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Dated: June 16th, 1983
s/JAMES A. GLOVER
Administrator of the Estate
of NANCY H. CHAMBERS
Marshall B. Wheaton
Attorney for Administrator
6370 Magnolia Avenue
Suite 200
Riverside, CA 92506
(714) 683-0185

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Black families' wealth put at one-third of whites'

WASHINGTON (AP) — The wealth of black families in the United States averages about one-third the holdings of white families, according to a new study.

A report released yesterday by the Joint Center for Political Studies, based on Census Bureau data, said that although blacks make up 12 percent of the nation's households, they hold about 4 percent of the combined wealth of blacks and whites.

Figures compiled by the center, a non-profit, non-partisan political research group, showed that blacks held \$211 billion in personal wealth compared to \$4.875 trillion held by whites in 1979.

"The income of whites was about 1.7 times that of blacks, but the wealth of whites was almost three times that of blacks," said William P. O'Hare, a senior research associate who conducted the study.

The 1979 median income for black households was \$10,133 while household income among whites was \$17,259. However, the wealth of black households averaged \$24,608 compared to \$68,891 for whites, the study reported.

In assessing the wealth of households, the study considered the amount of equity in homes, vehicles, rental property, businesses, farms and other financial assets.

O'Hare said family wealth was an often-overlooked measure of economic well-being, because most researchers consider only median income.

Even if the gap in personal income between blacks and whites was closed, O'Hare said, the disparity in wealth could be expected to linger. Over the past two decades, blacks on average have earned about 60 percent of the median income of whites.

The study indicated that blacks have made some progress toward economic parity. In 1967, the average wealth of white families was \$20,153 compared to \$3,779 for black families. That means black families had wealth of 19 cents for every \$1 of wealth held

by white families in 1967, compared to 36 cents for every \$1 in 1979.

Equity in a home accounted for 46 percent of the wealth of black families, compared to 32 percent of the wealth of white families. Twenty-one percent of black wealth was in rental property, while only 15 percent of white family wealth was accounted for that way.

O'Hare noted that "white families are using their wealth to expand their wealth, while blacks are forced to invest a larger portion of their income in 'survival' assets such as homes, cars and household goods."

Lorenz data, US & Eng,
Inc. & property.

AER, 3-59 p.61

Poverty U. S. A.

Startling Facts and Figures

THE OTHER AMERICA: POVERTY IN THE UNITED STATES, by Michael Harrington. (Macmillan, 191 pgs., \$4.)

Reviewed by ERNEST KIRSCHTEN

UNNOTICED BY MOST OF US, between 40,000,000 and 50,000,000 Americans live in poverty—a poverty in which there is less and less opportunity for escape, says Michael Harrington in this terribly important little book. These other Americans are “internal aliens,” members of “a subculture of misery.” They are “maimed in body and spirit, existing at levels beneath those necessary for human dignity.”

His estimate is based on accepted sources, yet he freely points out that Prof. Robert Lampman places the country's impoverished population at only 32,000,000. Poverty is a matter of definition, and he has no desire to play a numbers game or to chop semantics. His concern really is not whether a fourth, or a fifth, or a sixth of the nation lives in “the other America.” He wants not so much to open our eyes to their number as to the shocking tragedy of their existence.

“I realized that I did not believe my own figures,” he says. “The poor existed in Government reports . . . but they were not part of my experience. . . . The other America, the America of poverty, is hidden today in a way it never was before. Its millions are socially invisible to us.”

CONTEMPORARY POVERTY is off the beaten path—in decaying city slums, in mountain hollows, in malodorous institutions for the aged and the mentally diseased, in skid-row flop houses, on “the other side of the tracks.” In the Appalachians it may be masked by flowering dogwood, in the cities by new housing projects; most frequently it is disguised by clothes. “It is much easier in the United States to be decently dressed than it is to be decently housed, fed, or doctored. Even people with terribly depressed incomes can look prosperous.” A dubious benefit of mass production. Few of us try to see our poor. The suburbanite may catch a fleeting glimpse as he drives downtown. His wife rarely comes downtown. And his children are walled away from distress in their up-to-date schools. Nor do those who live in middle class city neighborhoods go out of their way to look into a Negro ghetto. The author—who, incidentally, was born in St. Louis—has taken a look for us.

With degrees from Holy Cross and Yale, Harrington worked for a time in the St. Louis schools' pupil welfare department, becoming familiar with the backgrounds of underprivileged children. He also was a volunteer worker in Dorothy Day's Bowery establishment for derelicts. This experience adds personal feeling to his sociology.

HARRINGTON is especially disturbed by the lack of opportunities for the impoverished and their children. They have little hope of entering “the affluent society.” Further, technology is worsening their lot. Forced toward bitter despair, many are giving way to a threatening anger. They are becoming an increasingly heavy economic burden, but this may be the least serious implication for those who in our Newburghs dismiss reality by denying it.

We cannot discharge our social conscience by pointing to low rental housing—beyond the reach of the really poor—and relief checks, and aid to the blind and the sick. The money at the disposal of our overburdened social workers is not nearly adequate.

We must face the fundamental paradox of the welfare state that is not built for the desperate, but for those who already are capable of helping themselves. We cannot afford “the illusion that the poor are merely freeloading on the public dole.” Harrington says that “at precisely the moment in history when for the first time a people have the material ability to end poverty, they lack the will to do so.” He would arouse “a passion to end poverty, for nothing less than that will do.” Those slow to such passion might at least ponder what it will profit us to be first on the moon and yet blind to “the other America.”

New Effort by U.S. to Stimulate Action by States to Meet Need For Outdoor Recreation Areas

If Congress Approves, Limited Federal Aid Would Be Provided, Along With Technical Advice, to Both Public and Private Groups.

By THOMAS W. OTTENAD

A Washington Correspondent of the Post-Dispatch.

WASHINGTON, June 23.

INCREASING DEMANDS by Americans for outdoor recreation, expected to reach record levels this summer, have generated a new kind of attack on this critical problem.

In essence, it is an attempt to stimulate action by the states and private enterprise, instead of relying mainly on federal effort. It seeks for the first time to transfer to the field of conservation and recreation the concept of "seed capital" that has worked so successfully in urban redevelopment and other areas.

If Congress approves, limited federal funds will be provided to aid states and other public agencies in planning and acquiring more adequate recreational facilities. In order to obtain the federal money, a specified amount of local funds would have to be provided. The aim, thus, is to use federal money in small amounts to encourage the development of jointly financed programs that might otherwise not be undertaken at all.

MUCH OF THIS effort will be centered in the new Federal Bureau of Outdoor Recreation set up last April by Secretary of the Interior Stewart L. Udall. In addition to administering federal grants, the bureau is to provide technical advice and assistance to both public and private groups planning recreational developments.

It also is to formulate the country's first national recreational plan and prepare an inventory of resources and demands for outdoor recreation, deciding how they can best be matched. Other tasks are to classify available land according to its most suitable recreational use and to serve as a focal point for co-ordinating all federal and federal-state activities in outdoor recreation.

The Kennedy Administration has proposed three major spending programs to improve outdoor recreational facilities.

commission reported that there is room for 3,000,000 Americans to go picnicking in the United States at one time. About 1,000,000 can be accommodated overnight on campgrounds.

The public areas that are designated for outdoor recreation cover more than a quarter of a billion acres, or one-eighth of all the land in the United States.

The commission emphasized that while additional sites will be needed in the future, this is not the complete answer. More effective use must also be made of lands already available. The commission found that many sites were not fully used because they were in the west and Alaska, far from population centers. Other reasons were poor planning, unwise management and lack of access.

EDWARD C. CRAFTS, former assistant chief of the Forest Service, who has been named director of the Bureau of Outdoor Recreation, has set some guidelines for the new agency in its efforts to stimulate planning and development of recreational facilities.

He has said that the bureau will place special emphasis on the east and west coasts where much of the population is concentrated. He intends to stress the economic value of recreational development, pointing out

Study of Charles B. Spahr

In *The Present Distribution of Wealth in the United States*, Dr. Spahr compiled from such limited sources as were available prior to 1896, the amount of individual wealth which existed in the United States, and then showed the distribution of that wealth by family groups in 1890. He initiated serious consideration of both the wealth and the income of individuals. The 125,000 families each of whom, for example, had individual wealth of \$50,000 or more, possessed aggregate wealth of \$33 billion

Roy Foulke, *A Study of N.Y.* D 2 B

OF NATIONAL INCOME

17]

or an average of \$264,000 per family, and the 1,375,000 families which had individual wealth of \$5,000 to \$50,000 possessed aggregate wealth of \$23 billion, or an average of \$16,000 per family. On the other extreme 5,500,000 families, each of whom had individual wealth under \$500, possessed aggregate wealth of \$800 million or an average of only \$150 per family. This was approximately six decades ago, in 1890.

things of like kind.

Thus wealth, as a term in economics, "consists of natural products that have been secured, moved, combined, separated or in other ways modified by human exertion, so as to fit them for the gratification of human desires. It is, in other words, labor impressed upon matter in such a way as to store up, as the heat of the sun is stored up in coal, the power of human labor to minister desires. Wealth is not the sole object of labor, for labor is also expended in ministering directly to desire; but

* *The Science of Political Economy*, pp. 118-119.

[18

A STUDY OF THE CONCEPT

can hardly include the services of one individual performed for another, as services are not national wealth. Those who, in the cooperative efforts in which civilization consists, devote themselves to service occupations such as bootblacks, barbers, musicians, teachers, surgeons, nurses, poets, writers, and most employees of local, state and the Federal Government, do not take part in the production of national wealth. They are pro-

Partial Data on Concentration of Income and Various Kinds of Assets

Item	Lorenz Concentration Ratio	Top Bracket	
		% of individuals	% of item
1. U.S. Income 1952	.40	10	30
2. G.B. Income 1954	.40	10	30
3. U.S. Farm operating income 1946	.42	7	25
4. Tractors on U.S. farms ranked by gross sales, 1950	.43		
5. U.S. liquid assets of spending units, 1954		10	39
6. Denmark farm acres 1951	.47	2	14
7. Denmark farm values 1951	.52	1.3	14
8. U.S. net worth of spending units 1953		10	60
9. U.S. Farm acres operated 1950	.70	2.3	43
10. U.S. value of estates 1912-23	.88	1.2	50
11. U.S. urban land value	No recent published data		
12. Ownership of farm acres. Nile Delta 1950		.05	37

Rich get richer—but not for long

Concentration of wealth in U. S. is almost as great as just before New Deal, new study shows, but economists see causes disappearing and reverse trend likely

It isn't often that the same book excites both sales managers and social reformers. Yet that's certain to be the effect of a major new study of wealth distribution in the U. S., to be published next week by the National Bureau of Economic Research.

For it upsets some popular notions about the rich, and shows that the concentration of wealth was almost as great in 1961 as in 1933, just before the New Deal leveling measures took full effect.

Author of the study is Robert J. Lampman, chairman of the economics department at the University of Wisconsin. His book, *The Share of the Top Wealth-Holders in National Wealth* (Princeton University Press), contains the first complete set of data on the wealth of the rich ever assembled (charts, left). As updated for *Business Week* by Lampman to include some of 1961's key figures, these data are also the most current.

Seesaw pattern. Previous studies—notably those of Lampman's fellow toiler at the NBER, Simon S. Kuznez—have centered on income. They indicate a steady trend toward greater equality in distribution.

Lampman's study discloses a more turbulent pattern in the distribution of wealth. Like income, wealth is more evenly distributed now than during the 1920s. But that's only because of a drastic evening out during the 1930s and 1940s. In the 1950s, wealth again became more highly concentrated. By 1961, the richest 1% of the population held about 28% of the gross wealth owned by individuals—just under the 28.3% figure for the top 1% in 1933.

Does this increasing concentration of wealth during the 1950s mark the onset of a new trend toward more inequality of wealth?

Lampman—one of the group of top-flight young economists now serving as consultants to Pres. Kennedy's Council of Economic Advisers (page 72)—conforms to NBER tradition and shies away from forecasts.

But on the basis of his analysis,

other economists are likely to conclude that the increasing concentration of wealth in the 1950s—largely due to the great stock market boom—was a temporary phase.

Fast growth. If social reformers fasten on Lampman's findings on how concentration of wealth has changed, sales managers will find their meat in his detailed information on where the rich can be found.

The most important single fact that comes out about personal wealth is its rapid rate of growth. Personal wealth of the U. S. population jumped from about \$300-billion in 1922 to about \$2-trillion in 1961, or about seven times.

How rich? How rich is the typical American? Lampman estimates that in 1961 personal assets averaged \$12,500 for each man, woman, and child in the U. S. population. But this average is heavily weighted by the great holdings of wealth, and so overstates the assets of the typical American—the man who is richer than half the population, but poorer than the other half. This typical U. S. adult was worth about \$4,200 last year, Lampman estimates.

In sharp contrast are the rich. He rates only those worth over \$60,000 as rich—a figure chosen because his study is based on analysis of federal estate tax returns and only estates of \$60,000 or more are subject to this tax.

Using \$60,000 as the cutoff point, Lampman “conservatively estimates” that there were about 3-million wealthy individuals in 1961.

The “big rich” are, of course, small in number—but there are still quite a few. Lampman finds about 100,000 millionaires in the U. S., about 10,000 with wealth in excess of \$5-million. The late 1950s were vintage years for producing millionaires. In 1953 there were only 27,000 millionaires, and only 2,000 with wealth of \$5-million or more.

Who are the rich? Much of Lampman's book is taken up with profiling his \$60,000-and-over group:

- Despite popular notions, there are more rich men (two-thirds of the rich) than rich women.

- For men, wealth increases with age. Women are richest from 30 to 50; what happens to these rich women's money as they get old is, says Lampman, an “intriguing puzzle.”

- In general, the rich are in states with high per capita incomes, like New York and California. But a disproportionately large number are in some states with only average per capita incomes—Kansas, Nebraska, the New England states.

Investment goals. People of only moderate wealth, needing homes, durable consumer goods, financial security, put their money mainly in savings accounts, life insurance, real estate, consumer durables. The rich can meet these minimum goals with a smaller proportion of their wealth, so go in for more liquid forms of investment. The richest 1% of the population holds 76% of the stocks, almost all state and local bonds, 32% of U. S. government bonds—but only 12% of the real estate.

But Lampman finds the rich very conservative in managing their estates, following virtually the same pattern in the 1950s as in the 1920s.

Leveling trend. Aside from the stock market inflation of the 1950s, which made the rich richer, Lampman's data indicate that other factors have been working toward greater equality. The main tug in this direction is exerted by the declining share of the rich in personal savings. In the 1920s, the richest 1% accounted for 44% of personal savings. Now, as a result of more equal distribution of income and of higher taxes, the group does about 15%.

The most important future influences on the share of the rich in personal wealth, Lampman thinks, will be their declining share in savings and the changes in prices of stocks and other equity investments. He himself refuses to predict. But other economists think the huge postwar inflation is over and the rise in value of equities will moderate. Disappearance of this push toward concentration of wealth would give more force to the reserve trends, and the share of the rich in personal wealth would again start to decline.



Traffic Commissioner Henry A. Barnes, in front seat beside driver, heads across Brooklyn Bridge to study traffic jam

Doctor to Gotham's traffic ills

With Mayor Wagner's promise of a free hand and with the highest salary New York City pays any commissioner, Henry Barnes tackles his toughest traffic problem

In the gray chill of a winter's morning, New York is hustling to work. One man in the twice-a-day jam of cars, buses, trucks, taxis, and pedestrians is already hard at work though still riding. He is out to make life less nerve-racking for others.

This man is Henry A. Barnes, New York City's new Traffic Commissioner. Every day since he took over this month, he has plunged into the city's traffic mess to get the feel of the problem.

One day he heads across the Brooklyn Bridge (picture) to study the pileup of vehicles around Brooklyn's plazas. Another day his tour takes him to the incredible jam—pedestrians as much as vehicles—around Grand Central Terminal, then to an accident-prone corner in Queens. Another day it's to the bustling garment district in mid-Manhattan, then to the meat market down by the waterfront.

In public eye. On his tours also are a couple of carloads of reporters and photographers from the city's

dailies, recording the doings and the colorful comments of the city's newest idol. When Barnes studies a broken traffic signal or invites a cop to get gripes off his chest, the reporters crowd him for his reaction and the photographers fire away.

Barnes cheerfully lets the press order him around because he is eager to have the public on his side as he starts his job. They have read his press notices in Denver and Baltimore, where he speeded up traffic with electronically controlled signal lights, one-way streets, and other devices, but he would be the first to understand if they were skeptical that he could achieve as much improvement in New York.

Much to be done. Aside from the fantastic congestion that is obvious to anyone, Barnes did not need to be in New York one week before he knew what he was up against: a system of 50,000 parking meters in which so many are defective that the city is collecting only \$7-million yearly instead of the \$15-million he

reckons it should; a shocking number of inoperative traffic signals and bent, missing, or obscured signs; a Traffic Dept. emergency radio system that operates only during office hours five days a week and includes only three radio-equipped vehicles for a city of 315 sq. mi.

Although such findings are an implicit criticism of the city's government in general—if not specifically of his predecessor, T. T. Wiley, who had the commissioner's job 10 years—Barnes has not criticized anyone explicitly. He and Wiley have been friends since Wiley was managing traffic in Detroit and Barnes in nearby Flint.

Hitting the top. Barnes didn't start out to be a traffic engineer. He had been a police officer with a background in electrical engineering, but he made a name for himself in traffic management when he went on to Denver from Flint.

It was in Denver that he applied the "scramble"—which became popularly known as the Barnes Dance—

gument between the President's technical and political advisers is reflected in the arguments that appear in his message.

His emphasis is on the need for a close trade relationship with the European Community to strengthen the Atlantic Alliance and the Free World in general and to spur the growth of the U.S. economy. But political advisers obviously persuaded the President to repeat and enlarge upon many of the arguments that he has made before about the quick economic benefits of freer trade with Europe.

He argues that exports will increase more than imports, that the flow of investment capital to Europe will be slowed or reversed, that the balance of payments will be greatly improved, that more jobs will be created than lost.

Opponents of the trade bill—notably Sen. Prescott Bush (R-Conn.) and Rep. Thomas B. Curtis (R-Mo.) in their dissenting report on recent trade hearings of the Joint Economic Committee—are already attacking these arguments. The case for including these arguments in the message is explained by a White House political expert:

"Maybe we can't prove that free trade will be so dandy for so many people, but the other side can't prove it won't. You get votes with promises, not with the sliderule predictions of experts."

IV. Range of effect

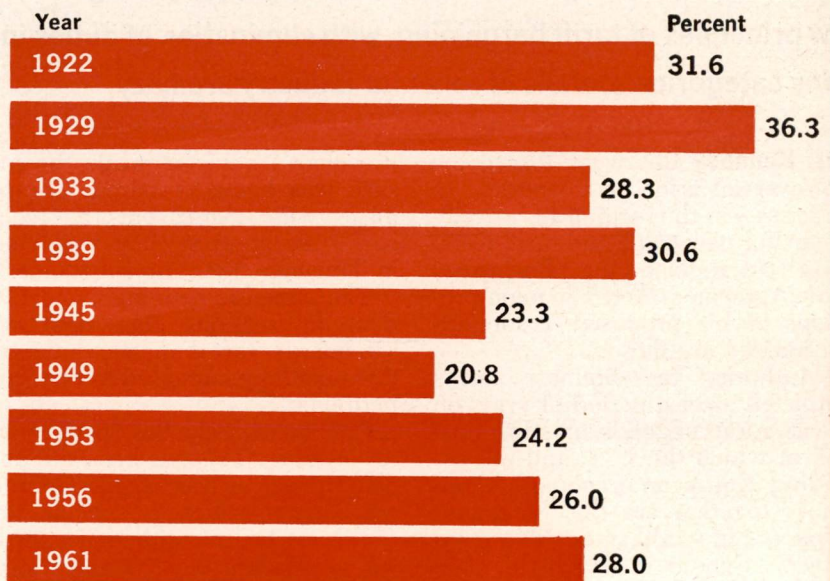
It is possible to measure roughly the effects on industry if the new tariff-cutting authority is granted and used.

