying to do as a minister. Every time you sell somebody on the idea of thrift, every time you help a man or a woman to own his or her own home, you are helping to build the Kingdom of God, in my book. I think you folks should be captivated by what you are trying to do. It is more than just a matter of dollars and cents. I doubt that there is any stronger foundation in our whole Democracy than the kind of thing for which you men stand.

I wish you would stand up on your hind feet, throw your heads back, and be proud of it. You should be, in a world like this. Either we do something about sticking our necks out to preserve the basic principles that made America the greatest country in the world, or my two boys, 12 and 13, will never vote in a free America. Don't you forget it. Those of you who don't consider that a wild statement are probably thinking: "Well, get more specific. I would like to build the kind of a world that I want my children and my children's children to live in. I want them to have the same chances at free enterprise that Senator Robertson talked about. I want them to be able to climb under liberty. But what can I do?"

INTELLIGENT THINKING ESCHEWS PREJUDICE

I am going to mention just three things. First of all, if we are going to build that kind of a world, we are going to have to open our windows toward Athens, representing intelligent thinking, and the Lord knows we have been cursed with the opposite of that. Intelligent thinking is not prejudiced thinking. We have been guilty of prejudiced thinking in international affairs and in government and in education. We have been guilty of prejudiced thinking within the church.

Now let me make it clear that I love the church, and I don't care too much about what name is on the outside. Furthermore, I have no sympathy whatsoever for the kind of preaching that stands behind the pulpit in a torn and bleeding world and says, "If you don't believe like I do, you are going to hell." That attitude never had the spirit of Christ in it.

Unity means to me that I am going to put my right arm around my Catholic father friend and my left arm around my Jewish rabbi friend and say, "You love my God and, therefore, I love you." Why do we have 260 big, different denominations of Christians in America today? Primarily because of prejudiced thinking. Jesus brought three great principles to the world: the fatherhood of God; the brotherhood of man; the infinite worth of human personality. Are we divided over those, friends? No. We agree perfectly on these great issues.

We are divided over little theological questions of which Jesus never heard. He wouldn't even know what you were talking about if you were to discuss which one of the 88 different theories of the atonement was correct or to talk about the apostolic laying on of hands or forms of baptism or what have you. Yet, those are the things that pull us apart because of prejudiced thinking.

YOUTH NEEDS BELIEVING IN

We have been guilty of prejudiced thinking in the church in our attitude toward young people. For too long we have said, "Don't do this, and don't do that, and don't do the other thing," without giving them a blessed positive thing to do. And then we have the nerve to wonder why the honky tonks are doing such a thriving business up and down the land.

Next to my church in Oklahoma City we have a Youth Center with the best bowling alleys, pool tables, ping pong tables, hobby clubs, and a beautiful lounge where the young people dance. I have never seen one unwholesome thing take place in that youth center, never once. Actually there is more Christianity in my youth group than there is in my Board of Elders, Deacons, and Deaconesses combined.

The young people today are basically clean, they are basically moral, they are basically honest. We need more than anything else to believe in them and to let them know that we believe in them. You parents here today, if you can only do one thing for your youngsters, believe in them. When they let you down a little bit, go on believing in them. It is the greatest lifting power in the world.

WISHFUL THINKING IS NOT INTELLIGENT

Opening your windows toward Athens will dispel not only prejudiced thinking but wishful thinking as well. And the Lord knows we have been cursed by that.

I will go to the government for my illustration. Some of you don't know it, but I ran for the United States Senate in Oklahoma last year. I have

been a Democrat all my life and I started running on the Democratic ticket. Then, so help me, a party leader at a meeting of the Central Democratic Committee pointed his finger at me and said: "There is no place in the Democratic Party for anyone who would criticise this great Administration." That is when I became a Republican.

It is the sheerest sort of wishful thinking to suppose you can rob a man of that which makes him a man, and then have a man left. It used to be that the great word was "America." When you thought of America, you thought of opportunity but that is not true today. The great word today is "security" and we are selling our souls for a mess of pseudo security that isn't worth the powder to blow it up.

The most secure man in Florida is the life term in the State pen. He doesn't have to worry about food, clothing, or shelter. If a tornado should come, the walls of his home are stronger than the walls of any home represented here, but would you trade your liberty for his security? No, because it is your most precious possession.

While I am no professional politician, I tell you there are two different ways of getting socialism. One of them is for somebody to come in, take over, and say, "This is it."

The other is to tax you into it. You can be taxed into socialism mighty, mighty quick, and it is wishful thinking to suppose that you can fire General MacArthur and feast General Vaughn and keep a free country.

It is also the sheerest sort of wishful thinking to look upon the Hisses, the five percenters, the mink coats, the deep freeze units, the RFC loans to Miami Beach hotels, the scandals within the Internal Revenue Department, and the people who perpetrate that stuff as amusing scalawags. They are not amusing scalawags; they are thieves who are robbing us.

I say to you nice people with high ideals and with some semblance of appreciation for honesty and integrity, it is wishful thinking to sit on your self-righteous perches and say, "Oh, politics is dirty." I know it's dirty, but it isn't going to get any cleaner until some people like you get down on your hands and knees with a scrub brush and scrub pail and clean up the filthy mess. And it is wishful thinking to suppose that it will unless we put our hearts and our lives where our conversation is.

