

A SOUND basis for the conquest of poverty exists in the United States at the present time. Conditions have been favorable for a period of twenty-five years or so; but today's installment-plan man has not been aware of them, and consequently he accepts his debts and his uncertain future with the stoicism of a man afflicted with an incurable malady.

A recent study points up the tragedy of this ignorance: out of one hundred average twenty-five-year-old American men, fifty-four will be dependent and unable to work at age sixty-five; five will still be working; thirty-six will have died;—and only five will be financially independent. Thus, out of the sixty-four men who live to retire, only five—or about one in thirteen—actually achieve financial independence!

How can this melancholy state of affairs exist in the richest country in the world? How does it happen that more attention has not been given to this important aspect of our national life? Who is to blame? And is anyone taking steps to remedy the situation? Finally, what threats to the favorable conditions for the abolition of poverty exist, and what is being done about them? These questions will be touched upon in this article.

One conclusion appears fairly certain: the tremendous advances in technological and theoretical science which we have been experiencing during the last twenty years will not in themselves solve the enigma of poverty and indebtedness in the world's richest land. In fact, as will be discussed later, certain aspects of science seem to be working in the opposite direction.

Neither can the steady re-distribution of income among the various economic groups be counted upon to solve automatically the troublesome enigma. Despite the fact that the share of the top one percent of all taxpayers in the nation's total income declined from about twenty percent to about seven and a half percent in the recent post-war years, real evidence is lacking that there was anywhere near a similar increase in the percentage of those who reached age 65 financially independent.

Another disturbing element is the failure of a large increase in median income

to solve the problem. In 1956 the average family income in the United States was \$4,783—an increase of nearly \$2,300 since 1944 (when the first surveys were made by the Bureau of the Census). During this 12-year period the proportion of families with incomes of \$5,000-and-over increased from 12 to 47 percent.

What, then, is the answer? The reason lies much deeper than in the superficial family statistics compiled by our governmental agencies. The financial immaturity of our fellow citizens is traceable to their education. This immaturity is as much a responsibility of educators as is esthetic immaturity. But it is not recognized as such. Our system of elementary and secondary education is the real villain in this drama.

Although the principle of compound interest and its application to savings accounts is apparently given adequate treatment in elementary and secondary schools, nothing, or very little attention is given to the various forms of installment purchases made by the average family today. Still more important, apparently no time is spent in the application of compound interest in the field of investment.

College sophomores, starting their class in personal finance, are always pleasantly surprised to discover that a saving of only \$300 per annum, compounded semi-annually at five percent during their average working life of 45 years will amount to the not inconsiderable sum of \$49,373. They simply have never heard of the concept before! This, despite the fact that they live under the world's most highly-developed system of capitalism and need to have a definite knowledge of the mysteries of installment credit, bank credit, real estate, insurance, and investment.

The fact is that only one in about ten graduates of high school has any real knowledge of these all important elements of personal finance. Inasmuch as two-thirds of these people never get to college it is evident that under present conditions the great majority of our citizens go through life poorly prepared to deal with the highly-trained technicians of finance with whom they will inevitably be forced to match wits.

When the question as to who is to blame for this sorry state of affairs comes up, it is not possible to give any easy or simple answer. In the first place, in some states we find that the state-supported schools of higher learning are forced to teach courses in American history and English. Why isn't familiarity with the ground rules of our economic system equally important?

Again, our teachers' colleges abound in "business education" courses in stenography, shorthand, and "business" arithmetic, but are without courses designed to teach their graduates how to teach personal finance in the secondary schools.

Finally, the school boards of our cities and towns have shown little inclination to familiarize themselves with the curriculum proposed by their superintendents of instruction. The result is that very few high schools offer courses in personal finance. Again, many board members are often practitioners in one or more of the fields of business finance.

Some responsibility for the mass ignorance of the elements of our economic system lies, then, with the politicians, with the faculties of our teachers' colleges, and with the members of our local school boards. If these community leaders are not able nor willing to institute steps to make our system of capitalism a working reality—who can?