Between the wide 50% cut and the elimination of duties on dominant-supplier goods, the effect would be a cut of more than 60% in U.S. tariffs on dutiable goods. A more meaningful calculation might be based on dominant-supplier goods alone, a major element of U.S. trade. The President's message reflects data that trade in such goods in 1960 between the U.S. and the expanded Common Market totaled about \$3.3-billion—roughly \$1.9-billion in U.S. exports and \$1.4-billion in imports.

Major categories for possible elimination of tariffs on the dominant-supplier formula include most types of machinery, all types of vehicles and parts, some organic and many inorganic chemicals, some primary metals and fabricated shapes, tobacco and a few other farm products, and probably pulp and paper, some hardware, and a wide range of consumer goods.

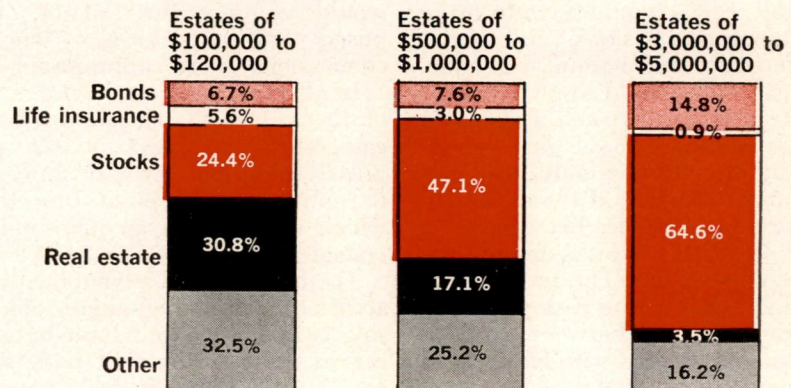
How rich are the rich?

The richest 1% of U.S. adults held these percentages of the nation's personal wealth . . .

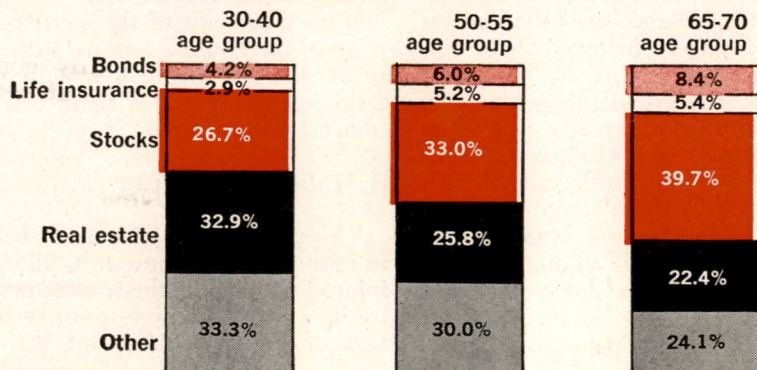


Data: 1922-56, National Bureau of Economic Research; 1961 BW estimate

How portfolios change . . . as rich men get richer . . .



and as rich men get older



Data: National Bureau of Economic Research

© Business Week

Now the trade battle will begin

President sends Congress his trade message, proposing new principles of tariff bargaining, with elimination of duties in many categories. Details of relief for industry are hazy

Pres. Kennedy this week tossed the controversial issue of freer trade to Congress—in the form of his specifications for new trade and tariff legislation to replace the Reciprocal Trade Agreement Act. The main provisions of his proposed Trade Expansion Act are these:

- Authority to eliminate tariffs completely over a period of years on the categories of goods, mostly industrial, in which the U. S. and the expanding European Economic Community together are the “dominant suppliers” in world trade. These are defined as goods in which the U. S. and the expanded Common Market together account for at least 80% of world exports, excluding trade between EEC members. The expanded EEC—the present six members plus Britain, Norway, Denmark, and probably Eire—would have to make equivalent concessions, and under the “most favored nation” principle, the tariff cuts would apply to other industrial countries such as Canada and Japan.

- Authority to eliminate tariffs on all tropical products if the expanded Common Market does likewise. U. S. tariffs on these products already are low or nonexistent. The provision is aimed at encouraging Europe to end its discrimination between tropical countries associated with EEC members and those, notably in Latin America, that are not.

- Authority to cut all other tariffs by up to 50%.

- Authority to negotiate reciprocal tariff concessions on broad categories of goods instead of on individual products as in the past.

Effects. The President seeks tariff-cutting authority for five years, to allow time for negotiations that are bound to be long and complex. To assure time for the U. S. economy to adjust to cuts, he also wants to be able to apply tariff changes gradually over a period of five years.

I. Behind the words

A lot of pulling and hauling went on between the trade experts and the practical politicians among the

President's advisers while the message was being prepared. Compromises were made, but the feeling seems to be that they were more in language than in substance.

The semantic hedging is most evident in sections that deal with safeguards for domestic industries threatened by increased foreign competition.

Peril point. Take the “peril point,” for instance. This has been the point determined by the Tariff Commission below which a specific duty could not be cut without jeopardizing the domestic industry concerned.

From a hasty reading of the President's message, one could conclude that he was willing to retain the peril point. The message says outright that the Tariff Commission would continue to examine proposed tariff cuts to see “whether concessions were appropriate.”

In all practical fact, however, use of the power to bargain by broad categories—the heart of the proposed trade bill—would supersede the present peril point procedure, which is based on an item-by-item consideration.

The fundamental advantage of the across-the-board technique, officials say, is that it doesn't limit bargaining to those tariffs that both sides can cut without feeling pain. It aims at averaging out the losses and the gains on both sides.

The Trade Expansion Act itself makes it quite clear that the peril will be taken out of the peril point. It gives the commission no authority to fix floors below which individual tariffs cannot be cut without causing injury.

II. Relief—on paper

The present act's “escape clause” is retained in the new bill, allowing injured domestic industries to appeal to the Tariff Commission for restoration of higher tariffs. But it is so greatly tightened that it would be much harder for injured industries to get relief:

- A company or industry would

have to prove, among other things, that it was suffering from actual and substantial unemployment, idling of plants, and persistent loss of profits. In the past, it was eligible to apply if it had lost its historic share of the market to imports or if its sales and profits had been affected.

- The President would have power to grant tariff relief to an injured industry only long enough for the industry to adjust to increased foreign competition.

- He would have authority to prescribe federal aid in making domestic industry more competitive, as part of all of the relief.

Labor relief. Workers who lose their jobs because of increased foreign competition will receive supplementary unemployment pay, funds for moving in search of jobs, retraining at government expense.

Jobless pay in most states is now somewhat less than 50% of take-home pay. The bill provides 65% of full take-home pay for up to 52 weeks or 65% of the average national wage, whichever is lower.

Industry relief. On paper, companies injured by imports would be eligible for federal technical and research help to improve their competitiveness, as well as loans and tax concessions to help them switch to a new type of business.

In practice, this might not amount to much.

III. Sugarcoating?

Officials privately concede that the whole trade adjustment program is largely a political sugarcoating designed to coax business and labor—particularly labor—to swallow the trade bill. Many of the benefits it holds out are already available in other forms.

A different consideration, however, might rally business support for the bill: The indications are that if the bill goes through, Treasury Secy. Douglas Dillon may quietly drop his campaign to annul tax deferral privileges on earnings from investments in Western Europe.

Arguments. The behind-scenes ar-

A, (p. 2)

✓ 8. GM, 15 largest shareholders own $\frac{1}{3}$, '56

~~Am. Indus. Comm. Report.~~

✓ 9. Top 25 manufacturers have 13.5% pct. assets, Cal.

~~Nader, p. I-11, Vol. I Draft.~~

✓ Top is S.P., interlocked w. Penn Central, which is also one of top 25.

✓ 10. TNEC Mono. ~~to~~ 29 & 30, Conc. of shareholdings

✓ 11. Lampson, 1922-56 \$60,000 in estate. But they are a minority.
1961, Top 1% ^{of those over} have 28% (updated by Lampson for B.W., 1-27-62)

✓ 12. James Smith & Stanton Calvert, IRS.

✓ 13. H. Mendershausen

✓ 14. T.R. Atkinson, Wis. individuals

✓ 15. Savings rise w. inc.

✓ 16. Lydall & Lansing, 10% have 56% wealth, U.S., '53

NIL



Atkinson, Th. R. THE PATTERN OF FINANCIAL ASSET OWNERSHIP.
Princeton: P.U.Press, 1956 \$3.75

Lorenz data on estates.

Mendershausen, in Goldsmith,
Raymond W, Study of Saving
in U.S. vol. 3

Summaries in Studies in
Income & Wealth, vol. 14,
152

Much U.S. industry etc grown by govt, community
planning & participation. 50-70 mills; 19th c. n.s.

Finer, p. 158 et seq., cites various sources on uneq. distr. of
"wealth" in U.S. But says there is basically none, up to date
despite ms. of \$ on ec. research.

Cites Lehmann, ch. 9, p. 161, in 'Political & Ec. Democracy', ed.
Max Ascoli, NY, '37, thus:

29%	own	40-45%	of "all priv. wealth".
19%	"	59%	of "all priv. fortunes". (sic). (?)

Cites W. I. King, op cit[↑], that in

1922, 10% had 86% of "all the wealth".

Cites W. I. King, ~~in~~ in Burroughs Clearing House, Sept '31, p. 13:

~~1928~~ 1928, ~~3.5m, or 1/3 owners,~~
39% owned 33% (those over \$100,000)

Finer's gns. involve gross internal inconsistencies.
Check sources.

Cites FTC, 'Nat. Wealth & Income', Sen. Doc. No. 126; 1926,

p. 59:

Sample of estates filed for probate

0.1%	had	8.5%	total value
2.5%	"	46%	" " (over \$100,000)

Check this
one, oh boy.

5413

Ref.

~~Almanacs~~~~ARS, Tri-city, Current Rev. Fm RE~~~~COM M ENCL CHRON 182:2446 new Chase bldg~~~~Branaman, M. GROWTH OF THE SF BAY AREA URBAN CORE, 1956~~~~Foley, Donal L. SUBURBANIZATION OF AD OFFICE IN SF BAY AREA, 1957~~~~PAIS, elevators, escalators, lifts.~~~~U.S. Census, pop in unincorp areas?~~~~Johnston, Wm. W., and Hutchinson, Glenn, TIME DISTANCE. S.e. Pa. reg pl comm.
Bridgeport Pa, 1954~~~~Hitatsubashi Rev.~~~~Gaffney - who's been using it.~~Wenk, Erwin. Volksvermögen. Handbuch der Schweizerisch Volks-
wirtschaft 1955 Bd II S. 533/4Lydall, Harold. "The Life Cycle in Income, Saving, & Asset
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cited in J Margolis, p. 228. Finds real estate munic. prop tax rates below 1%
(but above 1% if include non-munic. taxes probly)~~Weeks, Bertha How to file & index. HF 5736 ss ref.
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Henry George School of Social Science

CHARTERED BY THE UNIVERSITY OF THE STATE OF NEW YORK

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March, 1962

Bob Clancy

Dear Teacher:

DISTRIBUTION At last we have received a copy of a new book I have referred to in
OF WEALTH previous Faculty letters: Wealth and Power in America, An Analysis
 of Social Class and Income Distribution, by Gabriel Kolko. An ad-
vance copy was kindly sent by the publisher, Frederick A. Praeger. (Publication date
is April 20, and list price is \$4.85.)

Professor Kolko has in this book made a contribution long due. He challenges the comfortable assertion made by so many of today's economists and sociologists -- John K. Galbraith, Simon Kuznets, David Riesman, A.A. Berle, Jr. and many others -- that economic equality has been attained in the United States, that we have a "people's capitalism", that poverty has been eliminated. These assertions have been made, says Professor Kolko, from vague assumptions and impressions and with little supporting evidence. He boldly calls it a "myth", and takes us through a tour of some startling facts to show that the opposite is the case; that "the basic distribution of income and wealth in the United States is essentially the same now as it was in 1939, or even 1910." He goes even further, and shows that if there is any tendency, it is toward the greater concentration of wealth.

In the February Faculty letter, I reported on a similar study made by Robert J. Lampman, in The Share of the Top Wealth Holders in National Wealth, 1922-1956, which gave similar evidence. Professor Lampman's book is rather technical, whereas Professor Kolko's book is presented in an easily readable form in less than 200 pages (though it covers a wide scope), but is supported throughout by sources and statistical data. It deserves to become widely known and discussed.

Wealth and Power is so full of quotable items that I am almost tempted to copy out the whole book for you here, but I shall limit myself to a review.

While family income has increased since 1947, says Professor Kolko, inflation has cancelled most of the gain. Furthermore, he offers the useful reminder that "an income group can enjoy a boost in real wages, while simultaneously suffering a loss in its percentage of the country's income." This is the distinction between quantity and proportion that Henry George asks us to keep in mind. Professor Kolko chides current economists for failing to distinguish between them, thus promoting the fallacy that the nation's income distribution is becoming equalized.

One important point brought out by Professor Kolko is that the high income tax on large incomes prompts the top income groups to keep rather quiet about what they are getting, and to underrate their income -- not only on their tax forms, but generally speaking. There is a great amount of unreported income. This has evidently fooled economists and surveyors.

Another hidden form of income is "payment in kind", prevalent in top echelons -- executive suites, yachts, hunting lodges, expensive parties and other "business expenses". "In this way", says the Wall Street Journal, "a good many executives, whose fortune-building efforts are impaired by today's high taxes, still are enjoying the frills enjoyed by the Mellons, Morgans and Baruchs."

March, 1962

(We need not be invidious about this way of doing business - what concerns us Georgists is the source of the income - but it does serve to show how much has been missed by the statisticians!)

"Capital gains" is another well-known tax dodge noted by Professor Kolko. (How much must have crept into that category through the terrific increases of land value!)
Not included in data.

The New Deal and the wartime increase of the income tax was supposed to have been a great leveller. But "the ironic fact is that the extension of the income tax to middle and low-income classes was the only original aspect of the New Deal tax policy!"
and wage tax

Nor, says the author, should we forget other taxes. The income tax is the only one that is (at least in theory) "progressive", i.e., higher on higher incomes. All others are "regressive" in that all income groups pay the same, and they hit lower income groups hardest.

Concn. of stocks Professor Kolko shows that wealth is still concentrated in the hands of a very few, and cites figures similar to those of Professor Lampman. (Similar figures on stock ownership were also given in the February and September, 1960 Faculty letters.)

An interesting chapter is "The Causes of Poverty". Poverty is still very much with us, says the author. "In the Spring of 1958 when The Affluent Society was published, some 5.5 million unemployed workers would probably have been skeptical about the optimism of its author, economist John Kenneth Galbraith." What Professor Kolko calls "the causes of poverty" are such items as periodic unemployment; the increasing number of young, unskilled workers in the economy whose wages are low and of older people whose income is low; the increasing number of women working whose pay is generally lower than that of men; depressed areas; racial factors. (We would, I think, regard these as secondary causes -- the way the basic cause of land monopoly manifests itself as conditions change.)

Professor Kolko even defines poverty, according to a minimum maintenance family budget worked out by the Bureau of Labor Statistics. This involves maintaining an adequate and healthy life. Below that there is poverty. An "emergency" budget, which costs about 70% as much as the maintenance budget, has also been worked out. Below the emergency budget, people would be involved in the sheer struggle to survive. Professor Kolko gives some rather shocking figures: As of 1957, 44% of spending units (families and unattached individuals) lived below the maintenance level, and 27.5% lived below the emergency level! This represented a slight easing of the 1951 figures "due primarily to the fact that the Bureau of Labor Statistics ceased collecting data for calculations after 1951, and the only available statistics are somewhat less comprehensive." (One wonders why the Bureau ceased collecting data!)

"The poor remain and will likely increase in number in the near future", says Professor Kolko. "The predominantly prosperous middle class society is only an image in the minds of isolated academicians."

Many other aspects of economic and social life receive Professor Kolko's attention. Education is one, and he says: "One thing is certain; the thesis that distribution of income reflects distribution of intelligence has no factual basis." (This matter was also reviewed in the May, 1961 letter.)

Contemporary social theorists (who are mostly "liberals") are criticized by Professor Kolko for their complacency. Believing the equalitarian society now exists, they "hail the accomplishments of the status quo", and their implication is that "no

Dear Teacher - 3

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changes are needed!"

Professor Kolko concludes: "It was not my purpose to recommend any partial laws or reforms with which to meet the far-reaching problems I have described. Rather, I have attempted to focus attention on the economic realities of our society, and on the disparity between them and the dominant theories on equality and economic justice in the United States."

"Perhaps the idea of a social and economic democracy - the type of society erroneously said to exist in the United States today -- will at least serve as the stimulus for its ultimate creation."

Interestingly, Norman Thomas is quoted on the book's jacket as commending the author for his thesis. This is rather ironic, as Mr. Thomas has said that the New Deal had accomplished so much of the Socialist Party's program that the Party was no longer needed -- the very New Deal that has accomplished nothing at all! Norman Thomas does admit that "we shall have to do some hard new thinking." Let us hope that this stimulus and this effort will lead many people to the doors of the Henry George School -- where they will find in Progress and Poverty the "Genesis" of Professor Kolko's "Revelation"!

Wealth and Power, as noted, is a bit expensive -- \$4.85. If enough School friends want it, we can probably get a quantity at a reduced rate. Please let me know.

Sincerely,

Robert Clancy
Robert Clancy

P.S. Another new book on the same subject has just appeared. It is The Other America by Michael Harrington (Macmillan), and shows that the extent of poverty in the United States is much greater than has been supposed. If we are going to have a rash of such books, this is a welcome antidote to the "Affluent Society" type of books that have been coming out in recent years. Strange: the facts remain the same, but styles in noticing this or that set of facts change.



Estate Appraised

ALBUQUERQUE (AP) — The estate of Ellis A. Hall, Albuquerque oilman who died in an Alaska plane crash, has been set at \$4,250,022.11. The appraisal was filed in probate court Monday. Hall, his wife, two daughters and 17-year-old Patrick Hibben were killed in the plane crash Aug. 17. The plane apparently disintegrated in the air after being buffeted by strong winds.

STEVE

RO





Newsweek—Vytas Valaitis

The other America: 40 million living in an economic underworld

Invisible Poor

It was 25 years ago that Franklin Roosevelt looked out and saw one-third of his nation "ill-housed, ill-clad, and ill-nourished." Today, in an America celebrated for history's highest standard of living, few would argue that the conditions depicted in Roosevelt's second inaugural have not vastly improved. And yet in an eye-opening new book (*"The Other America,"* Macmillan), a young social critic named Michael Harrington has turned up an "economic underworld" in the U.S. with no fewer than 40 million to 50 million inhabitants. Harrington's claim to be heard is based on two years with a Roman Catholic social-service group on New York's Bowery and past studies of American poverty for such magazines as *Commentary* and the *Partisan Review*.