Do you remember when they wrote the Declaration of Independence, they finished it by saying, "And to this, we pledge our sacred honor." May I ask you, what has happened to "our sacred honor"? It is wishful thinking to suppose that we can take these wonderful kids of ours and teach them that if they won't work the government will take care of them, and still keep them strong and virile and vital.

The greatest harm that has come to America, economically and morally speaking, in the last 20 years is that we have brought up a segment of the people to believe that if they won't work, the government will take care of them. This is the damnable philosophy that will make us lose everything we have built in the past.

I don't like what they have done of late to the word "liberal." You know, I think I am a liberal but I don't go for the pseudo intellectualism that is called "liberality." It begins by selling out to the idea that the individual must be subservient to an all-powerful state. That is not liberal-

ism. The newest thing in the way of government is Democracy—government of the people, by the people, and for the people.

INTELLIGENCE CALLS FOR NON-STATIC THINKING

And when we open our windows toward Athens, representing intelligent thinking, remember that it does not include static thinking. The Lord knows we have been cursed by that, too.

There are plenty of you in the savings and loan business who won't do a darn thing simply because it hasn't been done that way before. Do you realize that if the banks hadn't sold out to static thinking, building and loan associations probably never would have begun? You are the folks who had the vision to see that the little man had to be taken care of. And what those banks wouldn't give today, if they just hadn't sold out to static thinking.

REALITY AND BEAUTY OF THE SACRED THINGS

Not only must we open our windows toward Athens, representing intelligent thinking, but in the second place, we must open our windows toward Jerusalem, representing the sacred in life. Do you remember that Daniel, when he was taken into pagan captivity, went to his little cell-like room three times a day, opened his windows toward Jerusalem and prayed? Why toward Jerusalem?

Because it was back in Jerusalem that he had first heard about economic justice, the love of God, and the brotherhood of man from the great prophet. Therefore, in a tough spot, he kept his windows open toward the sacred, and when God's handwriting came upon the wall, he was the one man who could interpret that handwriting.

There is a new pseudo intellectualism going around the country based upon the theory that only the ugly is real. Its adherents are very wise boys, who point out all the shoddy stuff. If all you do is talk to them, go see some of Tennessee Williams' plays, and read some of the current novels, and you will be firmly convinced that this old world is 50% sex and 50% cynicism. But it isn't.

I am perfectly willing to admit that sewers are real, but so are the mountain streams that I have fished in Colorado. I am perfectly willing to admit that slums are real, but so are some beautiful homes I know—like some represented here—where one man loves one woman and one woman loves one man so much that they don't want to love anyone else in the same way at all and they have thrown around their children the protective security of this great love. I am willing to admit that Judas Iscariot is real, but so is Jesus Christ. Also I am perfectly willing to admit that 90 students were tossed out of West Point, that there were basketball fixes, but I also know of 18,000 kids up here at Scott Air Force Base who are some of the swellest kids you would ever want to see. I had a Spiritual Emphasis Week with them just a few weeks ago and I know. On the last night, 417 of them

came up and gave their allegiance. That is real, too.

It is a lot easier for you men to stand across the street and point a finger and say the church isn't getting the job done. Well, if it isn't, then get in there and pitch and help make it what it should be. I used to beg and plead with businessmen like you to come to church. I don't do it anymore. Either you get behind the church or die with America, for the fundamental principles underlying the Christian Gospel are the same underlying principles beneath Democracy. Don't you realize that they are both based upon one idea, the infinite worth and dignity of the human spirit? We need the best business brains like yours holding up our hands. That is one way of keeping your windows open toward Jerusalem.

RIGHT DECISIONS ARE A CRYING NEED

Lastly, and most important, we must open our windows toward Damascus, representing right decisions, and recall Paul's experience on the road to Damascus.

Most of us are not bad. We are just preoccupied with lesser things. I think 90% of the people want to do the right thing. Well then, how did we get in this kind of a mess? Primarily because most people are minoring on the majors and majoring on the minors and giving first-rate attention to second-rate things.

Do you know what is chiefly wrong in Washington today? It is just the fact that we have too many people there who are making their decisions from the standpoint of political expediency rather than of wrong or right.

I want to close by telling you of an experience I had in northern Italy during the latter part of World War II. As the German 88 shells were flying overhead, I saw a chaplain baptizing 20 young GIs in a small stream. It was one of the most thrilling sights I have ever seen and I told the chaplain so. He pointed out the young chap who had brought the group to the chaplain, so I started walking along with him and a little later found myself sharing a fox-hole with him as the German shells started to get our range.

He was elated, yet cool as a cucumber, and talked a blue streak, ending up with, "I don't know where we are going to stop tonight, but wherever we stop, I'm sure going to write home and tell my Mom what I did today. It will make her happy."

Two hours later I held that boy's head as he died, and he made two requests: "Be sure to write my Mom and tell her what I did today," and "Don't let this happen again!"

These days when I pick up my paper, I see that it is already happening again. And why? Because too many of us refuse to open our windows toward Damascus, representing right decisions, and say, "Here stand I, simply because it is right." That is the only answer there is to what faces us today. It all comes back to the individual. We are never going to get this old world right until we get the men in it, like you businessmen, to become part of the answer instead of part of the problem by opening your windows toward Damascus.