Perhaps we should take a longer, more philosophical approach to the problem, and remember that human nature changes slowly. There is nothing new in this situation. Almost two hundred years ago, Robert Burns was complaining against the same thing when he wrote:

*Man's inhumanity to man*

*Makes countless thousands mourn.*

What *can* be done? Obviously, all three groups — politicians, faculty, and board members—should be brought under pressure from student bodies, civic clubs, parents-teachers' associations, and public-spirited individuals to effect the necessary reforms in the area in which they wield influence. At present this is not being done in any large degree, and the crying need is for citizens who are "self-starters" to initiate the drive.

# The Conquest of Poverty

THIRD ARTICLE IN THE NEW FACE OF MAN SERIES



by John E. Liebenderfer

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To this extent, we are all to blame.

And now let us turn back to the large question which the previous remark about the \$49,373 capital accumulation undoubtedly raised in the minds of many readers. The question is (i.e., usually is), How can I accumulate at a rate of five percent year-in-and-year-out so that my \$300 per year in saving will actually accumulate to nearly \$50,000 by retirement age?

The answer is, Through investment in "closed end" investment trusts which are sold on the stock exchanges just like any other individual company.

The following summary will disclose why this type of fund is preferred, and why the rate of five percent is considered reasonable: over a twelve year period (January 1, 1946 to December 31, 1957) \$1,000 placed at five percent compound interest increased to \$1,796 at an annual appreciation rate of five percent; \$1,000 invested in Moody's average of 125 stocks increased to \$2,552 at a little over eight percent; \$1,000 invested in an average of 24 "open end" investment trusts increased to \$2,041 at a little over six percent; \$1,000 invested in an average of ten "closed end" investment trusts increased to \$2,950 at about nine and a half percent.

These figures, which were taken from a recent study prepared by *U.S. News & World Report*, do not tell the whole story. The range of the "closed end" funds was generally better than that of the "open end" funds (those sold directly to the public, with no limit on the shares outstanding). The annual accumulation rate for the former ranged from a maximum of 14.4 percent to a minimum of 8.1, whereas the "open end" range was from 11.1 percent to a low of only 2.6 percent.

The excellent appreciation record disclosed here cannot all be attributed to the investment skill of the "closed end" fund managers.

Just as much credit, or perhaps even more, is due to the fact that they had available for selection the common stocks of hundreds of giant corporations whose stocks were publicly traded on the various stock exchanges.

"Big Business" is the true benefactor which makes financial independence possible for the average man today.

Is this generally recognized? Do we, as a nation, fully appreciate that our collective creative and organizational genius has found its highest expression in our giant corporations? Do we realize that several hundred of these giant corporations dominate the economic life of our country, and that their foreign ramifications are so extensive that they have become truly international, rather than national, in scope? That their enthusiastic reception by foreign nations has occurred at the same time these countries have been busy ridding themselves of the remnants of the so-called imperialistic system under which they have been exploited for generations?

Would such an appreciation presage the first stage of a new and more beneficent era in world affairs in which political influence and interference with the economic development of the so-called underprivileged nations will be replaced by the friendly co-operation and competition, based upon service, from these giant corporations? Would it point the way to the ultimate conquest of poverty? In my opinion, it would.

That there are many obstacles to the fulfillment of this idealistic solution, both at home and abroad, cannot be denied. Space limitations prevent discussion but of only two—both of domestic origin—which, if allowed to grow unchecked, could seriously impair the ability of our corporations to bring about ultimate world economic unity and the conquest of poverty.

Certainly the creation of vast labor monopolies, exempt from the anti-trust laws which assure continued competition among the giant corporations, constitutes one serious threat. How could this happen in a capitalistic economy such as ours?

Once more the finger points unerringly to the failure of our educational system to enlighten the wage earner with respect to some of the more rudimentary elements of capitalism: that it is impossible for labor to consume more than it produces; that maximum productivity can only come through large and continued injections of new capital into labor-saving machinery; that new capital can come only through profits re-

Continued on Page 32

## THE CONQUEST OF POVERTY

Continued from Page 14

tained in the business or savings of investors who can foresee a profit; that profits can only come through increased volume and/or decreased costs per unit; and that decreased cost per unit of production depends primarily upon greater production per worker—not upon static or lesser production per worker!