The U.S. Bureau of Labor Statistics figures that about \$6,100 is an "adequate" annual budget for an urban family of four. Harrington takes half of this figure as his standard of poverty, and arrives at the staggering numbers above. Over-all, however, he says that "the new poverty . . . cannot be defined in simple, statistical terms." Harrington tries to do it through revealing detail:

► "Poverty is often off the beaten track. The ordinary tourist . . . rides interstate turnpikes. He does not go into the valleys of Pennsylvania where the towns look like movie sets of Wales in the '30s."

► "Death plays a peculiar role in the life of [Harlem] . . . Undertakers are among the most respected members of the Negro middle class . . . Dying is a moment of style and status, at least in the impoverished world of the racial ghetto."

► "Clothes make the poor invisible . . . America has the best-dressed poverty

the world has ever known . . . It is much easier in the United States to be decently dressed than it is to be decently housed, fed, or doctored. Even people with terribly depressed incomes can look prosperous."

► "Once depression hits an area, its very life seems to leave . . . And then the vicious circle begins to work. Because a place is poor and dispirited, manufacturers don't want to locate there; because of this, the area becomes even poorer."

► "For most middle-class Americans, aid to 'farmers' is a gigantic giveaway, a technique for robbing the urban millions and giving to the countryside. Yet the poor farmers do not, for the most part, receive a cent as a result of these laws."

According to Harrington, the political and social facts of U.S. life dictate that only the Federal government is capable of acting to abolish poverty ("in saying this, I do not rejoice . . ."). But he is less than hopeful that it will be done. For while there is information enough



Newsweek—Corwin Hansen

Ann Kelman: Divorce hits hard

LIFE AND LEISURE

for action, Harrington says that political will is lacking.

Whether or not readers agree with Harrington's answer, his presentation of the problem is impressive. It is a shame that *"The Other America"* will probably not sell very well. The comfortable majority isn't interested enough, and the people who are can't afford \$4 for a 191-page book.

Let's Get Together

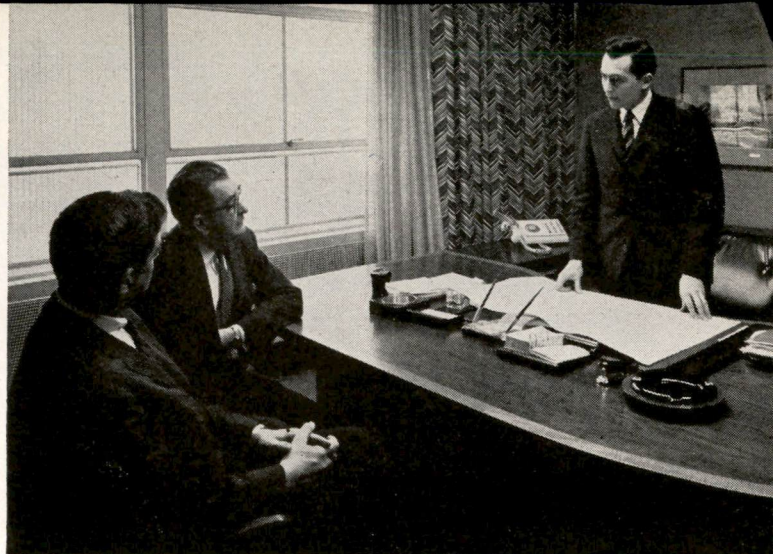
Are we failing him? Spoiling him? Depriving him? Such questions, swapped among parents about their children, are familiar. But few fathers and mothers ask them with the particular poignance of the divorced and widowed. Compelled to be two parents in one, the lone guardian plays a desolate and demanding role that is increasingly common in U.S. life.

Today there is one divorce to every four U.S. marriages; all told, some 6 million children live in one-parent homes. Badly needed for those involved: Advice and understanding from sympathetic outsiders. That need is now being promisingly met by Parents Without Partners, a five-year-old organization with 65 national chapters and 15,000 members. From the Bronx to the San Fernando Valley, single parents are klatsching in homes and churches, listening to psychiatrists and social workers, tossing back and forth over the coffee cups their common perplexities about everything from discipline to adolescent sex.

"I didn't realize what a social outcast I would be after I was divorced," reports Mrs. Ann Kelman of Palo Alto, Calif., the mother of three tow-headed boys. At first, Mrs. Kelman enjoyed a flurry of invitations, but through the months they dwindled to zero. "I got the impression," she says, "that nearly every other woman thought I was trying to steal her husband." Parents Without Partners has offered her a new social outlet—barbecues for the kids, an occasional party mixed with the serious seminars on parenthood.

Puppet Show: Inevitably, many a chapter is an incubator of romance. The national president, for example, not long ago married his executive vice president. "But this is not a club for women looking for husbands or for men on the prowl," says a Miami father. "PWP stresses the family as a group." In Los Angeles, the group regularly treks off to Marineland and Disneyland, children in tow. In Buffalo, N.Y., a puppet show was recently staged. The Palo Alto, Calif., chapter is starting a pre-school nursery for working mothers. According to Mrs. Barbara Mordy of Ann Arbor, Mich., "PWP has made my four children realize others are in the same situation."

The first Parents Without Partners were two in number. In 1957, a pair of



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America's Centimillionaires

It takes \$100 million to be Super Rich these days, and \$150 million to be exclusive. A surprising number of new boys have made it.

by Arthur M. Louis

The U.S. has become so affluent that there no longer is any great prestige in being a mere millionaire. The very word "millionaire" is seldom used nowadays; indeed, it has an almost quaint sound. It belongs to the era some decades back when a net worth of \$1 million was considered a "fortune"; a millionaire was a member of a small class, and therefore a natural object of curiosity. To have a net worth of \$1 million today is to be, much of the time, indistinguishable from members of the omnipresent middle class.

How many Americans are now wealthy enough to be thought of roughly as we once thought of millionaires? How many command the means to live—by the demanding standards of the late 1960's—in spectacular luxury? How many have the power, if not necessarily the inclination, to intervene decisively in sizable business deals? When FORTUNE looked at the Super Rich in 1957, it drew the line at \$50 million. (See "The Fifty-Million-Dollar Man," November, 1957.) At that time, it appeared, 155 individuals were over the line. Today, partly because of inflation but mainly because much higher standards seem appropriate, the cut-off figure must be doubled. The question, then, is how many Americans are worth at least \$100 million.

In the 1957 article it was estimated that forty-five of the 155 were worth \$100 million or more. Today, after a four-month study that entailed analysis of public records (e.g., proxy statements) and hundreds of interviews, we believe we can identify 153 individuals whose net worth, including wealth held by their spouses, minor children, trusts, and foundations, makes them centimillionaires. (Neither compilation can be considered definitive, however; some forms of wealth—and some of the Super Rich themselves—absolutely defy detection.) A sizable minority—perhaps a third—were men of modest means and obscure reputation a decade ago; i.e., they did not come close to making the 1957 list. Despite their immense wealth, some of them remain obscure even today. Indeed, it seems likely that most readers will find names in this article (and in the list on page 156, which includes sixty-six individuals estimated to have at least \$150 million) that are entirely new to them, and other names that they had never associated with nine-digit fortunes.

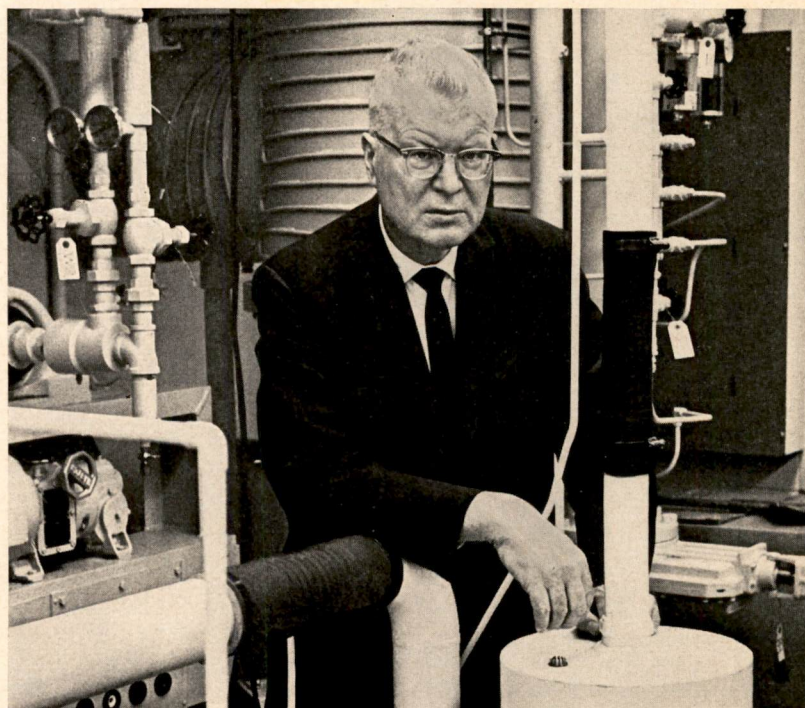
One finding, then, is that it is still possible to build a

To Nine-Figure Wealth



Albert C. Buehler (above). His \$100-million fortune is mainly in the stock of Victor Comptometer, which he serves as chairman. Buehler raises Shetland ponies on his Illinois farm.

Chester Carlson (below). A lawyer who invented xerography during off hours, he has received a king's ransom in royalties—Xerox Corp. stock recently worth more than \$160 million.



would continue to decline and would be around the 12.5 percent level in 1975. That implied an average daily volume of 10 million shares in that year, with high days of 20 to 30 million shares. Some brokers immediately dismissed the report as reflecting "wild-eyed optimism."

The outlines of what has happened since are well known. Institutional investors were taken by the performance concept, many individual investors followed their lead, and volume simply skyrocketed. In 1966 the turnover rate at the Big Board was up to 18 percent; in 1967 it jumped to 22 percent; and in January, just before the Exchange shortened trading hours, it was over 25 percent. (In March, after the market's sizable decline, it was 20 percent.) So there the industry was with its 1975 volume projections at hand eight years early. The only thing missing was the occasional 20-to-30-million-share day. The high day, instead, was just short of 15 million, but even this points up the remarkable character of the 1967 market. There were no high peaks or deep valleys in trading, just heavy, sustained volume, day after day. In a way, this unrelieved pressure just made the back-office problems that much more difficult to handle.

The Exchange's projections have played a rather confused role in the back-office crisis. They clearly spurred many brokers to take expansionary steps that would prepare them for what seemed to be coming; so there can be no doubt that without the report the industry's problems would have been exacerbated. But some of these brokers make the curious claim they might have moved even faster if they had been forced to make their own guesses about what kind of volume lay ahead. At any rate, it is clear that the industry in general, and some brokers in particular, did not get around to putting enough money and effort into the automation of facilities. Many brokers think of themselves as involved in a feast-or-famine business, and they have therefore been reluctant to build up their overhead. Besides that, the Street has always thought of sales first and all other things last. Even at the height of the back-office crisis, brokers did little to throttle their advertising programs. About the only retreat was made by the Exchange itself; it dropped its long-standing campaign to get new investors, and switched to one designed to educate those already in the fold.

Where automation stops

The Exchange's own record with automation has been very uneven. Any expert studying the floor of the Exchange, and the process by which a trade is executed, would see many possibilities for automation; and indeed, some of these are becoming reality. But the plain fact is that beyond a certain point, the members do not really wish to see the stock trade automated. For it is *they* who would be replaced by a computer. It would be theoretically possible, for example, to automate almost all of the steps in a 100-share trade; i.e., an order would go from a member firm's office into an Exchange computer, there to be matched against bid and asked prices supplied by a specialist (who, in this scenario at least, would still have escaped automation); market orders would be immediately executed; limit orders (i.e., those specifying a minimum or maximum price) might or might not be, but those unsatisfied would remain on record in the computer for as long as the order directed. The objection to this plan as far as the membership is concerned is that it would vastly reduce the need for the floor brokers who now do the legwork on these trades. There are more than

650 of these men—all of them members of the Exchange. It should not be surprising, therefore, that no one at the Exchange is even discussing this kind of program, much less planning for its implementation.

There are other areas at the Exchange, however, in which automation is getting its due. The Exchange's brightest performance has been with the ticker and the rest of its "market data" system, through which price and volume information is compiled and transmitted to the public. This operation is a classic example of a specialized, real-time computer system, and last year, under the strain of all that volume, it worked admirably. There were only two days during which the tape ran more than ten minutes late; on most other days, if there was lateness at all, it was confined to a couple of minutes at the opening or the close. Meanwhile, the Exchange's computers (there are nine on the premises) fed a constant stream of information to thousands of display and interrogation devices in brokerage offices. There is every reason to think that the ready availability of market information these days has been one of the real stimulants to volume. In any case, it is known for sure that when the tape runs late and current prices become a mystery, investors cut back their trading. Since this is the last thing that anyone on the Street wants to see happen, the market data system has had a lot of high-level attention at the Exchange.

Here come the insurance companies

It is possible to think of the ticker as having a "capacity" of so many shares a day, but that number is slippery. Right now, assuming a fairly even flow of trading (though that, of course, is seldom to be found in the real world), the ticker can handle the full details of about 35,000 *transactions* in a day without running late. If the size distribution of these 35,000 transactions is normal, they will add up to about ten million shares. So ten million, then, can be said to be the ticker's basic capacity. However, when volume runs above that level—and nowadays it frequently does—the computer automatically starts dropping the first digits of prices, and then, if necessary, omits volume information on all but the larger trades. By these moves, capacity is increased to over 12 million shares. The Exchange is now testing other computer programs that would permit the ticker to handle an estimated 17 to 20 million shares in a day; under one program, for example, the ticker would print only those trades that reflected a change in price (however, *all* trades of 5,000 shares or more would be printed). Beyond 20 million shares, it seems clear that a new ticker, probably one of radically different design, would be essential. Its development is already under way.

As the ticker programs suggest, just about everybody around the Exchange believes that the trend of volume is up. That opinion is certainly shared by the Exchange's new economist, William C. Freund, who was chief economist at Prudential Insurance Co. before Bob Haack induced him to come to the Exchange as a vice president. Freund suspects that the performance concept has at this point had close to its maximum effect on the turnover rate, but he sees other forces at work that will surely increase volume. One of these is the entry of insurance companies into the mutual-fund field. Another is the rising trend in incomes; higher incomes are closely associated with stock-market participation, and by 1975 around 17 percent of all U.S. families are expected to have incomes (in 1967 dollars) of \$15,000 or more (compared to about 12 percent

continued page 216

in a Hurry



Charles W. Engelhard Jr. He struck gold after leading his family's precious-metals business into South Africa. Today his holdings are worth about \$200 million.

W. Clement Stone (below). The public-spirited proprietor of Combined Insurance Co. of America sells self-motivation to convicts at the Illinois State Penitentiary in Menard.



Edward J. Daly. As principal shareholder of World Airways, he proves the shakiness of single-stock holdings. He was worth over \$300 million last summer, half that in March.



Malcom P. McLean. He made his hundred million in the shipping business (McLean Industries), is publicity-shy even for one of the Super Rich—a generally secluded group.

great fortune rapidly, and starting from a very low base. However, heirs and heiresses are well represented in the list on page 156; about half of the people with \$150 million or more inherited the bulk of it. The notion that du Ponts, Fords, Mellons, and Rockefellers are among America's wealthiest citizens happens to be true.

Returns on ingenuity

Of the self-made centimillionaires, one of the wealthiest of all is Dr. Edwin H. Land, fifty-eight, founder and chairman of Polaroid Corp. Dr. Land's financial position was extremely precarious not so long ago, and it often appeared that a little bad luck would be enough to overwhelm Polaroid. During the 1940's, as he worked endless hours to develop the sixty-second camera, his company went into a frightening decline. Toward the end of 1948, when the camera finally was placed on the market, Polaroid's annual sales had dropped to \$1,500,000, less than a tenth of their level three years earlier, and the company was suffering its third large deficit in a row. The stock also was weak; Dr. Land's controlling interest was worth only about \$1,500,000. What has happened since is one of the great miracles of business, fully documented and widely publicized, but still awesome to contemplate. The camera became a smashing success, the company's sales increased over two-hundredfold, and the inventor's wealth increased even more. Dr. Land and his wife now hold around a half-billion dollars' worth of Polaroid stock.

While Dr. Land's achievement was exceptionally dramatic and lucrative, one can cite many other modern-day entrepreneurs who entered the marketplace with little more than their ingenuity and daring, and proceeded to reap stupendous returns; here are just a few:

► **David Packard**, fifty-five, and **William R. Hewlett**, fifty-four, chairman and president respectively of the Hewlett-Packard Co., went into business in 1939, after earning their electrical-engineering degrees at Stanford University. Hewlett had developed a new type of audio oscillator while studying at Stanford, and the partners later sold eight to the Walt Disney studios, which used them to produce sound effects for *Fantasia*. The pair's capital investment at the start was only \$538, including a drill press, which they operated in Packard's one-car garage. Hewlett-Packard today is a leading manufacturer of electronic measuring instruments (sales last year were \$243 million), and its founders are ensconced high among the Super Rich; each owns a quarter-billion dollars' worth of stock. As recently as the mid-1950's, Hewlett and Packard spent much of their time tinkering in the company's laboratories; but as the business grew, they confined themselves largely to administrative chores. Hewlett still devotes a lot of attention to the development of products, while Packard, as chief executive officer, concentrates on general business matters.

► **W. Clement Stone**, sixty-five, went into the insurance business while still in his teens, bringing to the venture scant capital but a large talent for salesmanship. It was a one-man operation until he married Jessie Tarson in 1923; after that, Mrs. Stone prepared and mailed the correspondence while Stone was out selling. Today his firm, the Combined Insurance Co. of America, has more than a thousand employees, and \$142 million in assets. Its stock has soared since it was offered to the public six and a half years ago, and the holdings of Stone, his wife, and their foundation recently totaled \$130 million. Stone has given his family shares worth another \$127 million, and

his other investments amount to perhaps \$70 million more. Some of Stone's fellow Chicagoans find him refreshingly free of countinghouse mannerisms, and wonder that he could have made so much money. He explains that he was inspired early in life by a "self-help" book, which taught him "the art of self-motivation." Stone now can write that sort of book himself—and in fact he has. He is the author of one entitled *The Success System That Never Fails*, and co-author of another entitled *Success Through a Positive Mental Attitude*.

► **O. Wayne Rollins**, fifty-five, chairman and president of Rollins, Inc., started a radio station in tiny Georgetown, Delaware, twenty years ago, after his brother John, who sold cars there, complained that he had no place to advertise. The Rollins broadcasting chain has since grown to eight radio stations and three television stations, mostly on the Atlantic seaboard, and the company has diversified into outdoor advertising, cosmetics, building maintenance, and pest control; revenues last year were \$78 million. Rollins, who was born on a farm in Ringgold, Georgia, worked for ten years in the laboratory of a textile mill in nearby Chattanooga, Tennessee, after his graduation from high school. The job finally repelled him because, as he explains: "So much of your work is thrown away. I place too much value on time and money." He later spent five years supervising the production of TNT for Hercules, and he was operating the Catoosa Mineral Springs, a Georgia resort, when he decided to go into broadcasting. Rollins has avidly purchased real estate through the years, most notably—and presciently—in Florida, and now reckons his fortune at well over \$100 million, some \$70 million of it in his company's stock, which is listed on the American Stock Exchange.