Some of you are saying, "Preacher, you are dreaming. We can't build that kind of world." Dreams, are they? Well, they are God's dreams—

That men shall cease their hating,
That wars shall soon be abating,
That the glory of kings and lords shall pale,
That the love of humanity shall prevail.

Dreams, are they? But they are God's dreams—

That men shall love one another
That white shall call black man brother,
That greed shall pass from the marketplace,
And that man will meet his God face to face.

Shall we despise and scorn these dreams of God? I believe in the future. I believe it means the dawn of a new day and not the destruction of mankind. Why? Because all over the country I am running into people like you. People who in your sphere of influence are trying to live by the best you know. People who in this most dangerous era of America's history will help to make God's dream come true.

REMARKS OF CONVENTION GUESTS

MAPLE T. HARL

*Commissioner, Federal Deposit Insurance Corporation
Washington, D. C.*

To each and every member of the League, let me say, my presence here demonstrates that it was a genuine and keenly appreciated pleasure to receive an invitation from President Ray to attend this outstanding convention, your 59th. As I have watched your committees function intelligently and co-operatively for the past two days here and at the hotels and as I have witnessed this very attentive audience here this morning, I want to congratulate you upon your convention.

Yours is a great heritage. While this is your organization's 59th Convention, your savings and loan associations have been doing outstanding jobs in the communities the length and breadth of this land for 120 years. I don't need to tell you that the first savings and loan association was established in Philadelphia in 1831 at the time Andrew Jackson was our President and when we only had about 13,000,000 people in this country. Your progress since 1922 has been particularly tremendous. In those 30 years, you have made 24,000,000 loans in the amount of \$50 billion. That has been your contribution to the housing of the people of this country!

In submitting to you that you have a tremendously fine heritage of which you can be justly proud, I would remind you of the inscription on the Department of Justice Building in Washington. That inscription is simple and of few words. "The past is prologue."

I say to you, the past 120 years for the savings and loan business, with its \$50 billion of loans and 24,000,000 mortgages on housing units, is prologue because I can see a better and brighter and bigger future for the activities of all of you in the savings and loan field.

We hear much these days about the integrity of public servants and the corruption in various branches of the government; we hear a lot about Communists. We have the American Legion, the Veterans of Foreign Wars, Disabled Veterans, AMVETS and so forth, whose big objective is combating communism.

I say to you, the greatest factor and the greatest force in this country today in combating communism is the United States Savings and Loan League and its membership. I submit to you that with your 6,000 associations and 11,000,000 share accounts through the length and breadth of this great nation, it is you and you alone who can do a tremendously fine job, because whenever you put a roof over a man's head, a fence around

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his house, and make him tax conscious, you have made him a 100% American citizen.

You, through your institutions, have a two-way street. You stimulate thrift and you make home-ownership practical.

Out in Colorado there is a delightful lodge built by a great naturalist, the late Enos Mills. Every room in that hostelry has a large fireplace in it. The guest who goes there, walks in, deposits his baggage, gives the bellboy the customary two bits, and after looking, wonders why there isn't a fire in the fire place, because the summer evenings up there are very cool. He notices also that there is not a bit of wood available for the fireplace, but there is a hand pointing to a sign which reads: "Cut your own wood. It warms you twice."

That is exactly what you gentlemen in the savings and loan business are doing. When you stimulate thrift, you bring together money in the community with which to build the housing. Therefore, you are cutting your own wood and being warmed twice in your own communities, because you are stimulating the most sacred thing there is in the world—better home life.

I want you to know that if this country is going to succeed and go forward, it is because of activities such as yours. Do you know today that because of the savings and loan associations and others in the thrift field, including the mutual savings banks, we have 52% of our people living in their own homes?

Now, when you have 52% of the people living in their own homes, gathered around their own hearthstones, I am convinced that if anybody starts anything to destroy the satisfaction of these homeowners, there is going to be a pretty strenuous engagement. You and the other thrift institutions which have made this record possible have breathed patriotism into the bosom of every man and woman in these families. He or she can point with pride and say: "This is our home."

As long as your organization continues to enjoy the leadership of men like Walter Ray and Morton Bodfish and Ben Hazen, the United States League is going to go forward and grow and really be an organization which does a job.

From the supervisory angle, you have a very strong Board directing your Federal Home Loan Banks. It has been our privilege to know them both socially and from a business standpoint. They are striving all the time to give you the best representation possible. It has been our privilege to work with them in a great many ways and I know they will continue to do so and keep up their great work.

Years ago we had a bank commissioner in Massachusetts by the name of Joseph Earl Perry. He is now president of a fine mutual savings bank. I remember on one occasion when he was talking to those people who actually give home-ownership and thus make everything possible—because all happiness springs from the home—he said: "Out of the experience of yesterday and on the loans of today we are creating a better tomorrow."

Gentlemen, you all have had that experience. You can do a still better job so we will have a finer and greater country tomorrow.

RAYMOND M. FOLEY

*Administrator, Housing and Home Finance Agency
Washington, D. C.*

I do appreciate the courtesy and hospitality which permits me to appear and express myself this morning before so important a group of people. There are four things I would like to mention.