What all this adds up to, of course, is that the ultimate objectives of both labor and capital are identical. Why cannot this simple truth be indelibly impressed upon our high school youths before they are exposed to the blandishments of the labor union demagogues?

The other major obstacle to foreign expansion of our international corporations is their high rate of taxation and the consequent governmental expenditures. Since World War II, our government has spent about 60 billion dollars in foreign aid. A huge foreign bureaucracy has been built up, but no appreciable reduction has been made in the great disparity between the standards of living in other countries and our own.

This disparity has existed for centuries; the awareness of it is comparatively recent. Hundreds of millions of people are suddenly demanding the benefits of Western civilization, and are increasingly resentful of seeming denials. They do not understand that the few billions each year contributed to foreign investment by the few countries with exportable capital are pitifully inadequate, and that literally trillions of dollars must be provided before they can enjoy anywhere near the Western standard of living.

Desperate situations require desperate remedies. The United States is spending about 45 billion dollars on defense programs. About 21.5 billion of this comes from the corporations as income taxes; this figure represents about half their profits.

Suppose our government negotiated a general disarmament agreement, and, as its *quid pro quo*, agreed to release this 21.5 billion dollars back to the corporations for them to use in foreign investment.

Such a program would entail temporary dislocation and unemployment at home until the flood of capital abroad could be translated into demand for our capital goods and other equipment. It is more than likely the period of adjustment to the new situation might require some millions of Americans to go through a period of aus-

terity and sacrifice, similar to many such periods endured by our forefathers. But surely the initiation of such a program to stimulate massive increases in private international investment would justify purely temporary privations of this sort.

Can we afford not to take such a bold, new, step—especially since the results of our governmental aid programs have been so disappointing? It might serve to break the current impasse in foreign affairs, for, as the immortal Shakespeare said:

*There is a tide in the affairs of men,  
Which, taken at the flood, leads on to  
fortune;*

*Omitted, all the voyage of their life  
Is bound in shallows and in miseries.*

If we launch ourselves on the sea of foreign investment, and curb our labor monopolies now—the conquest of poverty will be hastened. Final realization, resting upon the slow and tortuous processes of education and public understanding, remains a shadowy goal of the distant future.

## JAY AND J. HOWARD

Continued from Page 4

Patty were out of ear shot. "They will hate to leave their friends in Tulsa, but all children hate a change. They'll adjust; they've had a long time to think about it."

Jay Edmondson brought the portable television set into the living room and began adjusting it to the channel where her husband was appearing. She admitted that he is not the kind of husband who remembers ages, birthdays and anniversaries.

"I like to sit and watch Howard squirm when they ask him how old his children are," she said. "I used to write special dates in his calendar, but he doesn't even have time for that now, so I just type them up and hand them to him."

She refilled the coffee cups as she characterized the Edmondson romance as "on-again-off-again since the fifth grade" at Muskogee's Franklin grade school.

Asked about their religious affiliations, Jay said, "Howard has been able to keep up as teacher of an adult class at the John Knox Presbyterian church. We joined John Knox church before they even had a building. So we're really old timers in a new church." As she spoke, Jay was completely oblivious to the noise of a string of freight cars which went hurtling past on the Katy right-of-way bordering the Edmondson lot.

One of the Edmondson family friends and political supporters, W. P. Pruitt of Muskogee, walked in just as the familiar Edmondson fireside manner appeared on

the television screen. Mrs. Edmondson and Pruitt contributed side comments as the debate-trained voice laid out the Edmondson platform.

"I remember the night I looked up the minimum gubernatorial age," Jay laughed, after the program's moderator had commented on Edmondson's age. "We had been running for about six months, and it just then struck us that Howard might be too young."

J. Howard Edmondson slipped under the wire by only two years to qualify for a four-year stay in the governor's mansion (the minimum age is 31). In 1962 when he completes his term at age 37, the young Oklahoman will have passed the minimum age for occupancy of an even more impressive mansion in Washington.

But 1962 is a date the Edmondsons are not even thinking about. Enough has happened in the 33 years of J. Howard Edmondson's life to make them both pause for breath.

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