► **E. Claiborne Robins**, fifty-seven, took over the family drug company, A. H. Robins, in 1933, after his graduation from pharmacy school. The company had been barely kept alive by his widowed mother; sales in that depression-ridden year were only \$4,800. Under his guidance, A. H. Robins began doing its own research, and diversified into pet foods and cosmetics (Chap Stick); last year the sales reached \$100 million. Robins is celebrated for his paternal devotion to his employees. In 1957 he took them all—there were 132 at the time—to Havana for a five-day vacation. While he no longer can offer that particular fringe benefit, he does send each one—they now number more than 2,000—birthday and Christmas presents. When A. H. Robins went public in 1963, part of the offering was reserved for the employees; the stock has since tripled in price. Robins and his family, while they have sold a third of their original holdings, still own well over \$200 million worth.

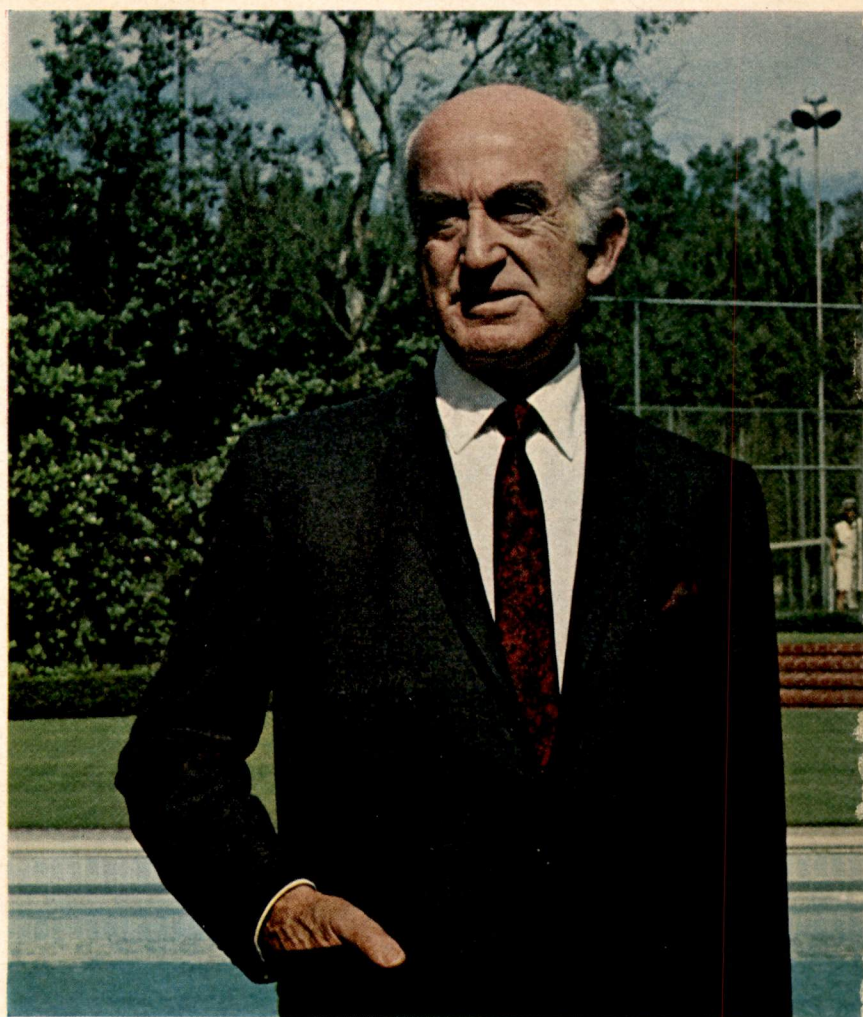
As these examples suggest, the great new fortunes are being made in much the same manner as the great old ones. It still is necessary to enter a business at or near the ground floor, to hold a major interest in the stock, and to resist selling during hard times. One significant change is that the new fortunes are being made in entirely different industries. The wealth of many of today's Super Rich heirs originally came from automobiles, chemicals, food processing, oil, railroading, and steel—industries that now are basic, and no longer growing rapidly. The new fortunes are coming from industries that are still growing rapidly, but seem destined to become basic—e.g., communications, drugs and cosmetics, insurance, and the various high-technology industries.

The high-technology companies are producing rich



E. Claiborne Robins (above). Graduating from pharmacy school in 1933, he took over his family's ailing drug company, A. H. Robins, and turned it into a thriving enterprise.

William R. Hewlett (left) and **David Packard** possess a half-billion dollars worth of engineering skill; that is the combined value of their stock in Hewlett-Packard Co.

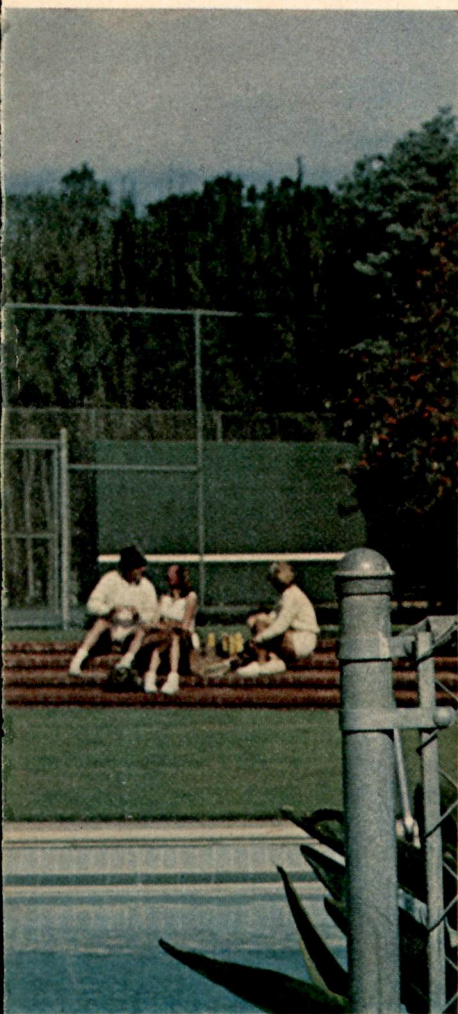




O. Wayne Rollins (above). Founder of Rollins, Inc., he generated his fortune in broadcasting, but says his "first love"—and a highly profitable one—is real estate.

S. Mark Taper (left). His nine-digit fortune comes from California real estate and the savings-and-loan business (First Charter Financial). Once he retired on \$700 a month.

Leon Hess (below). He started a small oil-delivery business thirty-five years ago with his father, today is worth more than \$200 million in Hess Oil & Chemical stock.



proprietors with astonishing speed. Because these companies are relatively new, only a few of their proprietors currently are centimillionaires. But it seems plain that many more eventually will be, as the goods and services they provide become essential to the economy. Investors already are paying generously for dozens of companies with intriguing prospects but brief histories, and one can point to several individuals who are worth scores of millions, but were worth very little a few years (or even months) ago. An arresting example is Dr. An Wang, forty-eight, who founded Wang Laboratories, a computer manufacturer, in 1951, three years after getting his Ph.D. degree at Harvard. Dr. Wang, a native of Shanghai, offered some stock to the public last August at \$12.50 a share, or twenty-five times earnings for the fiscal year ending June 30, 1967. By late October, investors had bid the price up to \$81, boosting the value of the shares held by Wang, his wife, and their trust to \$92 million. More recently, their holdings were worth \$60 million. William C. Norris, fifty-seven, who founded Control Data Corp. only eleven years ago, saw his holdings grow to \$67 million last December, when investors were appraising the company at well over a hundred times its earnings for fiscal 1967. By mid-March, however, his shares were worth only \$45 million.

Because the high-technology stocks are so volatile, they provide an uncertain foundation for a great fortune. The riskiest common stocks generally are those with the highest price-earnings ratios; in the market slump early this year, for example, the so-called "glamour" issues fell much more sharply than most other stocks. Even Dr. Land, whose company's stock recently was selling at more than fifty times last year's earnings, received a severe jolt. He and his wife watched the value of their Polaroid holdings decline by \$198 million between early December and mid-March, including a plunge of more than \$42 million in a single day during February. Howard Vollum and M. J. Murdock, co-founders of Tektronix, a manufacturer of cathode-ray oscilloscopes, each held more than \$115 million worth of their company's stock in October; by mid-March the same holdings were worth less than \$77 million each. J. Erik Jonsson, sixty-six, former chairman of Texas Instruments and currently the mayor of Dallas, had \$100 million worth of T.I. stock in October, but saw his stake shrink to less than \$70 million in February, when the company disclosed that its earnings per share had fallen 33 percent last year. And Charles B. (Tex) Thornton, chairman of Litton Industries, whose company also has had earnings problems, watched his holdings drop from \$147 million in October to \$79 million by mid-March.

Precipitous stock-market declines are not limited to high-priced, high-technology stocks. When a company runs into sudden trouble, as Texas Instruments and Litton did, the market usually reacts ferociously; and anyone who has a large fortune bound up in that company may see it decimated as swiftly as it was built. This lesson recently was brought home to Edward J. Daly, forty-five, who eighteen years ago paid \$50,000 in cash for World Airways, a charter airline. The company flourished, and Daly made a public offering in April, 1966. The value of Daly's holdings rose from \$100 million at the time of the offering to \$337 million last July; then the stock went into a nose dive, and in the next eight months Daly lost more than \$200 million in paper profits. The decline was touched off by a federal-court ruling, now under appeal, which would prohibit World and other charter airlines

Text continued page 192

Overleaf, a roster of the richest

The Richest of the Rich

\$1 BILLION TO \$1.5 BILLION

J. PAUL GETTY, seventy-five; Californian living in England; Getty Oil Co.
HOWARD HUGHES, sixty-two; Las Vegas; Hughes Aircraft, Hughes Tool, real estate. (See box opposite.)

\$500 MILLION TO \$1 BILLION

H. L. HUNT, seventy-nine; Dallas; independent oil operator
DR. EDWIN H. LAND, fifty-eight; Cambridge, Massachusetts; Polaroid
DANIEL K. LUDWIG, seventy; New York; shipping
AILSA MELLON BRUCE, sixty-six; New York
PAUL MELLON, sixty; Upperville, Virginia
RICHARD KING MELLON, sixty-eight; Pittsburgh

\$300 MILLION TO \$500 MILLION

N. BUNKER HUNT, forty-two; Dallas; independent oil operator; son of H. L. Hunt
JOHN D. MACARTHUR, seventy-one; Chicago and Palm Beach; Bankers Life & Casualty
WILLIAM L. MCKNIGHT, eighty; St. Paul, Minnesota; Minnesota Mining & Manufacturing
CHARLES S. MOTT, ninety-two; Flint, Michigan; General Motors
R. E. (BOB) SMITH, seventy-three; Houston; independent oil operator, real estate

\$200 MILLION TO \$300 MILLION

HOWARD F. AHMANSON, sixty-one; Los Angeles; Home Savings & Loan Association
CHARLES ALLEN JR., sixty-five; New York; investment banking
MRS. W. VAN ALAN CLARK SR. (Edna McConnell), eighty; New York and Hobe Sound; Avon Products
JOHN T. DORRANCE JR., forty-nine; Philadelphia; Campbell Soup
MRS. ALFRED I. DU PONT, eighty-four; Jacksonville
CHARLES W. ENGELHARD JR., fifty-one; Newark, New Jersey; mining and metal fabricating
SHERMAN M. FAIRCHILD, seventy-two; New York; Fairchild Camera, I.B.M.
LEON HESS, fifty-four; New York; Hess Oil & Chemical
WILLIAM R. HEWLETT, fifty-four; Palo Alto; Hewlett-Packard
DAVID PACKARD, fifty-five; Palo Alto; Hewlett-Packard
AMORY HOUGHTON, sixty-eight; Corning, New York; Corning Glass Works
JOSEPH P. KENNEDY, seventy-nine; Palm Beach
ELI LILLY, eighty-three; Indianapolis; Eli Lilly & Co.
FORREST E. MARS, sixty-four; Washington; Mars candy
SAMUEL I. NEWHOUSE, seventy-three; New York; newspapers
MARJORIE MERRIWEATHER POST, eighty-one; Washington and Palm Beach; General Foods
MRS. JEAN MAUZE (Abby Rockefeller), sixty-four; New York
DAVID ROCKEFELLER, fifty-two; New York

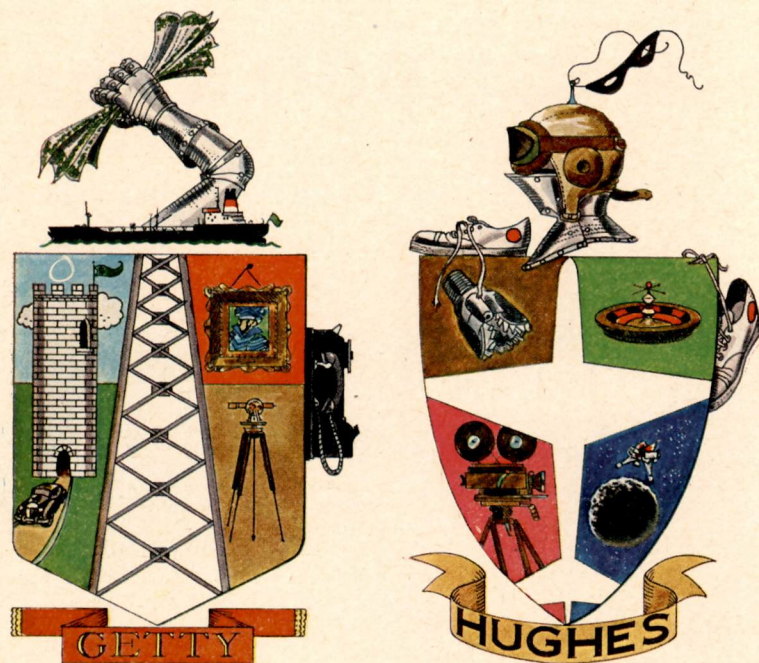
JOHN D. ROCKEFELLER III, sixty-two; New York
LAURANCE ROCKEFELLER, fifty-seven; New York
NELSON ROCKEFELLER, fifty-nine; New York
WINTHROP ROCKEFELLER, fifty-six; Little Rock, Arkansas
CORDELIA SCAIFE MAY, thirty-nine; Pittsburgh; Mellon family
RICHARD MELLON SCAIFE, thirty-five; Pittsburgh
DEWITT WALLACE, seventy-eight; Chappaqua, New York; *Reader's Digest*
MRS. CHARLES PAYSON (Joan Whitney), sixty-five; New York
JOHN HAY WHITNEY, sixty-three; New York

\$150 MILLION TO \$200 MILLION

JAMES S. ABERCROMBIE, seventy-six; Houston; independent oil operator, Cameron Iron Works
WILLIAM BENTON, sixty-eight; New York; *Encyclopaedia Britannica*
JACOB BLAUSTEIN, seventy-five; Baltimore; Standard Oil of Indiana
CHESTER CARLSON, sixty-two; Rochester, New York; inventor of xerography
EDWARD J. DALY, forty-five; Oakland; World Airways
CLARENCE DILLON, eighty-five; New York; investment banking
DORIS DUKE, fifty-five; New York
LAMMOT DU PONT COPELAND, sixty-two; Wilmington
HENRY B. DU PONT, sixty-nine; Wilmington
BENSON FORD, forty-eight; Detroit; Ford Motor
MRS. W. BUHL FORD II (Josephine Ford), forty-four; Detroit; Ford Motor
WILLIAM C. FORD, forty-three; Detroit; Ford Motor
HELEN CLAY FRICK, seventy-nine; Pittsburgh; daughter of Henry Clay Frick
WILLIAM T. GRANT, ninety-one; New York; W. T. Grant variety stores
BOB HOPE, sixty-four; Hollywood
ARTHUR A. HOUGHTON JR., sixty-one; New York; Corning Glass Works
J. SEWARD JOHNSON, seventy-two; New Brunswick, New Jersey; Johnson & Johnson
PETER KIEWIT, sixty-seven; Omaha; construction
ALLAN P. KIRBY, seventy-five; Morristown, New Jersey; Woolworth heir, Alleghany Corp.
J. S. McDONNELL JR., sixty-nine; St. Louis; McDonnell Douglas, aircraft
MRS. LESTER J. NORRIS (Dellora F. Angell), sixty-five; St. Charles, Illinois; niece of John W. (Bet-a-Million) Gates
E. CLAIBORNE ROBINS, fifty-seven; Richmond; A. H. Robins, drugs
W. CLEMENT STONE, sixty-five; Chicago; insurance
MRS. ARTHUR HAYS SULZBERGER (Iphigene Ochs), seventy-five; New York; New York *Times*
S. MARK TAPER, sixty-six; Los Angeles; First Charter Financial Corp.
ROBERT W. WOODRUFF, seventy-eight; Atlanta; Coca-Cola

In compiling this list of sixty-six individuals whose wealth is estimated at \$150 million or more, FORTUNE included the holdings of spouses and minor children, of trusts, and of foundations established by the individuals or their spouses. Only thirty-three of those listed—precisely half—appeared on a list of the seventy-six richest Americans published in the November, 1957, FORTUNE.

The Richest of All



The two richest Americans are J. Paul Getty, seventy-five, and Howard Hughes, sixty-two, the only ones who probably can be called billionaires. But it is impossible to say which is richer.

The issue remains in doubt because both men have substantial assets that cannot be precisely evaluated. Perhaps half of Hughes's wealth is in two privately held companies. He owns all the stock of Hughes Tool Co., while the stock of Hughes Aircraft Co. belongs to the Howard Hughes Medical Institute, a foundation he created; neither company, of course, has a quoted market value. In addition, both Getty and Hughes own large amounts of real estate, a type of asset that also is difficult to evaluate; an estimate normally is based on the most recent sale of comparable parcels, but the actual value cannot be determined unless the real estate is placed on the market.

There is, however, a market value for the bulk of Getty's wealth—his holdings in Getty Oil Co. The stock recently was selling for \$82.50 a share. But it is conceivable that the company, if liquidated, would bring as much as \$150 per share. And since Getty, as either owner or trustee, controls 62 percent of the company, he is in a position to liquidate. Getty owns 4,600,917 shares of Getty Oil directly, and is an income beneficiary of the Sarah C. Getty Trust, named for his late mother, which owns 7,948,272 shares. Getty is the only trustee, but 20.7 percent of the trust is in the names of his four sons, all adults. At \$82.50 a share, Getty's direct holdings were worth \$379,575,652, and his interest in the trust shares was worth \$519,995,825, for a total of \$899,571,477. However, if the same shares were liquidated at \$150 each, his total would be \$1,635,584,504, minus a capital-gains tax of perhaps \$400 million, which would leave \$1,235,584,504.

Getty's other visible assets are slender by comparison. His art collection is probably worth between \$20 million and \$50 million. His museum in Malibu is worth between \$5 million and \$10 million. Other real estate is worth perhaps \$30 million to \$40 million. Getty also recently owned,

directly and through the Sarah C. Getty Trust, \$2,832,812 worth of stock in Spartan Aircraft.

This, then, is how the most conservative, and the most liberal, estimates of Getty's *visible* assets would look:

Assets	Conservative evaluation	Liberal evaluation
Getty Oil Co. stock	\$899,571,477	\$1,235,584,504
Art museum and collection	25,000,000	60,000,000
Other real estate	30,000,000	40,000,000
Spartan Aircraft Co. stock	2,832,812	2,832,812
Total	\$957,404,289	\$1,338,417,316

Calculations of Hughes's wealth naturally require more guesswork. His companies, for example, do not report either sales or earnings. Hughes Aircraft has sales of about \$620 million, mostly to the military and the National Aeronautics and Space Administration. Government contracts entail low profit margins, and the company also has been less profit-minded than other aerospace firms. It seems fair to estimate Hughes Aircraft's actual earnings at \$12,500,000; but in different hands the company might be earning \$25 million. At fifteen times these two earnings figures, Hughes Aircraft would therefore be worth between \$187,500,000 and \$375 million.