First I want to compliment your organization on its fine performance but particularly on the basic one of continuing actively, persistently, almost religiously to promote the idea of thrift and home-ownership. Both are keystones of the national housing policy.

I would also like to thank and compliment you upon the way you, as individual associations and as an organization, have given an understanding consideration to the necessity that led to credit control—an extremely difficult job which was handled in a rather unprecedented way, as far as residential credit is concerned, through the combination of the resources and the authority of the Federal Reserve Board and the Housing and Home Finance Agency.

Because my friend, Walter Ray, has been your president for the past year, I would like to pay a particular compliment to him. It was my good fortune to work with him and to know of his attitude, his philosophy, and his self-sacrificing interest in the basic purposes to which you are all devoted many years before he became your president. It is not surprising to me to find that his presidency has been such an effective one.

I would like to point with a little pride to the high degree of understanding and co-operation which has developed between the federal agencies and your organization since I have been administrator of the Housing and Home Finance Agency. I am particularly proud of your Home Loan Bank Board and its chairman.

I would like to mention the matter of housing production very briefly. You know that the target figures set for this year were exceeded for reasons easy to understand. You also know that tentative production figures have been set for next year. I would like to point out that they must remain tentative so long as there is uncertainty with respect to inflation, with respect to materials supply, and events in the East. There is realization that housing targets of production cannot be fully controlled by credit control methods, and yet I know of none in any responsible position in the Federal Government who would elect to adopt any other more stringent means of control, such as the L-41 methods of the wartime. Like yourselves, all those in responsible positions in the Government want to make as rapid and sound progress as we can toward meeting the still large housing needs of the country.

Housing production targets for the coming and any future years, so long as we are in a defense economy and faced with the danger of inflation, must be constantly under review. The factors that will enter into this consideration include the materials supply situation, the threat of inflation, and how large or how small a program it is safe to undertake, which latter factor is not so commonly understood. In the war, because of the all-out

necessity, we had to reduce housing production to an unsafely low level. Consequently, we accumulated a large shortage which, after the war, was probably one of the major factors in the inflation in housing which did take place.

I am sure that the housing production targets resulting from consideration of these three factors will not unduly endanger us from the inflation angle, will not endanger the defense program from the materials standpoint, and will not unnecessarily accumulate a housing shortage in future years.

In that connection the housing program is extremely important. There will be an increasing number of critical defense areas in this country. Let me point out that these are not declared upon the opinion of any one man but upon the determination, after an accumulation of evidence and judgment, that the lack of a certain housing supply in a given community may endanger or impede the defense program.

The provision of that housing becomes the critical number—one item in the housing scene. I want to tell you, as I have declared publicly in appearing before the committees of the Congress, that we want all possible of the total housing program of this nation—particularly of the defense housing—to be produced by private industry with private financing. That is our purpose, and it is my hope that very little—if any—of the housing for which there is a permanent need will have to be produced otherwise. Where there is a temporary need, such as we will have in some of the military post areas, there is a question as to whether it can be provided by other than public means.

So I would like to appeal to you as lenders, if you are in or near a critical defense area, presently or in the future to be declared, to give your most earnest consideration to the financing of that housing.

I should like to mention briefly the Federal National Mortgage Association which was transferred to our agency by the Congress last year. Let me emphasize that the purpose of the members of the board of the FNMA is to make it supplement, assist, and support the flow of private funds. The management policy is to try to keep it from being substituted as a primary source, but if we reach a critical situation in the defense program, then we must accomplish the defense purpose.

To the extent that we can rely upon and enlist the support that you have so freely given in the past, we will minimize the necessity of doing publicly the things that we ought always, if possible, to do privately.

ARTURO SAMAYOA

*Banco Inmobiliario Guatemalteco
Guatemala City, Guatemala*

Although this is the third consecutive time that I have been honored by an invitation and have availed myself of the high privilege and pleasure of meeting with you as a guest at your Annual Convention, I have not until now had an opportunity of bringing you a personal message.

First, let me tender my very best wishes for the complete success of

your 59th Annual Convention and for the personal well-being and happiness of your individual members and their families during the coming year. Then I must express my warmest thanks for the kindness and consideration shown to me and to other friends from Latin-America at this and at former conventions. The fine spirit and dignity pervading your organization and its high tribute to the qualities of permanence and good repute furnish me, in common I am sure with every single delegate attending, with inspiration that is of inestimable value at times of stress and perplexity such as these.

In my own country and in the course of visits I have made to most of the other Latin-American republics, I have been impressed repeatedly with the high measure of popular awareness of current realities, paramount amongst which is the real and appalling menace offered by communist efforts toward world domination. I am grateful for this opportunity of bringing you a solemn assurance that in the minds of the Latin-American peoples the communistic ideology has long been stripped of all illusion and is regarded with utter revulsion. While it is true that two of those countries, in particular, have been exposed to incessant undermining by relentless minorities professing the Red creed, it is no less true—and of this I bear personal witness—that a tremendous majority of the citizens of those same two countries have gone out and are going out daily into the streets and public plazas and protesting, with no uncertain voice, to their respective Authorities for having countenanced the existence and the machinations of groups organized under the communist flag. It is highly important to note that in both of the countries to which I refer there exists today a freedom of thought and of speech just as absolute and effective as that enjoyed throughout your own great "Land of Liberty," and it is precisely this same freedom of expression that has enabled the bearers of the Red pestilence to gain some foothold and to lay their grim plans of disruption and calamity for the future.

