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Scanning 1961 MARKETS

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IT now appears that the 1960's, which were ushered in with glittering hopes, have lost their look of gold. As the year proceeded, production and building became more sluggish. House & Home, in its special Land issue (August, 1960) showed this was not due to a lack of available land in and near the cities, as some had supposed. Instead, as the soaring price of such land drove builders further to the margin, residents were pushed hours further from their jobs. Thus hoped-for leisure time has turned into travel time, with resulting travel expense an added setback to real wages.

Speculative rent, the high price of withheld land, penalizes producers and makes recessions. While civilization adjusts toughly in its struggle to maintain free choice, the squeeze on the price of land can create unavoidable depressions. With the exception of shell houses (for build-it-yourself buyers who install equipment and interiors themselves), building industry stocks have been dull holdings.

In the market place for shares, an ounce of anticipation weighs as importantly as a pound of realization. We do not know the future, but the hopes and fears of Main Street are mirrored in the auction prices set on stock exchanges five and a half hours daily, by the most eager buyers and the most hasty sellers. The market adjusts quickly to startling news of any triumph or disaster. For a few days stocks often move together, as on the outbreak of war—then each begins to respond independently. What we have is not so much a "stock market" as a "market for stocks." In fact those who think of it as *the stock market* are apt to be disappointed.

No attempt to analyze the country's future would be complete without a glance at the philosophy of the leaders. We are preparing to inaugurate a new President trained in a school of thought which holds there is too much spending in the private sector and not enough in the public sector. It would therefore take more earnings

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away from people on the theory that they do not know how to spend their own money wisely—the government can do it better.

Big city workers, labor-union led, overcame the conservative farm vote in the presidential election. Better earned wages would be more profitable to labor than special privilege ever could be, but this historic principle has apparently been overlooked. The greatest potential for a rising market is realized by men free to choose their own means of spending what they produce. This is basic to the Henry George School of thought.

How will the new administration affect the market? Just when we had slowed down the slide of the dollar in relation to production, we may be faced with a massive spending program. Preparation for this change expresses itself first in a precautionary preference fo real things, such as homes; also for industrial plants and for imaginative managers who will try to increase their share owners' earnings by long range planning. If we inflate our money, shares in metal, oil and coal companies will represent one way to store future buying power in the ground.

There has been a flurry in gold shares, but gold, unlike copper, steel and titanium, is little used in industry. Gold shares do best when the wage-costs of extracting this international standard of measurement are falling. Our rising wages discourage investment in gold shares.

The debts in this country have reached the sum of one trillion, 300 billion dollars. This includes our national debt, plus our contracts to pay veterans and older people, as well as out state and city debts, our corporate, and our individual owings. When debt has become a heavy burden, history tells us, people have always refused to bear it, and whenever their money has fallen to an unworkable level of buying power a large scale "reorganization" has taken place.

If the conservatives of both parties combine to slow down the slide in the buying power of money, then companies with managements able to automate enough to maintain a good margin of profit will grow and add value for stockholders. In the event our U.S. laws governing depreciation of machines for tax purposes should be modernized to correspond to the short time permitted in Great Britain or Sweden, where obsolete machinery representing billions a year in costs of production can be replaced, manufacturers may recover their machinery outlays in a few years. McGraw Hill's American Machinist estimates U. S. obsolete machinery at $95 billion. Most important in this is the lag in machine tools—the tools to make other tools. Cincinnati Milling Machine is the leader in machine tools with sales equal to 26 per cent of the industry. Numerical controls have been developed that are more precisely reliable than the most skilled machinist. They may affect tools as vitally as electronics has affected office equipment in the past ten years.

If defense receives its promised appropriation of another $3 billion, shareholders in the best managed air space companies will also gain in the market. The big jet transports have proved safer for travelers than the propeller planes. The Boeing 707 and 720 have emerged from world competition as the favorites of passengers and the best money makers for airlines in long and medium range flying. As a result the largest contract for a shorter range plane, $360,000,000 for 80 planes, went to Boeing Airplane for the three-engine 727's. The Germans announced they were giving up a proposed competitor plane, and Lufthansa is interested in putting 25 of the new planes into service in 1964. They are also adding to their 707's of the intercontinental type.

The airlines are making more money from the Boeing jets than from piston planes—passengers are enthusiastic about the shrinking world of jet travel. This capable management has erected a money-making family of jet planes which have won world acceptance. Tragic accidents bring great sorrow, but with them should come urgent public demands for the excellent control equipment already in use by the military.

A major change is in evidence all along the line. Too many duplications in routes and services are creating a pressure for more economic combines. The first big merger is the proposal of United Airlines to take over Capital Airlines. As others follow, upon approval by C.A.B., airline earnings will improve. Good management will lead to happy share holdings, with an anticipated ceiling of 10½ per cent allowable on invested capital.

As we have pointed out before in HGN, the competition for intercity freight by truckers, waterways and rails is being won by piggybacking on the rails. The imagination of sleepy rail managements has been stirred, and makers of equipment now load trailers on flat cars to save both time and money. Morris Forgash, president of U. S. Freight Company, says that within ten years 60 per cent of intercity freight will go by "piggyback" trailers on flat cars. This might bring $7 billion in rail freight revenues and save the railroads.

As for U. S. foreign policy, taxing our producers to give our produce away, or to support "soft" loans, has hurt our world prestige and promoted socialism. The truth is written large in history—no nation was ever ruined by trade—why can't we make it *free* trade? Service is actually the rent we pay for our space on the earth.

In passing, we note that the African problem has one bright spot—Liberia. No foreigners are permitted to own land there, only to lease it. This provides a climate in which private enterprise may flourish. President Tubman has maintained fair taxation, free export of profits, sanctity of agreements, protection against expropriation and continuing stability.

No government help is wanted from the U.S.A. or any other country. American, Dutch, Spanish and German private companies are confidently investing there and bringing real social benefits.

Meanwhile, on the home front, the rate of individual savings has advanced to about $25 billion annually —one billion more than in 1958 and two billion more than in 1959. The reputed high level of personal income is also considered a favorable factor. Henry Ford, Sr. once said, "money is like an arm or leg; use it or lose it."

But the most favorable year in the market, in the 60's or any other decade, will be the year in which buildings and improvements are untaxed and the use of the most suitable locations is encouraged by collection of the annual rental value of land for all government services.