As for Hughes Tool, the available evidence suggests a minimum hypothetical market value of \$200 million, and a maximum of \$300 million, excluding certain substantial investments that Howard Hughes has made in the company's name. His 75 percent interest in Trans World Airlines, for example, which he sold in May, 1966, was held in the name of Hughes Tool.

Hughes has received substantial cash proceeds from the sale of publicly held stock. The T.W.A. sale yielded \$546,549,771, of which perhaps \$436 million was left after payment of the capital-gains tax. Hughes also got about \$11 million when he sold his interest in Northeast Airlines three years ago. He has invested about \$100 million in hotels, two private airports, and land in or near Las Vegas, and some, though perhaps not all, of the money came from the sale of stock.

Hughes also owns about \$20 million worth of real estate at Tucson and Phoenix, and about \$125 million worth at Culver City, California. And he has a \$6-million interest in the Atlas Corp.

Estimates of Hughes's visible assets thus would look like this:

Assets	Conservative evaluation	Liberal evaluation
Hughes Aircraft Co.	\$187,500,000	\$375,000,000
Hughes Tool Co. (excluding outside investments)	200,000,000	300,000,000
Real estate	245,000,000	245,000,000
Remaining from stock sales	347,000,000	447,000,000
Atlas Corp. stock	6,000,000	6,000,000
Total	\$985,500,000	\$1,373,000,000

By both a conservative and a liberal evaluation, Hughes shows a slim margin over Getty when only visible assets are considered. But both may have other assets, for example cash and securities, which remain invisible. Because of this, and because of all the other imponderables, Getty and Hughes must be declared tied for the title of Richest American.

Good Living Begins at \$25,000 a Year

For the upper 2 percent, life is comfortable, secure—and reasonably



Nicholas Solovioff

middle class.

by Jeremy Main

Wealthy men living in democracies . . . think more of satisfying their slightest needs than seeking extraordinary delights. They indulge a quantity of little wants but do not let themselves give rein to any great disorderly passion. They are more prone to become enervated than debauched.

—ALEXIS DE TOCQUEVILLE
Democracy in America, 1835

We're very blessed . . . I have all the major appliances that anyone would want and my husband has a workshop that is out of this world.

—UPPER-INCOME ILLINOIS HOUSEWIFE
FORTUNE survey, 1968

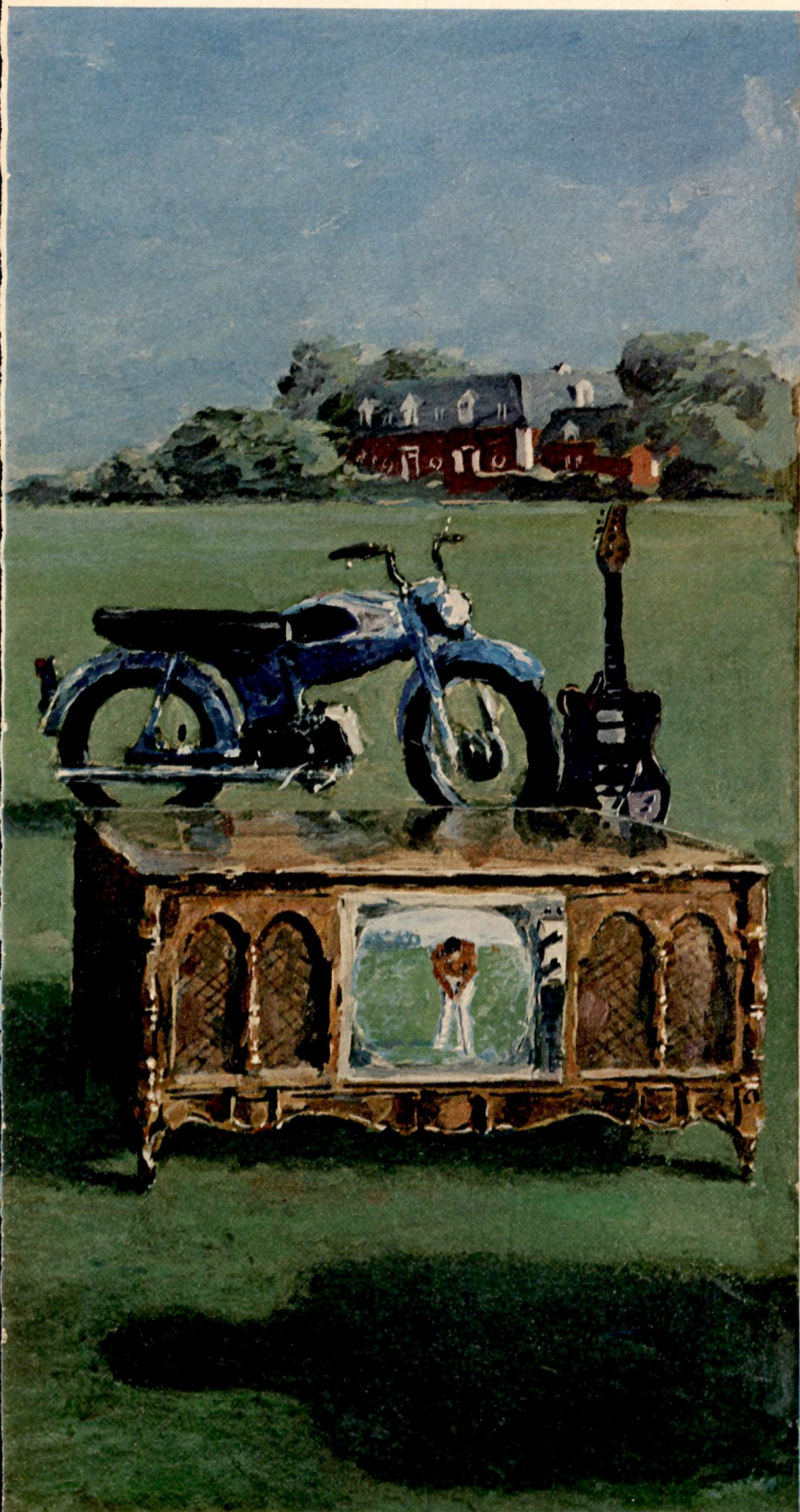
The upper-income American, the one taxpayer in fifty with an income of \$25,000 or more a year, is the spearhead of a mass movement. In 1950, only 303,000 individuals or couples had a taxable income of more than \$25,000. By 1960, the number had risen to 567,000. This spring an estimated 1,373,000 tax returns were filed reporting incomes of \$25,000 or more. By the end of the century one out of four Americans probably will be earning \$25,000 or more a year.

The day of the upper-income masses is arriving. As it does, a new kind of consumer with enormous discretionary spending power will flood the economy. What he does with his money, what he buys or doesn't buy, what his attitudes are toward spending and saving, will have a profound impact on U.S. business. More important, this upward surge into the high income bracket could alter the character of society. Both Herman Kahn and John Maynard Keynes have suggested that as wealth becomes implanted in society, there will be a traumatic rejection of existing social and moral codes. Men will turn from their historic preoccupation with making a living to other pursuits, more intellectual, more epicurean, more aesthetic, more sensate, more "gentlemanly." As wealth spreads—so the theory goes—more people will be free to live the beautiful life.

The attitudes and habits of present upper-income Americans might provide a key to the behavior of these future upper-income masses. But little is known about individuals and families in the \$25,000-plus group. Although they now receive about 12 percent of individual adjusted gross income in the U.S., they have in the past been such a small part of the market that they have attracted little attention from marketing men or academics.

Two new studies, however, provide a start at measuring the well-to-do. The first, a statistical picture of the money habits of adult Americans, was drawn from a national survey of 16,171 adults, 900 of them in households with incomes of more than \$25,000 a year. It was conducted by W. R. Simmons & Associates Research, Inc., for a 1967 marketing survey and was reprocessed by computer for *FORTUNE* to produce a mass of information on economic habits according to income level. Some of the results of the Simmons survey are charted on page 161. The other study, carried out by Daniel Yankelovich, Inc., for *FORTUNE*, consisted of fifty-three depth interviews with \$25,000-to-\$75,000-a-year men and/or their wives. (Only an estimated 123,000 tax returns, or 0.17 percent of the

The possessions and pursuits of the affluent, symbolized at left, are much the same as everybody else's—they just buy more, travel more, have bigger homes, and indulge their children more.



1967 total, reported incomes of more than \$75,000.) Between them, the statistics of the Simmons survey and the insights of the Yankelovich study provide a wealth of information on a level of society that has been almost ignored by sociologists and statisticians.

The two studies testify clearly that the affluent American behaves much like anyone else. A man earning, say, \$40,000 a year may be hard to distinguish from a man earning \$10,000 or \$15,000 a year. He is rarely conspicuous in his consumption or ostentatious in his possessions. He does not rise with his income to a new style of living, where interests and activities flower and money has different uses. Tocqueville's sharp description is still fitting. The affluent do "indulge a quantity of little wants" in a manner that Tocqueville could not have imagined in the last century. The upper-income American uses his extraordinary income for ordinary purposes. His desire is comfort, his goal security, his diversions passive and innocent. He buys the same things that anyone else buys, but he buys more of them and usually chooses models with the most buttons and gadgets. He is neither adventurous in his spending nor a taste maker. The country club satisfies his modest social ambitions.

College is a snap

However, in less visible ways, the affluent *are* different. The exact point at which an individual can be classified affluent obviously varies according to age and geography. There can be a sharp difference in the cost of living for a family man in the city and a bachelor in a small town. But something thoroughly satisfying happens to people when they cross an income threshold of around \$25,000 a year. Until then basic family wants tend to outrun income, but afterward income moves ahead of needs. The family pays off debts and stays out of debt. And major costs are met from current income. Most families find that even sending children to college is not financially binding.

For those at the bottom of the scale unrestrained acquisition is a new thrill. For those at the top spending has become simply an arithmetic exercise. The affluent don't spend frivolously, but they do buy what they want when they want it. They are casual about their money and do not bother budgeting. The ability to spend freely without worrying, to cope with financial demands, is a huge satisfaction and—to those who are new to it—a great relief. They are proud of it.

The well-to-do are a diverse group. It includes professional men (chiefly lawyers and doctors), business executives, farmers, druggists, contractors, and salesmen. An individual in the \$25,000-to-\$75,000 group is most likely a male college graduate in his forties who lives on his salary. There is some vintage money, naturally, among upper-income Americans and their spending habits tend to be different. They have had more practice. One southern lady of established wealth had not even noticed that her new refrigerator had an automatic ice maker. But most people in the group have only recently worked up to a high income, are working hard to add to it, and have not yet had or taken the time to enjoy it. They are business or professional men who may have some private income, but who depend basically on their salaries. They take their ice makers seriously.

As a group, they make \$56 billion a year. With this buying power, they are three times as likely to own a color television set or hi-fi components as men who earn less than \$15,000 a year, five times as likely to serve Scotch,

seven times as likely to drink four or more glasses of imported wine in a week, eight times as likely to own a dishwasher, and thirteen times as likely to buy an expensive summer suit.

However, despite their buying power, the affluent do not dominate any major market. A man with \$25,000-plus a year is fifteen times as likely as the \$15,000-minus man to buy an expensive car (\$4,101 new). But the affluent account for only one out of every five cars in this price group. The individuals who earn \$15,000 or less a year account for 54 percent of this market.

The modest luxuries

It is customary for sociologists to explain purchasing habits in terms of a search for status. In a number of interviews, this objective was stated with surprising frankness: "The main thing is ego—to have people think you are important"; "An expensive suit is appropriate because you feel a lot more confident and because in maintaining a mood of sufficiency you make yourself sufficient"; "When I go to buy a car I want a car of quality make. . . It signifies success and good living to others as well as myself." Nevertheless, when people were asked about what they had actually bought recently, what they were going to buy, and what they would like to buy, very few mentioned extravagant or ostentatious luxuries. One family in the Yankelovich survey has a Rolls-Royce, another has a chauffeur, but on the whole their possessions and personal services are relatively modest and certainly not conspicuous. Almost none had made any major purchases of jewels and few had bought furs (those who had were almost all Easterners). Only a handful had purchased works of art, antiques, boats, or country homes.

More than half the families interviewed, however, had bought a color TV set in the last two years, or were about to buy one. And the most frequently mentioned major purchase of the upper-income American was, as it would be with middle-income Americans, the automobile. A number of people in the Yankelovich study had bought more than one in the last two years and one respondent had purchased six.

The kind of car that the well-to-do buy suggests that comfort rather than status is the goal. Apart from a sizable minority that own Cadillacs and other luxury cars, the affluent tend to buy an ordinary car and hang optional extras on it. "I don't care for the top-of-the-line cars such as Cadillac or a Continental," said a \$50,000-a-year store manager in California, "but I like a middle-class car with all the conveniences on it. We have a Chevy Caprice with all the power equipment—even power windows."

This kind of choice cannot be explained by conspicuous consumption. It does not fit Thorstein Veblen's idea that since people mix a lot with strangers "the signature of one's pecuniary strength should be written in characters which he who runs may read." What is evident is a desire for comfort, plain old middle-class comfort, especially in the home.

Perhaps it is through their houses that the affluent display their status, but that is opulence in private. Improvements to the home—new furnishings, carpeting, appliances, or remodeling—are among the most frequently mentioned major expenses of the \$25,000-plus group. The house, to begin with, is usually a large one, of eight, nine, or ten rooms, acquired some years ago. It is likely to be equipped with a dishwasher (a major household appliance that is a luxury still to come to most American

continued page 180

Population (adult)
0 10 20 30 40 50 60 70 80 90 100%

Gross income (adjusted)

Air conditioner

Ownership

Share of market

Dishwasher

Freezer

Color TV set

Hi-fi components

High-priced automobile (purchased for \$4,101 or more)

Sailboat

Foreign travel (between 1962 and 1966)

How the Rich Differ

The difference between the affluent and others is not that they spend their money differently, but that they spend more money on familiar things. The charts on this page show just how much more they buy. The broad bar at top left shows the proportion of the adult U.S. population contained in each of four income categories. Of a total adult population of 122,915,000, some 2,826,000 or 2.3 percent live in households with incomes of \$25,000 or more a year. The lowest group, \$15,000 a year or less, contains 91.3 percent of the population. The next wide bar charts the share of gross individual income made by each income group. The \$25,000-plus group earned \$55.8 billion, or 11.8 percent of the total. The remaining charts compare ownership and share of the total market for a number of products and services. In the table on air conditioners, for example, the four narrow bars indicate the percentage of people within each income group who own an air conditioner (i.e., 43 percent of the \$25,000-plus group own one) and the broad bar shows each income group's share of the total air-conditioner market (i.e., the \$25,000-plus group buys 4.6 percent of all air conditioners sold). In the next category, dishwashers, there is a big spread between the proportion of owners in upper- and lower-income groups; a dishwasher is still a luxury item in most households. Sixty-five percent of the people with \$25,000-plus incomes own dishwashers, compared to only 8 percent of the \$15,000-minus group. The ownership of freezers is more evenly distributed; 52 percent of the top group own them compared to 27 percent of the bottom group. Big grocery bills are more evenly distributed—because there are usually more children at home in middle-income families—but in such categories as foreign travel and membership in country clubs the difference between the affluent and the rest is more marked. The total market naturally varies in size from item to item. For instance, at the time of the survey only 14 million persons owned dishwashers, but 34 million owned freezers. A 1967 market study by W. R. Simmons & Associates Research, Inc., is the basis for all the material on this page except the bar on gross individual income, which is based on Internal Revenue Service data. The two types of data are not entirely comparable since Simmons data is based on total household income and the IRS data is based on individual tax returns.

\$25,000 and over \$15,000-\$19,999
\$20,000-\$24,999 \$15,000 or less

Home remodeling (in the past year and worth at least \$1,000)

Grocery bill over \$30 a week

Imported wine (served more than 4 glasses in week before survey)

Country club (with golf course)

FLYING HIGH ON MAGIC CARPETS

A small tribe of fanatical American businessmen is taking time out on business trips to haunt rug shops. Although many of these men have commanding titles on their office doors, they are essentially opposed to a broadloom on the floor. What they prefer are the thin, hard-worn, wildly patterned, and vibrantly dyed rugs woven in Asia a hundred years ago. And as the number of these dedicated and prosperous collectors slowly increases, antique Oriental rugs are beginning to rise in value toward the foothills of their peak in the 1920's.

Today's Oriental-rug collectors have no illusions about their chances of accidentally discovering one of the fabled royal rugs of antiquity that were produced by court looms to the order of Oriental or European monarchs. Most of these are virtually priceless and are now in museum collections. Recently, a Rothschild sold a sixteenth-century Persian silk hunting carpet to a U.S. museum for about \$600,000. The origin and history of such rugs are well documented. J. Paul Getty once gave to a Los Angeles museum an Oriental that experts are certain is one of a pair of carpets abducted in Persia from the Ardebil mosque in 1522.

The rugs that modern collectors search for were woven not by the court weavers, but by nomad tribesmen and peasant villagers for their own use or to barter. There are about a hundred recognizable varieties of these humbler rugs, identified by source and type. And when a collector comes across an authentic antique Ladik Turkish prayer rug, a Caucasian dragon, or a Turkoman Tekke, he carries it away, puts it on his floor—or, if the old rug is truly threadbare, on his wall—and makes plans to deed it to a museum. He will also talk about it incessantly at meetings of the rug society, the Hajji Baba Club, probably lie about how little he paid for it, and engage in endless debate over its quality and origin. One of the chief fascinations in collecting tribal and village carpets is that facts are really opinions, and argument thrives, even among experts.

The U.S. remains a rich mine of these rugs. They were imported by prior generations as status symbols and are now handled by a group of knowing dealers, mostly with names such as Beshir, Topalian, Costikyan, Raphaelian, Dildarian, Gertmenian, Harootunian, Hintlian, and Avigdor. (Collectors have little interest in new Oriental rugs: the patterns are less exciting, the colors not yet faded, the nap not yet gentled by thousands of days of wear.) Since about 1955, West German dealers have been traveling to the U.S. to outbid Americans for antique Orientals. But the Americans are rallying; the dealers are cooperating with everyone; and the passion for these increasingly precious objects continues to thicken.

—WALTER MC QUADE



There are 53 different things to see in a burning candle.
How many can you see?



A physicist tells us if you examine a burning candle closely you can make 53 separate and distinct observations about it. We're not surprised.

We don't spend much time observing burning candles, but we spend a great deal of time examin-

ing products. We look at a product as it is presented to us. Then we stand to one side and look at it as it presents itself to a user. We experiment with it, talk to our husbands and wives about it, try it out on our friends and research it with consumers. We ob-

serve it in the light of competition and in the dim of intuition.

We throw out the obvious, the trite, the ordinary. And maybe at about the 54th observation come up with the gleam of a product advantage nobody else would have seen.

Perhaps we can throw some light on your problems.

(Want to know those 53 burning-candle facts? Write us—285 Madison Avenue, New York, N. Y.