But I repeat that in both of these lands, though deliberately selected as strategic points for communistic propaganda and intrigue, almost the entirety of their populations have met time and time again in public manifestations in their cities, towns, and villages to shout their discontent and to demand that the Red plotters be sent back where they rightly belong, for under the constitutions of both republics the existence of political parties having ties with causes or institutions of an international character is flatly prohibited, and it is with this weapon mainly that the campaign to stamp out the evil is being conducted.

You may be quite sure, therefore, that the overwhelming mass of the citizens of my country, as well as those of the other Latin-American republics, are standing and will continue to stand shoulder to shoulder with you in the battle against communism; we are keenly aware that the time has arrived when we must fight for the preservation of our freedoms, and that unless the imminent threat is faced by all of us with unshakable unity and valor and deftness, we are exposed to miserable defeat and to disappearance as free men and free nations. Latin-Americans are proud to recall that since the recording of their earliest histories their countries have been distinguished by the fierceness of their struggles for liberty and independ-

ence, and that their soils have been drenched not once but many times with the blood of their heroes shed willingly in that sacred cause.

All of you undoubtedly have seen press reports from time to time concerning certain attacks in Latin-America upon United States interests; and I think it is all-important clearly to realize that no single breath of this bitterness is ever directed against the people of the United States; it refers to some few corporations and individuals who, in the pursuit of profits, have tended to forget the respect due to our laws and our customs, for which lapses they have been and are still being subjected to criticism. Should any of you entertain doubts in connection with such incidents, I would most earnestly beg of you to try and assemble as much disinterested and dispassionate information as may be available on any given case coming to your notice before forming a final opinion; never was mutual trust and understanding between nations needed so desperately as it is today.

The spirit of Latin-America is staunchly anti-communist, and the citizens of her young and virile nations are prepared to line up with you in the bitter struggle against the monster of communism, for well they know that extinction with dishonor is the only alternative to victory.

COMMUNICATIONS

Walter J. L. Ray, President,
United States Savings and Loan League,
Roney Plaza Hotel, Miami Beach, Florida.

On behalf of the council and every member of the Building Societies association, I send to you and all those attending your 59th Annual Convention cordial greetings and best wishes for a most successful Convention. Those engaged in the savings and loan movement throughout the world share the same aims and ideals, and we hope that your deliberations will contribute much to the extension of your great movement and will be of lasting benefit to your country and its people.

WILLIAM WETHERILL, *Chairman,*
Building Societies Association,
Ramsgate, England

Morton Bodfish, Chairman of the Executive Committee,
United States Savings and Loan League,
Chicago, Illinois.

I would like, through you, to send to all the members of the United States Savings and Loan League my cordial greetings and best wishes for a successful Convention. It is impossible for me to be present, for I am so heavily committed on this side for the next two or three months, but I shall be with you in spirit.

There never was such a time as the present when the principles for which we stand need special emphasis. It is beyond all dispute that the stimulus to thrift and the encouragement of individual home-ownership will help to make for those conditions which all men of good will desire to see firmly established in a free world.

SIR HAROLD BELLMAN, *Chairman,*
Abbey National Building Society,
London, England

Walter J. L. Ray, President,
United States Savings and Loan League,
Roney Plaza Hotel, Miami Beach, Florida.

I am happy to take this opportunity to express to you my very best wishes for a happy and successful Convention at Miami Beach. I only wish it had been possible for me to be present on this important occasion.

I would like respectfully to submit this thought to your great company

COMMUNICATIONS

of assembled delegates: As much as the possession of one's home is the fundamental condition for the establishment of enduring family happiness, it is no less a personal declaration of independence that at once ennoble the individual and enriches the state. In each new home is a lamp of liberty lit in a troubled world, for surely there the breath of freedom moves more sweetly than anywhere else on earth. Is it too much to say that, had the lesson of personal thrift and independence been learned as widely in other countries as in yours and mine, we would not today have been concerning ourselves with the problems of world peace. To the youth in your great movement I say: Keep this inspiration before you that as the work you do is good it must endure. It is your privilege to advance the happiness of your fellow men; than this there is no finer service. See that you serve it well.

ANDREW STEWART, *Director and General Manager,*
Huddersfield Building Society,
Huddersfield, England

Morton Bodfish, Chairman of the Executive Committee,
United States Savings and Loan League,
Chicago, Illinois.

The president, vice president, trustees, and directors of the Scottish Amicable Building Society send sincere greetings to all associated with the United States Savings and Loan League and offer every good wish for success at the 59th Annual Convention. We reaffirm our loyalty and joint interest with you in working for home-ownership and savings and hope that the international situation will very soon allow greater freedom of action in this respect.

WILLIAM S. ALLISON, *Chairman and*
Managing Director,
Scottish Amicable Building Society,
Edinburgh, Scotland

Walter J. L. Ray, President,
United States Savings and Loan League,
Roney Plaza Hotel, Miami Beach, Florida.

My best wishes to you on the occasion of the 59th Annual Convention. May your delegates meet in peace and harmony and achieve their deliberations in a spirit of unity such as will bring continued success to your great movement.

Today, more than ever, we need to stand together to preserve our civilization against the forces of disruption, and home-ownership is one of the greatest bulwarks in safeguarding the democratic principles upon which our way of life depends.

I remember only too well the pleasant week I spent at your convention in Washington last year, and I was impressed with the serious manner

in which the work was carried out. What appealed to me more than anything else was the ambitious objective of your League—namely, to raise the proportion of homeowners to 75%.

Such an objective is most laudable and one worth while of attainment. It will prove to be a major factor contributing to the stability of the American people.

The world looks to your nation for leadership, and such an achievement would be the greatest safeguard to restoring stability to a world disturbed by false ideologies having as their objective "pulling down" rather than "building up."

May the labors of your Convention be crowned by still further success.

I. HORWITZ, *Director,*
N. S. W. Co-operative Permanent Building
and Investment Society Ltd.
Sydney, Australia

Morton Bodfish, Chairman of the Executive Committee,
United States Savings and Loan League,
Chicago, Illinois.

I have been directed by unanimous resolution of the delegates assembled at Newcastle for the 14th annual conference of the Association of Co-operative Building Societies to forward the following message to you:

"That this 14th Annual Conference of Co-operative Building Societies of New South Wales, assembled at Newcastle, conveys to the officers and members of your League its most cordial greetings and hearty good wishes for future progress, and in expressing its deep understanding of the many postwar problems facing you, trusts you will be successful in surmounting them."

WALLACE G. POOLEY, *General Secretary,*
The Association of Co-operative Building
Societies,
Sydney, Australia

Walter J. L. Ray, President,
United States Savings and Loan League,
Roney Plaza Hotel, Miami Beach, Florida.

The South Australian Building Societies Association sends greetings to the 59th Annual Convention and best wishes for successful meetings. We are pleased to learn of the progress of your savings and loan associations. The desirability of home-ownership was never more pronounced than at present, and we are all helping in that direction.

A. R. BURNELL, *Honorary Secretary,*
South Australian Building Societies
Association,
Adelaide, South Australia

Walter J. L. Ray, President,
United States Savings and Loan League,
Roney Plaza Hotel, Miami Beach, Florida.

The executive of the New Zealand Building Societies Association extends warmest greetings to members of your League assembled at its 59th Annual Convention. It is hoped that the conference will be an outstanding success in every way, and that through the discussions much valuable help will be able to be given to those who are seeking to own their own homes.

D. G. COMMONS, *President,*
J. L. ARCUS, *Secretary,*
New Zealand Building Societies'
Association (Inc.)
Wellington, New Zealand

Walter J. L. Ray, President,
United States Savings and Loan League,
Roney Plaza Hotel, Miami Beach, Florida.

It is deeply regretted, and we are disappointed at our inability to be represented personally at the 59th Annual Convention of your League but can only express a keen desire that it will be an outstanding success and your deliberations fruitful.

The president and members of this association congratulate you and the members of your League on your achievements in the past, and trust that you will continue to progress in the future.

The ability to save and own one's own home is essential to our way of life, and we must do all in our power to protect and further the aims of thrift and home-ownership. In the troubled and uncertain times of today, it behooves us all to spare no effort to uphold the traditions which are so important to us and which are being threatened daily. Only by co-operation and better understanding, both nationally and internationally, can we hope to survive.

Your Convention must assist materially in creating a better and closer understanding among members, and by so doing will lead to an improvement in conditions generally. It is unfortunate that the vast distance which separates our countries makes it difficult for representatives of this association to attend your various conventions and vice-versa, but this is another ideal we can one day hope to achieve.

The ideals for which we stand are the very basis of a true democracy and must be upheld at all costs. We hope that the Convention will strengthen your League and increase the confidence which the American public already has in your members.

J. H. FINLAY, *Secretary,*
The Association of Building Societies of
South Africa,
Johannesburg, Union of South Africa

Walter J. L. Ray, President,
United States Savings and Loan League,
Roney Plaza Hotel, Miami Beach, Florida.

Please convey fraternal greetings to delegates and best wishes for the success of your 59th Convention. I trust your deliberations will yield inspiration for furthering the ideals of home-ownership and thrift which we all serve, as our whole future is bound up with the preservation of healthy family life for which thrift is the sole basis.

GORDON COLLINS, *General Manager,*
United Building Society,
Johannesburg, Union of South Africa

Walter J. L. Ray, President,
United States Savings and Loan League,
Roney Plaza Hotel, Miami Beach, Florida.

Our greetings to you and all delegates and best wishes for a successful Convention.

THE DIRECTORS,
Rand Provident Building Society,
Johannesburg, Union of South Africa

Walter J. L. Ray, President,
United States Savings and Loan League,
Roney Plaza Hotel, Miami Beach, Florida.

I regret it is not possible for me to be with you on the important occasion of your 59th Annual Convention.

Having been connected with the building societies movement for 43 years, I am in a position to appreciate the good this movement has done for so many people in many parts of the democratic world by encouraging thrift and home-ownership and thereby helping to create responsible and independent citizens. I am sure it will be of interest to you when I say that even in this little corner of the world there are thousands who now own their homes through the aid of the movement. This inspires me to say that so many have put so little into it and have gained so much.