Young & Rubicam

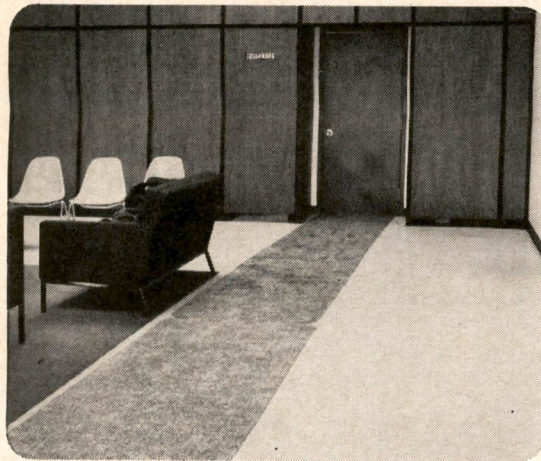
John Deere saves money and cleans up with "KEX"®

What's a "KEX"?



"KEX" is a complete cleaning system available nationwide on a service basis through licensed distributors. It consists of products technically designed to help your maintenance departments operate with more efficiency and at a lower cost.

At John Deere's vast Waterloo, Iowa, Tractor Works and at their nearby Product Engineering Center, "KEX" industrial towels, (top), deal economically with rugged wiping jobs—grease, oil, paint, and metal shavings. "We could not do the job any other way for the same amount of money," says a Deere spokesman.



"KEX" Walk Off® Mats, (center), are a major factor in preventive maintenance. They save maintenance at John Deere by trapping dirt at plant entrances, in lobbies and in passageways between plant and offices, because Walk Off Mats are chemically treated with a non-drying, dust-absorbing compound that actually attracts and holds all types of dirt.



And "KEX" Dust Control products, (like the mop at left), are similarly treated so they'll clean wide areas fast. All these "KEX" cleaning products are supplied to John Deere on a rental service basis by Waterloo Industrial Towel & Uniform Service, (Div. F. W. Means and Co.). For a cost-free plant survey, write "KEX" National Service, Dept. F-2, La Grange, Georgia.



"KEX" NATIONAL SERVICE®
La Grange, Georgia

"KEX"® and "KEX" Walk Off® are registered trademarks, and KEX NATIONAL SERVICE® is a registered service mark—both of Deering Milliken, Inc. Callaway Division.

Good Living Begins

at \$25,000 a Year *continued from page 160*

households), a refrigerator with an automatic ice maker, several TV sets, and occasionally other luxuries such as central vacuum cleaning or gold-plated faucets.

A mink before a maid

Most of the well-to-do have come out of the middle class, associate with people just like themselves, and feel no compulsion to develop new standards and tastes. They prefer acquisitions to attentions. Comparatively few of them send their children to private schools. As an advertising man in Texas said, it is not "necessary for social acceptance or from the social standard standpoint." And only nine of the fifty-three households have full-time help, although most of the others could easily pay for it. A mink means more than a maid to an affluent housewife. (Of course, some say they cannot get good help whether or not they can afford it, so the lack of servants may simply be acceptance of the inevitable.)

Among their acquisitions there is seldom a rare or beautiful object, or anything extraordinarily costly or carefully made. "Luxuries" often are defined in terms of gadgets. A midwest salesman says, "I enjoy buying things. I recently purchased a snow blower and I had fun putting it together. I used it twice and now it hasn't snowed since. I always buy the luxury model. I like the little extras. Even just a fancier knob on an item could make the difference . . . I feel my wife's coat was a luxury not so much that it was mink, but that we made sure it wasn't skimpy. It had enough pelts in it." A Texas contractor defines luxury as a TV set and a car for every member of the family.

Even those who deny that they want luxuries, deny it in terms of gadgets. A person will prove that he scorns luxuries by pointing out that when he bought a refrigerator it was the one without the automatic ice maker. But there is a solid minority whose idea of luxury tends toward the intangibles of culture and good taste. When asked what they considered to be luxuries they spoke of dinner parties, the theatre, vintage wines, private schools, art and book purchases—as well as the latest camera and a car for the teen-agers.

Travel is the favorite diversion, beyond any challenge, of the upper-income American. It seems to be the one real extravagance of the well-to-do. Many people who don't like to splurge at home will spend freely when they are traveling or preparing to travel. When asked if he ever went on a buying spree, a Boston businessman said, "No, but when I travel, I travel deluxe." One of the clearest statistical distinctions in the Simmons data between people who earn more than \$25,000 a year and people who earn less is in the amount of foreign traveling they do, particularly business travel and trips to the more exotic places such as the Caribbean, Africa, and Asia.

Travel accomplished and travel envisioned were also very much on the minds of the affluent interviewed for the Yankelovich study. Most of them take two and maybe three or four brief vacations a year. A winter vacation in Miami or the Caribbean has become normal, a cultural expedition to Europe with the children is common, and quick trips to Mexico and Canada and around the U.S. itself are routine. "We like to see things," says a lady in Nebraska, "we see new things, new highways, new people, new places, new hotels, new motels." Seven families in the Yankelovich study mentioned that a trip around the world was among their goals.

Once he gets where he is going the frenetic affluent traveler

continued page 184



PACKAGING... what's in it for you?

The utility of a repair kit

Those are useful packages. They didn't stop serving after being opened. They didn't wind up in the wastebasket. No sir, they're working overtime.

That's the kind of packaging we do at Alton. The kind that keeps serving the user—and you. No prima donnas, just hard-workers. We know that a useful package helps build product preference.

Sure, there's a lot more to packaging

than utility. Nobody knows that better than we. And we've got the people, the facilities, the expertise, to prove it. And the big name customers to vouch for it.

How about sitting down and talking over your packaging needs? With our Full Circle Packaging service, bet we come up with just the right program for you. Need more info? Then send for our colorful brochure.



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Pinning your product success on uniform spring wire?

Merv, our south-eastern regional sales manager, is a man who really knows wire. He also knows how to make wire work for you.

If it's spring wire you want, you want uniformity. He'll see that you get it, in size, shape, temper, finish, and steel characteristics.

If it's information you need, on orders, routing, pricing, fabrication, he'll get you the facts.

In fact, Merv Lloyd is one of many wire experts at Continental who stand ready to help you in any way they can. And back of these men stands the company with unique capabilities to give you the wire you want,

when you want it.

What's behind our leadership in Wiremanship besides people with know-how? *Things are really cooking at Continental Steel.*

New electric furnaces are "cooking" steel many times faster than before, so you'll get your wire faster still.

A new wire mill, a new warehouse, and modernized facilities and methods all prove we've gone all-out to stay ahead in wiremaking. The upshot is, we're making happy customers happier every day.

If you happen to want bag tie wire, cold



**Get Merv Lloyd on the line
and discuss our new capabilities.**

rolling quality wire, ball or plating quality wire, even heavy-gage galvanized wire up to ½ inch in diameter, you can't do better than Continental.

So get Merv Lloyd on the line in Kokomo. Area code 317; 457-3211. Find out what personal service is really like.

If it turns out that Merv doesn't service your city, he'll quickly turn up the wire expert who does.

You can count on Continental to take care of you.



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industrial
sites in
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**WISCONSIN
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Use our helicopter, the Shopper Chopper, to help you select a plant site. This unique Red Carpet service will show you a new perspective on the potential for profit in Southern and Central Wisconsin. View industrial parks and plant sites from the air... sites close to transportation, recreation, and housing. See communities that want industry and show it by the way they treat you... communities with skilled, semi-skilled, and willing, trainable workers. To reserve your flight on the Shopper Chopper, contact Industry Development Director John R. Frederick, Dept. 402, P.O. Box 192, Madison, Wisconsin 53701. Phone: 608/256-3151.

Good Living Begins at \$25,000 a Year *continued*

subsidies into inertia. He rarely undertakes a demanding diversion such as sailing or skiing. Brought up in a modest home, he has worked too hard since then at making money to work hard at anything else. A survey of Harvard Business School graduates last year showed that those who worked more than sixty hours a week—or at least those who said they worked more than sixty hours a week—earned much more than those of more leisurely habits. To relax from all this pressure it takes drink. A 1967 survey of 391 members of the Princeton University class of 1942 showed that median income rose progressively with the number of drinks consumed daily. Those who had four or more drinks a day had a median income of \$27,500 a year. One-drink-a-day men had a median income of a mere \$18,541.

The future is going up

Saving money—in large amounts—is quite naturally a goal of the well-to-do. According to a Federal Reserve Board study, half of the families with income of \$25,000 or more saved at least \$5,000 in 1963. The mean wealth of people with 1962 incomes between \$15,000 and \$25,000 was \$63,000, while the mean wealth of people with incomes between \$25,000 and \$50,000 was \$291,000.

As wealth increases, the composition of a family's estate changes markedly. Savings accounts, real estate, and U.S. bonds are large ingredients of small estates. But as the estate gets bigger, a larger portion is invested in common stock. In 1962, according to the Federal Reserve survey, 49 percent of all publicly traded stock was owned by people with incomes of more than \$25,000, although they then formed less than 1.5 percent of the population. The proportion of stock held by the affluent has not changed much since 1962.

Each of the people interviewed in the Yankelovich study was asked what he would do with a \$2,500 increase in income. The most consistent response was that it would be invested, usually in corporate stock. (Only one person considered giving it away; charities do not seem to be uppermost in the minds of the affluent.) Sometimes they seem to invest for lack of anything else to do with their money. Most look forward to a well-heelled retirement, but that goal is already in reach. Only a few cared vitally about endowing their children; some suggested that security wouldn't be a problem for their children because of government benefits and sustained prosperity. The working lives of the affluent have spanned a period of almost continuous growth. They believe it will continue: "As for the future, it's got to go up," said a New York woman. They realize that it takes rare stupidity or profligacy or bad luck for a prosperous American to become impoverished today.

"I want that big money"

The affluent chose their careers, characteristically, with the goal of making money. At least, they lacked other goals. The majority recall their life ambitions at the age of twenty in terms of money. A pharmaceutical salesman in California said, "When I was that age I thought if I could ever make \$10,000 a year that's all I could ever want. I thought I would be a doctor. But I was impatient to go out and start earning a living so I didn't go on in school. . . I guess now I've reached a point where each dollar brings the desire for more. I guess I have just upgraded my ambitions each year." A New York dress-manufacturing executive said, "At twenty

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14 years of trying everybody else's copiers convinced us to make our own.

Since the day we rented our first copier back in 1953, we at Pitney-Bowes have gone through 23 copiers. We bought, rented and leased them. Just like everybody else. And, like everybody else, we had our problems with them.

Some were reasonably good but cost too much. Others made copies that were wet, sticky, blurred or brown. Or didn't show ballpen signatures or notes in the margins. And then there were the copiers that blew hot and cold all day long—once they warmed up.

So we decided to make our own copier. The

way we thought a business copier should be made.

Our copier uses the electrostatic system. It dry copies from all colors permanently. It makes 8 copies a minute and delivers the first morning copy in seconds with no warm-up.

Our copier actually skimps on paper. Its roll feed system lets you copy things of any length... from receipts to ledger sheets and beyond. You pay for only as much paper as you use. No double sheets are ever fed, and copies are cut automatically to the size of the original. It even copies from opaque as well as two-sided originals.

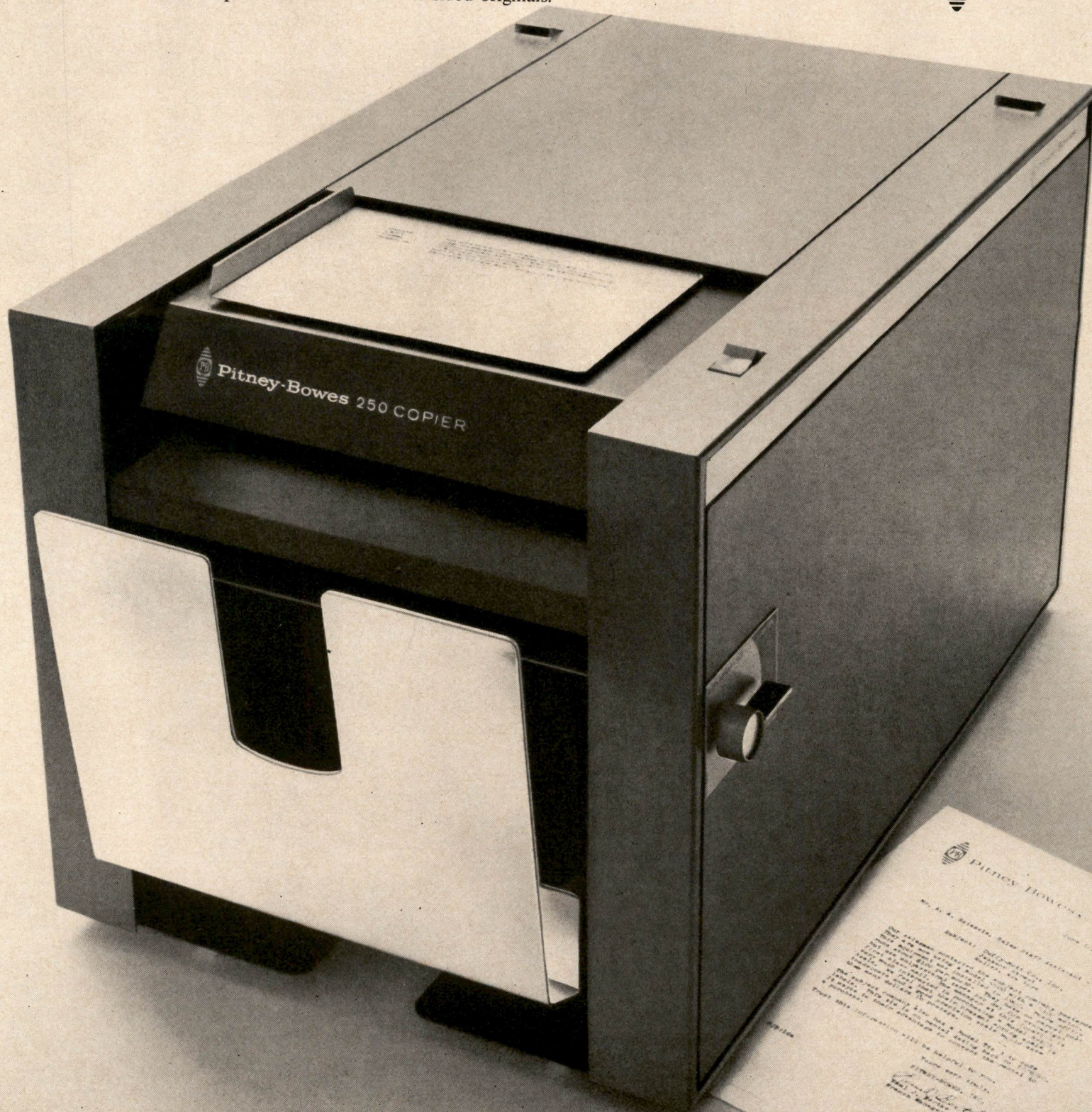
We feel any business should be able to afford a quality copier. You can have ours for \$795 delivered. (We'll arrange a rental or lease too.)

Take a look at our 250 Copier. It's attractive, functional, even simple. So simple, anyone in your office can run it. So compact, it fits where it's needed the most.

And behind every copier is a team of over 3,000 Pitney-Bowes representatives waiting to serve you, from any one of our 385 locations.



Pitney-Bowes



For information, contact Pitney-Bowes, Inc., 1178 Crosby Street, Stamford, Connecticut 06904. Postage Meters, Addresser-Printers, Folders, Inserters, Counters & Imprinters, Scales, Mailopeners, Copiers, Collators.

Good Living Begins at \$25,000 a Year *continued*

I expected to retire at fifty. I wanted to make money quickly at twenty. I think now, instead of money, prestige in my particular field of work is more important than money. At twenty I was only interested in money."

The figure \$10,000, and sometimes \$15,000, recurs as a goal in youth. Now that they have gone beyond their goal, the affluent still hold money high in importance. It is a symbol of their success. A New York lawyer who earns better than \$65,000 a year said, "I have always felt the same way. It is very important to make a lot of money. I obviously spend a lot. It is a challenge. It is a game." The wife of a New York merger specialist who makes over \$50,000 a year said, "It's more important now to make money. Time is getting short when you're in your forties. You're not young any more and think everything will work out in the future for the better. . . Life is passing you by. If you don't have the money now you never will." In the Midwest, a manufacturer's representative stated bluntly, "I'm a self-made man. I wanted to make a lot of money five, ten, fifteen years ago. I still feel the same way. I work hard and I want that big money. It is as important to me today as it ever was."

Once acquired, money is handled almost carelessly. The affluent do not spend frivolously or riotously, but they do spend casually. Nobody seems to keep a budget. When they want something they just reach out for it. The Yankelovich interviews are full of statements such as "I buy what I want when I need it" and "When we want something we get it." Some of the affluent are comparison shoppers, but there is a lot of buying on impulse. A car can be bought in five minutes, or even ordered by phone. If the upper-income shopper is fussy, he is more likely to be fussy over quality and appearance than over price. He does not haggle or hunt for bargains because he feels his time is worth more than what he would save.

Personal debt is a particular aversion of this generation of the well-to-do. They do not mind borrowing on a mortgage or for margin stock purchases, and occasionally they will borrow to buy a car, but that is the limit. "I absolutely refuse to pay someone interest," says a farm-machinery salesman in the Midwest. They do use credit cards extensively, especially for travel, and they have a pile of charge accounts; partly because these ways of spending help them keep records. They are casual about cash. Some never carry more than a few dollars, and even start on trips with an empty wallet. Others try to carry \$50 or \$100 in case they need it.

Happiness is two girdles

For most of them, buying new things remains an intense pleasure diminished only by age and a long stay at the upper-income levels. Satiation is rarely attained. As Veblen observed, wants are "indefinitely expansible." Although most of the people interviewed said there was nothing at all that they really needed, they obviously had been and would continue buying avidly. Many of the people interviewed talked vividly about the pleasures of shopping: "I got that way buying my deep freezer. I got so excited that I could hardly wait for delivery"; "I will never get over the feeling that . . . if I want to buy two \$10 girdles at the same time, I can"; "I love new things. I like to get rid of my old things and get something new"; "I am an acquirer of things. I buy guns . . . I think it is a feeling of ownership, a need for

ownership"; "I go nuts. I'm the easiest punch in the world. If something appeals to me, I buy it. I don't haggle. I pay the price. I enjoy what I buy."

These enthusiastic buyers tend to be satisfied with what they buy. There was an occasional complaint about a car or a hi-fi set, but most people interviewed found themselves "100 percent satisfied," or "enchanted" with their new acquisitions.

The permissive parents

Comfortable, content, secure, the upper-income American seems unworried about what the world may do to him and satisfied with his place in it. But there are concerns that sometimes pierce his assurance.

Children are a particular worry. The children of the well-to-do are exceedingly indulged. One Southerner said he always carried more cash than he needed because he had one child, a little girl, and "I wouldn't want her to want something and me not have the money." A woman in the West who had bought a Honda for her son remarked, "He's only eleven years old but he had to have it." These are extreme examples, but there is no doubt that the children of the affluent get just about anything they want without waiting. This worries the parents. The West Coast pharmaceutical salesman said, "It frightens me even now. We are very permissive with our children. They have an allowance which they have to earn. They are guided to spend their own money on things they want but if they want something more, they usually get it. They each have their own TV's and I can remember when one TV was considered a luxury. I'm afraid they have had so much that they will never develop a sense of values toward money."

Although they are not given to introspection, some of the well-to-do worry also about themselves—whether they had the right kind of ambition, whether it was worth while, or whether there is anything left to do once their ambitions are satisfied. One man, more self-analytical than most, described his problem this way: "In college I was business oriented. My ambition was to be the vice president of a big corporation and have an income of \$10,000 or \$15,000. I structured my goals this way. Maybe I've run out of steam. Now that I have got where I wanted I feel frustrated. It's not a money frustration. I'm confused."

Sometimes there is a feeling that money may cost more than it is worth. A midwestern research director said, "I expected to have more independence from the need to expend as much money as I am expending. I expected to have a more adventurous life. . . The things I dreamed have changed. I never dreamt that I would have to spend twenty or thirty thousand dollars a year just for everyday living. The need for earning a lot of money has been enforced by entrapment. I'm not doing as much in professional advancement—my personal desires are much more subordinated to my employer's desire. In effect I'm making money for the sake of making money."

Some are disillusioned: "I wouldn't be nearly as thrilled now if I made a million . . . I guess I've lost my drive for making money." Some are repelled: "In a way, this affluent society is sickening. Money rather than character, good manners, good taste has become the god of social acceptance." Many regret the time it has cost them to become well-to-do. A young California chiropractor, when asked what it was he really wanted, replied, "Time. That's what I really need more than anything else." Others said that the only real luxury left to them is time, or that what they really wanted was more time in the evenings and on weekends with their

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Break the ice with Teacher's Scotch

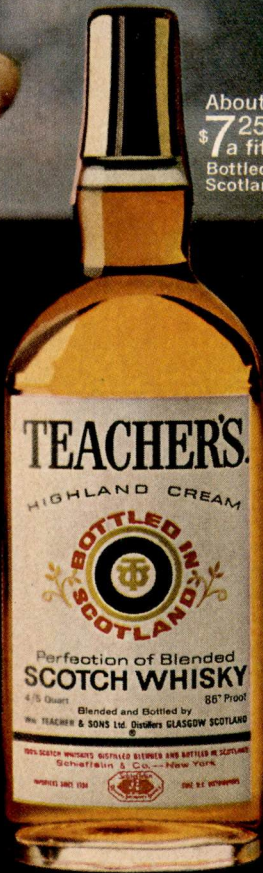


Teacher's Highland-mellowed flavour warms things up without being obvious. No rough edges. That's because it's made from the cream of Highland whiskies. Try it tonight.

You'll see no Scotch improves the flavour of water—fresh or frozen—like Teacher's

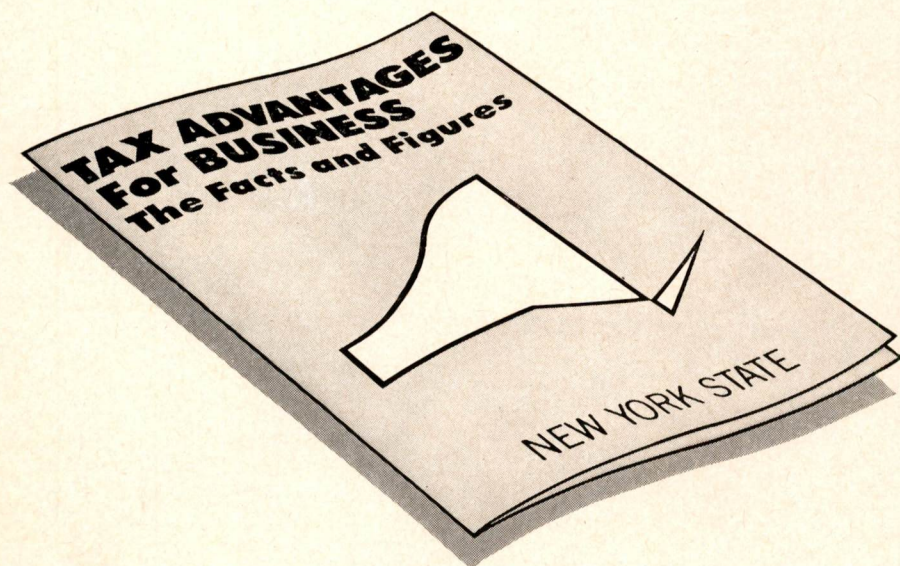
Mellow flavour that warms things up

About \$7²⁵ a fifth* Bottled in Scotland



*Prices may vary according to state and local taxes. Blended Scotch Whisky 86 Proof ©Schieffelin & Co., N.Y.

Where the tax breaks are.



Free brochure.

Taxes in New York State are more favorable to manufacturers than businessmen realize. Find out one of the big reasons why New York is the nation's leading industrial state by reading this free brochure. It tells:

How you can predict New York taxes. They're stable because New York's broad range of public services is already established and so are the taxes to pay for them. New York's business taxes have risen less than those of any other state in the last twenty years.

How you can save on personal-property taxes. There are no personal-property taxes in New York State. No tax on machinery, inventory and equipment.

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Compare the tax assessments for one manufacturer who has to maintain expensive manufacturing and research equipment in New York

and in a neighboring industrial state. Notice how the taxes in State "X" (typical of many states) are inflexible. In New York State over 60% of the business taxes are flexible and based on profit. This system prevents a heavy tax load in a lean year.

STATE "X" TAXES NEW YORK TAXES

State Sales and Use 7%	State Corporate Franchise 62% (Based on Income)
State Franchise 16%*	State and Local Sales and Use 8%
Local Property: Real Tangible Intangible 77%	Local Property: Real Only 30%

■ Inflexible Taxes

□ Flexible Taxes

*Based on capital stock.

Write today on your letterhead for your free copy of "Tax Advantages for Business" to Commissioner Ronald B. Peterson, New York State Dept of Commerce, Rm 252, 112 State Street, Albany, New York 12207. Or call (518) 474-4100. Collect.

NEW YORK STATE DEPARTMENT OF COMMERCE

Good Living Begins at \$25,000 a Year *continued*

families, or that they looked forward to partial early retirement. Yet there was no evidence that the desire for more free time is so acute that men would be willing to lower their goals and earnings in exchange for time. Some for whom early retirement had become possible got cold feet and postponed the day.

The five o'clock break

There are other, lesser, disillusionments with money. A solid minority hates shops and shopping, has no interest in new "things." Some enjoy buying a car but not clothes, while others are excited at buying a painting but unmoved by appliances. Others are just jaded. A prosperous Nebraska farmer's wife said, "Fifteen years ago, if I could've gotten a new living-room group of furniture I'd have thought, whee, top of the world, but now . . . it wouldn't give me the same kick." Her husband added, "I'd much rather sell than buy, any day." Others remain aware of the limitations of money. A Pennsylvania lawyer said, "All I have to offer my children is a way of life and the only way to do that is through experience. . . Before I'd buy a Cadillac I'd buy a Volkswagen and send the family around the world. Possessions are just things that clutter up inheritance-tax forms."

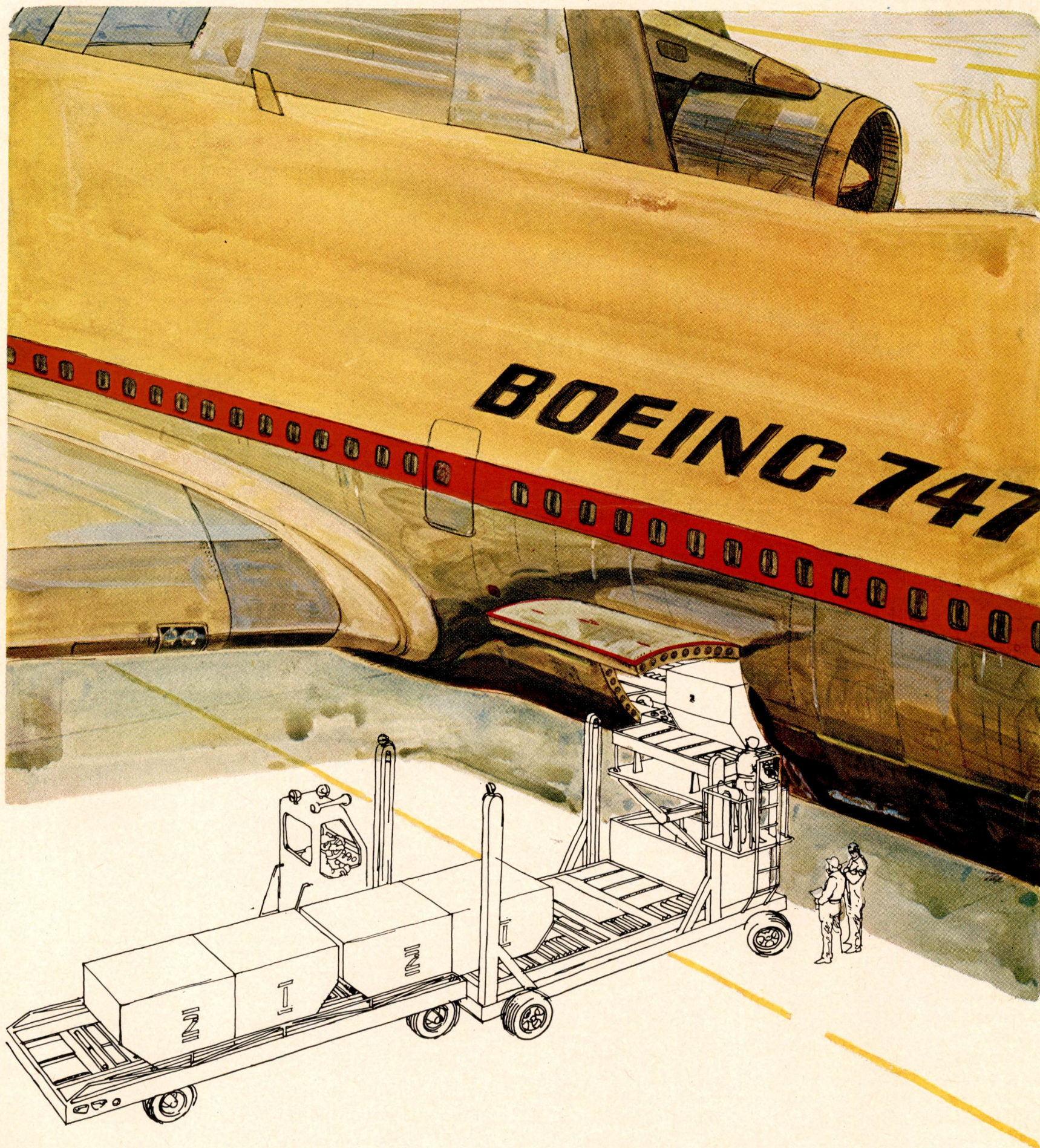
Herman Kahn, who dealt with the future of the affluent in his recent book, *The Year 2000*, suggests, not altogether frivolously, that the well-to-do American might become more like the now legendary French businessman who takes a three-hour lunch with his family, visits his mistress at five o'clock, and has the time and inclination to cultivate the theatre, museums, and literature. Alas, while it is quite clear that the French businessman is becoming more and more like his harried American colleague, there is no evidence that the opposite is happening. The "civilizing" trends forecast by Keynes and Kahn are perhaps evident in the more frequent vacations of the affluent, in their love of travel and longing for more time, and in their less urgent quest for security. What is missing is any exuberant use of money. Only in one remarkable interview, with a West Coast lady whose husband earns better than \$50,000 a year, was there a sense of using money to turn life into a feast:

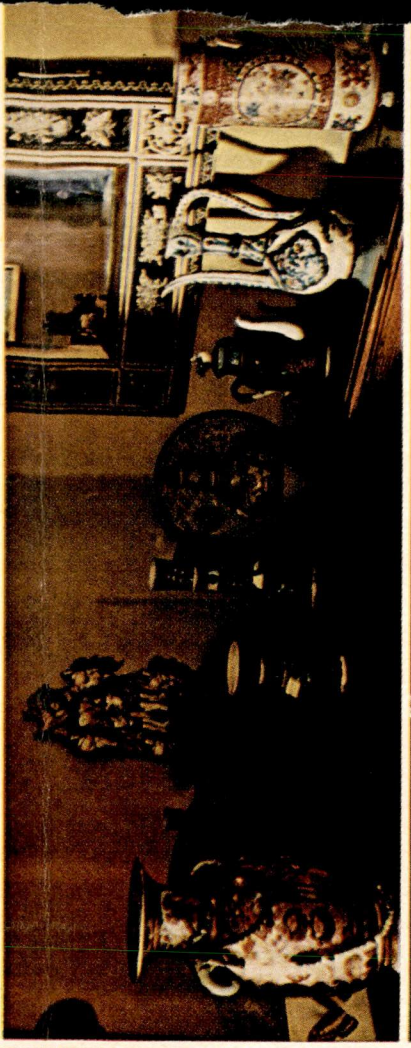
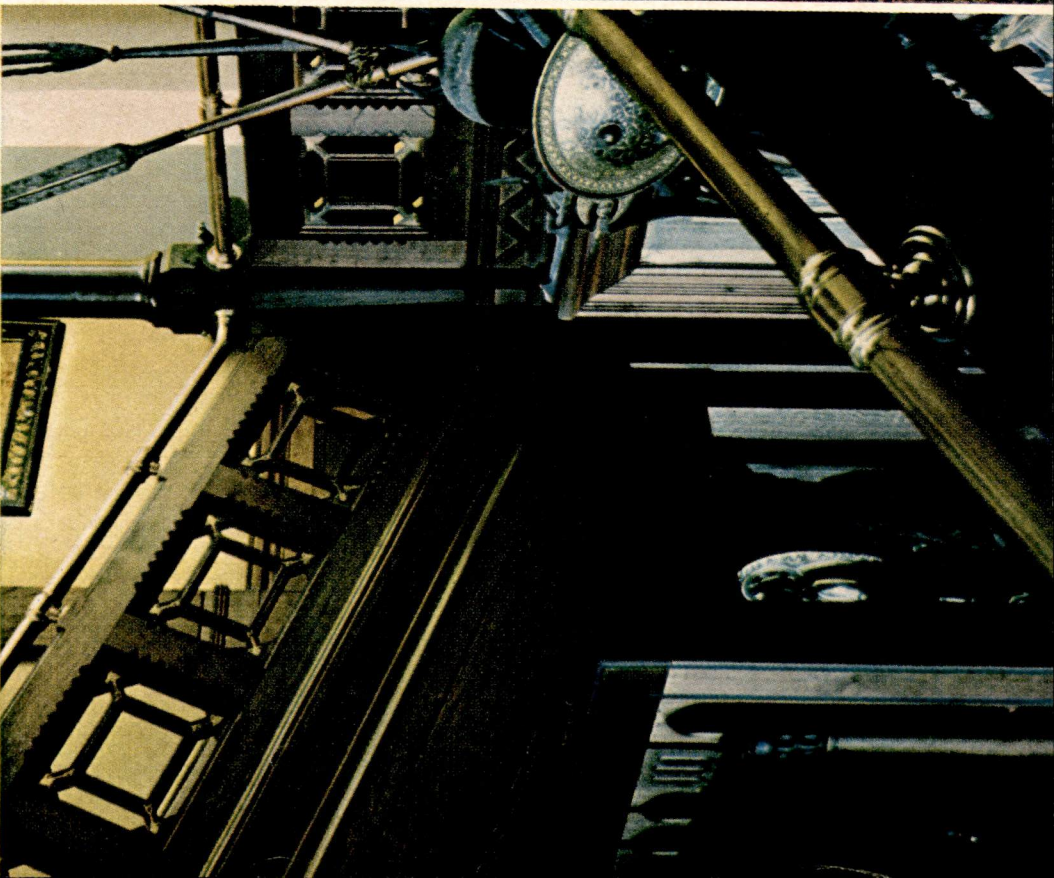
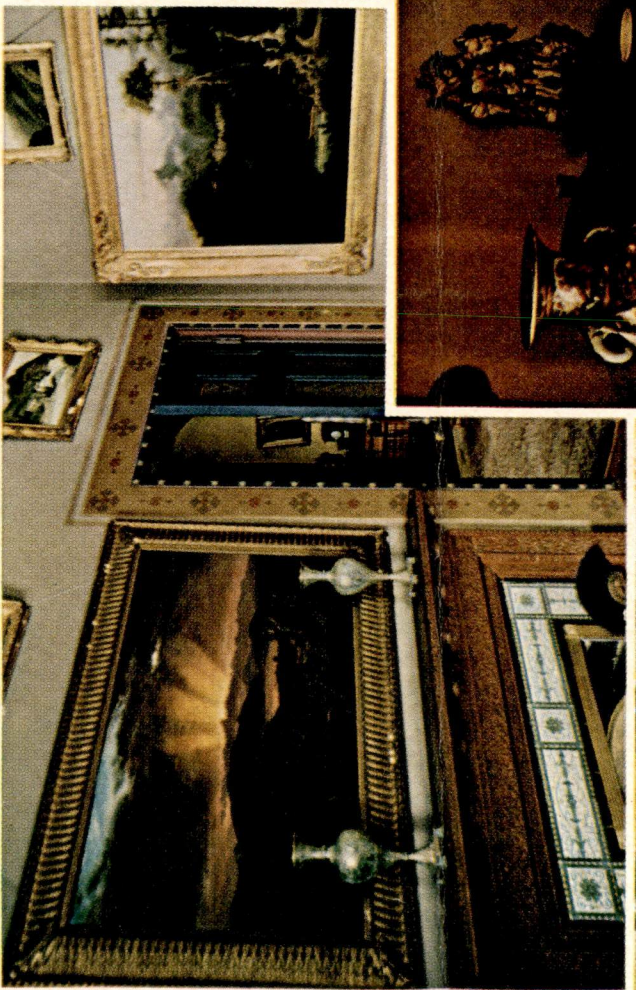
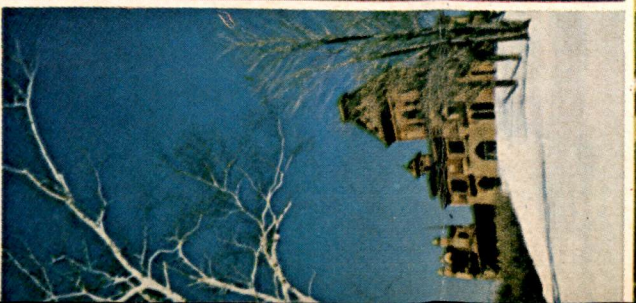
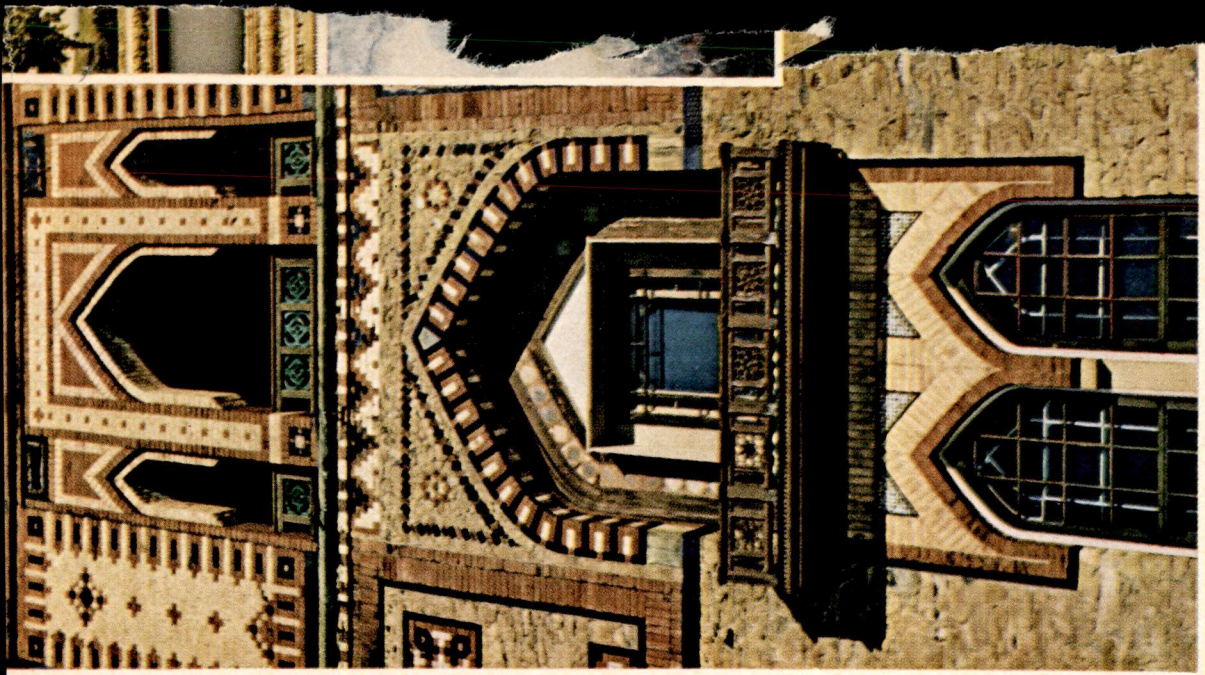
"Two years ago we went to Europe and zipped about for five weeks. Last year we were in Europe for eight weeks. We went to Istanbul and came back on a ship through the Greek islands. And I bought a fur coat in Germany. And a topaz pin in London. We mostly buy jewelry and paintings. And my husband has started collecting rare books. I adore to get new things. I'm mad about it. I've always felt this way. Probably because I'm basically a rotten capitalist. I like life to be as comfortable and beautiful as it can be. Because it makes me sweeter and everyone else around. And it makes it possible to worry about more important things like Vietnam and helping other people. . . Usually we just buy things because they strike us as something we'd like to have. If it's beautiful and within our means we'll buy it. . . I consider traveling first-class on ocean liners and staying at the best hotels in Europe a luxury of which I never tire. . . When we are in New York, which we often are, we hire a chauffeured limousine. . . The things I look forward to are trying to stay conscious and feeling alive and trying to guide my children to being conscious and feeling alive. So few people are conscious. It's hard. I want to find out as much about the world as I can, too."