I wish the Convention the fullest measure of success in its important work and hope your deliberations will result in the greatest benefit to the movement and also that the governments of your respective states will see fit to afford the fullest co-operation and assistance which you so richly deserve.

If any of the delegates or friends connected with the Building Societies work decide to visit Trinidad at any time, it would give me the greatest pleasure to meet them and accord them a hearty reception.

J. F. AGARD, *Secretary,*
Trinidad Building and Loan Association,
Port-of-Spain, Trinidad

Walter J. L. Ray, President,
United States Savings and Loan League,
Roney Plaza Hotel, Miami Beach, Florida.

On the occasion of the 59th Annual Convention of your League, it gives me great pleasure to convey the greetings and good wishes of my society for a successful and beneficial gathering.

It is a privilege to join hands with savings and loan associations and building societies throughout the world in proclaiming with clarity and confidence that home-ownership by the individual in a nation provides the background on which the very life of a country depends. In this island, the great ambition of most people is to own their own homes, no matter how humble they may be and I am glad to be able to say that building societies here are playing an increasingly important part in this most useful and necessary sphere.

SIR NOEL LIVINGSTON, *Chairman,*
The Victoria Mutual Building Society,
Kingston, Jamaica

Morton Bodfish, Chairman of the Executive Committee,
United States Savings and Loan League,
Chicago, Illinois.

Many thanks for your letter inviting this society to send a representative to attend the 59th Annual Convention. It is regretted that on this occasion it will not be possible for the New Building Society to be represented. However, I am obliged to you for extending the invitation, which I trust may be renewed when the 1952 Convention is held.

DESMOND TOWLE, *Secretary-Manager,*
The New Building Society, Ltd.,
Georgetown, British Guiana

Walter J. L. Ray, President,
United States Savings and Loan League,
Roney Plaza Hotel, Miami Beach, Florida.

(A Translation)

Because my presence is absolutely necessary at this moment in Paris, it is impossible for me to be present at the sessions of your Convention, which would have been extremely interesting to me.

You know that, as it was in America and in England and as it still is in Germany, Austria, and Belgium, the borrowers have to wait some time before they get the loan they have asked for, and they are obliged to make payments in advance. This situation is a consequence of the instability of the money, which prohibits all possibility of deposits or loans long-dated or even middle-dated. On the other hand, you know of our emergency rent control law, passed in 1918, which has maintained the rents at a

rate which discourages investments in building rental housing.

This, added to the huge destruction of the war, can make you understand the tragic character of the housing situation in France, where several million people cannot find normal lodgings, when really the house—the home—is the first condition of every civilization.

This situation is the more tragic and paradoxical since France is the country of builders, the country of cathedrals, the country of these wonderful lordly dwellings and houses of the middle classes, the country of Versailles and the Invalides, the country which in the 17th and 18th centuries brought the architectural art to its greatest perfection. This situation and the causes which brought it about are an example to consider, an example of the errors not to perpetrate.

There is, consequently, an immensely great task waiting to be done by our societies, and in spite of the present difficulties we will try to render them worthy of their American and English predecessors.

P. HOYER VAN ALTENA, *President,*
Union Nationale des Sociétés Françaises
de Crédit Mutuel Immobilier,
Paris, France

Walter J. L. Ray, President,
United States Savings and Loan League,
Roney Plaza Hotel, Miami Beach, Florida.

I want to express to you and to all the members of your 59th Annual Convention my most sincere regrets that I am unable to go over to Miami Beach to be present at your meeting.

You can be assured that I shall be with you all in spirit during your Convention, and I want you and all your members to find here my best and heartiest wishes for its success.

J. TOURNAIRE, *Vice President,*
Union Nationale des Sociétés Françaises
de Crédit Mutuel Immobilier,
Paris, France

Walter J. L. Ray, President,
United States Savings and Loan League,
Roney Plaza Hotel, Miami Beach, Florida.

Heartly felicitations to delegates of the 59th Convention with best wishes for great prosperity.

EDWARD FERNAND BRIEVEN, *General Manager,*
L'Entr'aide Immobilière (De Bouwspaarkas)
Brussels, Belgium

Morton Bodfish, Chairman, Executive Committee,
United States Savings and Loan League,
Chicago, Illinois.

Will you kindly convey to the members of the executive committee of your League the regrets of our association that it cannot, by being present, evidence the interest which we have in the ideas of freedom and of self-help upheld by your members. At the same time please convey our best wishes to all the participants in the convention.

H. DELLA FAILLE, *Secretary,*
Association Belge des Sociétés Hypothécaires,
d'Épargne et de Capitalization
Brussels, Belgium

Walter J. L. Ray, President,
United States Savings and Loan League,
Roney Plaza Hotel, Miami Beach, Florida.

The savings and loan societies of Switzerland send their heartiest greeting and wishes for a successful Convention.

In our time, the promotion of home-ownership is one of the best weapons to fight against misery and terror. It is our strong hope that your movement will continue to be a very appreciated model for the societies on our continent.

DR. JAKOB HASLI, *Manager,*
Kobag,
Basel, Switzerland

Walter J. L. Ray, President,
United States Savings and Loan League,
Roney Plaza Hotel, Miami Beach, Florida.

The Union of Austrian Bausparkassen greets the 59th Convention. A record ERP loan has been granted. Thank you for the support. We wish prosperity to the American League and home-ownership movement.

WILHELM FLATZ, *Director,*
Bausparkasse Gemeinschaft der Freunde
Wüstenrot,
Salzburg, Austria

Walter J. L. Ray, President,
United States Savings and Loan League,
Roney Plaza Hotel, Miami Beach, Florida.

In the name of the Verband der Privaten Bausparkassen of Germany and in my own name I send most cordial greetings to you and the members

of your League and very best wishes for a happy and successful Convention. As are the building and loan associations of your country and throughout the world, the German savings and loan societies are fully convinced that the idea of home-ownership and thrift is one of the most effective instruments to preserve and improve our civilization. We admire the outstanding results achieved by the members of your League during the past year. The very best wishes to all of them for further success.

DR. HERMANN SCHUON, *Chairman,*
Verband der Privaten Bausparkassen,
Ludwigsburg, Germany

Walter J. L. Ray, President,
United States Savings and Loan League,
Roney Plaza Hotel, Miami Beach, Florida.

I send my best compliments and wishes on the occasion of the 59th Annual Convention of the United States Savings and Loan League.

In these times of unrest and sorrow conventions such as yours have the most important task of encouraging anew thrift and home-ownership in their stabilizing influence on our social and political situation. Our German Union and our leading executives are fully engaged in the preparation of a bill, which, if it grows in vigor, will render to our building societies exceedingly good conditions for their work within the next ten years. I hope your Convention becomes an outstanding success for home-ownership in your country and all over the world.

DR. WERNER LEHMANN, *Secretary,*
Verband der Privaten Bausparkassen,
Bonn am Rhein, Germany

Morton Bodfish, Chairman of the Executive Committee,
United States Savings and Loan League,
Chicago, Illinois.

Because of the extreme press of work I shall be unable to attend the 59th Annual Convention of your League in Miami Beach. Perhaps I shall have the good fortune in that respect next year. I send my sincere wishes for the success of your Convention.

W. VAN DEN BERGE,
Algemeen Nationaal Hypotheekkantoor,
The Hague, Netherlands

Walter J. L. Ray, President,
United States Savings and Loan League,
Roney Plaza Hotel, Miami Beach, Florida.

I have a true admiration for the building societies of the United States

which have facilitated home-ownership for more than half of the families of the nation.

In different countries the governments have attempted to remedy the dwelling-house shortage and have brought about only uneconomical solutions for both the state and the contributors. Furthermore, the housing has gone preferably to the proletariat, leaving the problem unsolved for the numerous other social classes. When we see the success of the American building societies, we see that it is desirable that the system of savings and loan associations grow until it is all over the world.

RAMON ORTIZ DE A. Y VIVES, *Vice President*
and Managing Officer,
Central de Ahorros, S.A.-C.A.S.A.,
Madrid, Spain

Walter J. L. Ray, President,
United States Savings and Loan League,
Roney Plaza Hotel, Miami Beach, Florida.

On behalf of the Banco Internacional Inmobiliario, S.A., the first savings and loan institution organized in Mexico and still the largest one, I am very happy to send our cordial greetings and best wishes to the 59th Annual Convention.

We regret deeply that pressing business has prevented us from sending a delegation to your assembly, as we wished to do, to convey our congratulations personally and to learn from the contact with your delegates both the ideals that inspire the savings and loan movement and the sound practices which have assured its solidity and prosperity in the United States.

Although conditions in our two countries are different, we believe we are guided by the same basic ideals and aspirations.

Like you we believe the home is the safeguard of freedom and that there can be no surer rock on which to anchor the political, economic, social, and religious liberties. These liberties distinguish Western civilization from the communistic and socialistic theories which deliberately or unwittingly, by sudden violence or gradual steps, would make of our people mere serfs and robots, subject to the dictates of an all-embracing and omnipotent state.

ADOLFO LAMAS, *General Manager,*
Banco Internacional Inmobiliario, S.A.,
Mexico City, Mexico

Walter J. L. Ray, President,
United States Savings and Loan League,
Roney Plaza Hotel, Miami Beach, Florida.

On behalf of the Banco Inmobiliario de Monterrey, S.A., I wish to express to the members of your Annual Convention our sincere best wishes for the continued success of your organization.

The savings and loan system in Mexico was inspired by the magnificent example of your membership, and in 1946 a small Mexican delegation was present at your Milwaukee Convention as observers. A treasure of information was obtained and served in guiding our first steps in setting up this bank, which has since become instrumental in facilitating a solution to the housing problem in our country.

There are at present five savings and loans operating successfully in Mexico, and their progress bears witness to the real need that existed for a system that would permit the channeling of savings into the construction of homes for the great majority of our population which has no financial means of acquiring them except through long term facilities.

The housing problem in Mexico has always been acute, and several very interesting projects have been undertaken by the government, some of them with the aid of our groups, in order to solve it. During the present times when our traditional system of life is being menaced by subversive theories propagated by the enemies of democracy, home-ownership becomes the foundation on which the stability of the family must be based, and it assures in a large measure the survival of our civilization. Thus, it is our belief that the job of the savings and loan organization becomes a patriotic and moral influence, of which we should feel proud.

JUAN S. FARIAS, *General Director,*
Banco Inmobiliario de Monterrey, S.A.,
Monterrey, Mexico