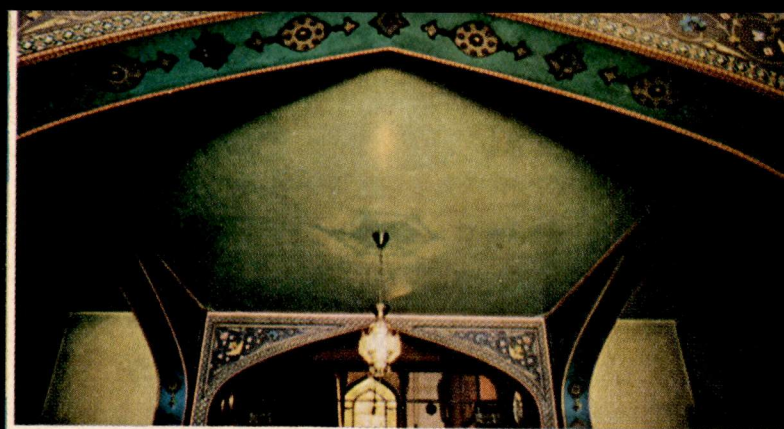
END

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Western
GEAR CORPORATION







Member Federal Deposit Insurance Corporation © Bankers Trust Company

The fight for Olana.

We can't say our decision on Olana was the easiest that Bankers Trust ever made.

Olana had been the home of Frederic Church, last of the Hudson River school of painters.

The place is almost a documentary on 19th Century art and manners and considered one of the country's authentic relics.

But Olana had become part of an estate and that's usually bad news for relics.

In administering the estate, we had started plans to put a tag on everything and disperse the collection to the four winds at auction.

The building itself seemed to be devaluing the land and looked as if it might have to be torn down.

It isn't that we're indifferent to the past. But our legal obligation is to get as much money as possible for the heirs of the estate.

At this point we talked with an interesting group. They wanted to preserve Olana as a museum and

they wanted time to raise the purchase price.

It was both a good and a terrible idea.

It might save the paintings and objets d'art from a bad day on the auction block. (And the Moorish-Italian villa itself was probably worthless for anything but a museum.)

But on the other hand our primary duty is to realize the value of an estate promptly and not take a chance on fluctuations in the market place. Suppose Olana Preservation, Inc. (as they came to be known) couldn't raise the money?

What if the market value of the paintings and artifacts collapsed while we were waiting?

Doing something out of the ordinary like this might expose us not only to criticism but even financial liability. So not only Olana, but our stockholders' money and our reputation were involved.

But the essence of a banker's profession is the weighing of character and capability.

We don't believe a banker should duck a decision by hiding behind a rule book.

In this case, we decided these people were right and they were. But it took them nineteen months.

By then the State Senate and Assembly had approved, and Governor Rockefeller had signed, a bill authorizing the purchase of Olana as a museum and state park.

(Stop in and look it over, if you're ever in the vicinity. It's near Hudson, New York, off Route 9G.)

We like to think that more than Olana was saved.

In the future, any time an organization says to an executor "Give us a chance to save it," the executor can seriously entertain the proposition.

And we'd like to think he'll consider the story of Olana a precedent.



You'll find an executor at Bankers Trust.

America's Centimillionaires *continued from page 155*

from offering "inclusive" tours of foreign countries—tours including meals, lodging, and sightseeing in the price, as well as transportation. (The suit had been brought by three scheduled airlines.) World Airways gets two-thirds of its revenue from military flights—chiefly, shuttling troops between the U.S. and Vietnam—and the inclusive tours might considerably lessen its dependence on the government.

Oilmen in troubled waters

While new sources of great wealth have burgeoned in recent years, a famous traditional source—oil—has been on the wane. Many people immediately think of oil, and of Texas oil in particular, when the subject of wealth is raised; and in 1957, when FORTUNE published its first study of the richest Americans, there was reason to make this association. One feature of that study was a list of seventy-six individuals whose fortunes were estimated at \$75 million or more. Ten of them (including seven Texans) were independent oilmen. The current counterpart, the new list of sixty-six individuals with \$150 million or more, includes just four independent oilmen (all Texans). The only new independent on the list is N. Bunker Hunt, forty-two, a son of H. L. Hunt. One other oilman, Leon Hess, fifty-four, chairman of Hess Oil & Chemical, is new to the list; but his is an integrated operation, heavily involved in the retail marketing of gasoline.

Oil production has come to be a lot less profitable than it was in the good old days. When "Dad" Joiner tapped the East Texas field in 1930, starting the great oil rush, many deposits were shallow, and drilling costs were therefore moderate. Any wildcatter lucky enough to lease the right tract of land could make an easy fortune. A good strike paid for the drilling expenses—about \$15,000 per well—in a matter of days, and what came out of the ground afterward was mostly profit. But the oil remaining untapped today is much less accessible. The average depth per well has been steadily increasing, and so has the percentage of "dry holes." An oil prospector can run up several million dollars in costs between gushers now, and that kind of expense can hurt even the best established operators. As for offshore drilling, the investment required is staggering; a single offshore rig can cost as much as \$10 million, or \$20,000 a day when leased, which effectively leaves the field to the biggest operators. When he does strike oil, moreover, the wildcatter runs up against the limitations that many states (Texas in particular) impose on the amount each operator may take out of the ground. On top of all this, the market price of crude oil is just about the same as it was a decade ago. So it's no wonder that many independents have been selling out to the major integrated companies.

Some oilmen have found other lucrative investments. Two old-guard independents, R. E. Smith, seventy-three, and James S. Abercrombie, seventy-six, both of Houston, remain in the upper reaches of the Super Rich because they diversified. Bob Smith estimates his fortune at between \$300 million and \$400 million, much of it in undeveloped land in and around Houston, which he shrewdly began buying a couple of decades ago. Abercrombie, who is worth close to \$200 million, sold the bulk of his oil holdings in 1946; his wealth now is largely in the Cameron Iron Works, which makes oil-production equipment and aerospace products. N. Bunker Hunt, a rare example of an oilman who has done spectacularly well in recent years without diversifying, made

most of his fortune outside the U.S. He is a fifty-fifty partner, with the British Petroleum Co., in a venture that has produced some remarkable strikes in Libya's Sarir field. His wealth now is estimated at close to a half-billion dollars, and some of his admirers in Dallas are convinced that he will become even richer than H. L. Hunt.

Death and taxes

Inheritance also has been declining lately as a source of great wealth. The decline is mostly due to the federal estate tax, which has been at its present high levels since the early years of World War II. The tax is graduated from 3 to 77 percent, with the top rate applying to estates greater than \$10 million. Half of a man's estate can remain untaxed until his wife's death, and state death taxes are partly deductible (every state except Nevada has its own estate or inheritance tax). But hitting with full force, the federal tax can reduce a \$100-million estate to less than \$25 million.

Since the gift tax is generally less severe than the estate tax, many of the Super Rich transfer part of their wealth to their prospective heirs in the form of gifts. H. L. Hunt is said to have established trusts currently worth more than \$100 million for each of his six children. The four children of Richard King Mellon and the two children of his cousin Paul Mellon also are reputed to have at least \$100 million each. The federal gift tax, which is levied upon the donor rather than the recipient, amounts to \$4,566,150 for the first \$10 million, plus 57.75 percent on the balance. At these rates, a man could give his son \$100 million free and clear with a total outlay of \$156,541,150; to bequeath his son \$100 million after taxes—even if the son were the sole heir—he would have to leave an estate of perhaps \$400 million. Still, only those in the ionosphere of wealth, such as the Mellons, seem equipped to create centimillionaires out of pocket while retaining enough money for themselves. Of the twenty-two individuals on FORTUNE's 1957 roster who have since died, only one passed along—through gifts and bequests—enough money to place an heir on the new list on page 156. That was Sarah Mellon Scaife, Richard King Mellon's sister, who placed two: her son, Richard Mellon Scaife, and her daughter, Cordelia Scaife May.

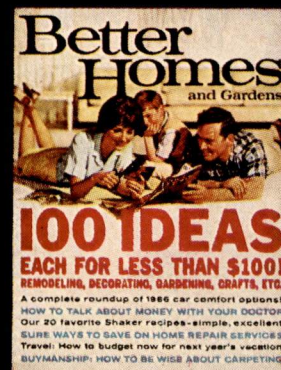
Walker P. Inman Jr., sixteen, a member of the Duke family, acquired a large fortune through inheritance in recent years despite taxes. An orphan who lives with an aunt and uncle at Brunson, South Carolina, he inherited the bulk of two large estates—his father's and a grandmother's. Skipper, as he is called, is already a centimillionaire, probably the nation's youngest. It would require a compound annual appreciation of only 6½ percent to make him a billionaire twice over by the time he is eligible for social-security payments.

Another of the Super Rich who received two large bequests early in life is Mrs. Lester J. Norris, nee Dellora F. Angell, a niece of the late John W. (Bet-a-Million) Gates. Mrs. Norris, now sixty-five, inherited her money from Gates, who died in 1913, and from his wife, also named Dellora, who died five years later. Gates was the head of the old American Steel & Wire Co., now part of U.S. Steel. He was nicknamed "Bet-a-Million" because he reputedly bet \$1 million on a horse race. Mrs. Norris, a resident of St. Charles, Illinois, recently owned 1,460,510 shares of Texaco, which probably made her the company's largest stockholder; her husband, with another 235,455 shares, is on the board of directors. The combined value of their Texaco holdings is about \$125 million.

Some of the Super Rich who inherited substantial wealth

continued page 195

Last year's playboys build this year's playgrounds. How do they learn how?



PROJECTS FOR THE ACTIVE FAMILY

By David Jordan

You don't have to be a professional to build a lively family co-exist in your home. You can build and paint an are wall. You can build a lively family co-exist in your home. You can build and paint an are wall. You can build a lively family co-exist in your home. You can build and paint an are wall.

IDEAS IN ACTION PREFAB THIS STORAGE WALL IN YOUR WORKSHOP

BUILD THIS TAKE-APART PLAYHOUSE

By David Jordan
Nothing's more fun for an imaginative youngster than a playhouse of their own. Will please your two, because it's

100 IDEAS UNDER \$100

This year George is pounding for the playground set, and he's got a lot to learn fast. Where to buy a power saw, and what to look for, and what kind.

Cement—how to mix and pour it.

Paint, plywood, putty, paste, tiling, roofing, styling...how to get it, where to get it, and what kind. Which of the things our more than 19 million husbands and wives make, could they make better, if they knew more about your product?

BH&G. People who put things together take us apart! (circulation 7,250,000)





Man was not meant to fly.

Okay.

So he did it anyway. Because man is constitutionally unable to ignore that kind of challenge.

For centuries he had tried to flap like a

bird, only to find out—the hard way—that it won't work. Then he figured out the principles of lift, and the cambered airfoil. Off he went.

Now we fly higher, farther and faster than any bird. And for over 50 years a worldwide industry has flourished on this air challenge.

LTV Aerospace Corporation has been an important part of the aviation industry since its beginning. (In fact, Chance Milton Vought, the man who founded our predecessor corporation, learned *his* flying skills from

the Wright brothers themselves.)

Our long tradition of accomplishment continues today in this era of jumbo jets, the SST, new-generation military aircraft and the advanced designs of the future.

The sky above is only one arena in which we successfully compete. LTV Aerospace builds advanced products and systems to take up the challenges of *all* the environments: the earth, the sea, outer space . . . as well as the air.

Where man didn't belong in the first place.

LTV AEROSPACE CORPORATION

A SUBSIDIARY OF LING-TEMCO-VOUGHT, INC. DALLAS

America's Centimillionaires *continued*

can nevertheless be fairly described as builders of wealth. The two most prominent examples are the two richest Americans of all, J. Paul Getty and Howard Hughes, both of whom have enormously increased the fortunes left them by their fathers. Another example is Charles W. Engelhard Jr., fifty-one, who took over a solid but inconspicuous precious-metals business after his father died in 1950, and turned it into an international colossus. The family holding company, Engelhard Hanovia, now has interests in Engelhard Minerals & Chemicals, International Silver, Hudson Bay Mining & Smelting, several South African mining companies, and two closed-end investment companies—Eurofund and American-South African Investment. Still another heir who built much of his own fortune is Albert C. Buehler, seventy. He is largely responsible for the success of the Victor Comptometer Corp., a descendant of the old Victor Adding Machine Co., which his late father acquired almost by accident fifty years ago. As Buehler likes to tell it, his father, who owned a retail meat business in Chicago, thought he was buying a machine from a Victor salesman, when in fact he was getting a few shares of the company. The elder Buehler became interested in Victor, bought a controlling interest, and made Albert an officer. In October, 1961, the company merged with Comptometer Corp. Finding Comptometer's facilities outmoded and its sales organization inefficient, Buehler undertook drastic reforms. Victor Comptometer's earnings per share have risen 225 percent in six years.

"People who don't work are stupid"

The extraordinary motivation these men have displayed, to say nothing of how well they have performed, would have surprised the late William K. Vanderbilt (a grandson of the Commodore), who declared, back in 1905, that inherited wealth "is as certain death to ambition as cocaine is to morality." If that was ever really true (it wasn't true of William K. Vanderbilt) it surely isn't now. Most of the heirs to great fortunes, it seems, are busy making more money.

But what keeps them busy? Apparently not a desire for more money, or even for more of the things money can buy. Gaylord Donnelley, fifty-seven, chairman of R.R. Donnelley & Sons, the Chicago printing company, says he considers his participation a "challenge" and an "obligation to a team" (he is a grandson of the founder). Robert W. Galvin, forty-five, whose father founded Motorola, Inc., finds work necessary to "satisfy my sense of responsibility." E. Roland Noel Harriman, seventy-two, a partner in Brown Brothers Harriman & Co., spends four days a week at the office, and carries away plenty of homework. "Only by remaining active can one keep from stagnating and becoming senile," he says. The thought is echoed by a younger man, W. Van Alan Clark Jr., forty-eight, who gets more than a million dollars a year in dividends from his holdings in Avon Products (his mother's father, David McConnell, started the company). "People who don't work," says Clark, "are dull as hell, rapid, and stupid. I would give up every dollar I have to spend my life with people in the real world." Clark served on the faculty of the Massachusetts Institute of Technology for twelve years, and then helped organize the Sippican Corp., an electronics firm based in Marion, Massachusetts. He has made a million on his own in that venture.

The Super Rich, both heirs and self-made men, seem quite serious, not only in their work but in their personal

lives as well. While they can afford almost any luxury, they rarely use their wealth in a frivolous or ostentatious manner. Taken together, they are more notable as big givers than as big spenders. To some extent, the Super Rich avoid conspicuous consumption because they want to avoid attracting the attention of favor seekers, salesmen, and people with propositions. ("Everybody has a proposition for me," complains Kirk Kerkorian, fifty, the Las Vegas centimillionaire who founded Trans International Airlines.) But taste, style, and principle are also involved. The Super Rich are a rather earnest lot.

Wealth is power

One very rich man sometimes said to be ostentatious is W. Clement Stone, who rides around in a gold-colored Cadillac limousine. A fellow Chicagoan, also a man of great wealth, calls Stone the most ostentatious rich man he knows. But Stone's lavishness is less than meets the eye. The limousine is five years old, and Stone has only one other car. He lives the year round in a single residence. And he, too, is a big giver. "Wealth is power," he says, but then he goes on to explain what he means by power: "With money you can do good. Your whole horizon changes." Stone is a bountiful patron of the arts. He has provided grants and scholarships for many writers, singers, musicians, and actors, and has bought more than three hundred paintings from unknown artists, including an inmate of a prison in Australia.*

Many of the Super Rich share Stone's feeling that "with money you can do good." Their ideas of doing good vary greatly, of course, but a recurrent theme is discernible—they want to use their money in ways that give them a sense of high purpose. For example, Robert J. Kleberg Jr., proprietor of the King Ranch in Texas, seems embarrassed by his wealth, and responds belligerently when a would-be interviewer tries to question him about it. Kleberg, seventy-two, likes to think of himself as a geneticist and agronomist—he has developed his own breed of cattle (Santa Gertrudis) and new strains of grass—and considers his money a means to support his work in these fields.

William Benton, sixty-eight, a former adman (Benton & Bowles), who with his family holds all the common stock of the *Encyclopaedia Britannica*, calls his ownership a "trusteeship" for the improvement of education. He invested only \$100,000 in the business (in 1943), and if he sold today he could get more than a thousand times that amount; but he does not intend to sell, or even go public. He plans to spend \$15 million over the next five years to improve the *Britannica*; if he were accountable to other shareholders, he says, he might have had to hold the expense to \$5 million.

The Super Rich typically remain dedicated to the organizations through which they made their money, long after they have made all the money they want. John D. MacArthur, seventy-one, owner of Chicago's Bankers Life & Casualty Co., could expect to gross more than \$400 million if he sold his insurance company and other holdings in banking, gas and oil, real estate, and broadcasting. But he'd rather be "a poor man" than do that, he says. "I spent a lifetime building an institution, and I can't just walk away

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*Stone also likes to help young businessmen, and on at least one occasion his helpfulness proved highly profitable. In 1955 a man named Leonard H. Lavin asked him to cosign a \$400,000 bank loan. Lavin said he would use the money to start a company to market his new hair dressing. Stone assented, taking some stock in the company in return for the favor. Today Lavin's enterprise is the Alberto-Culver Co., with annual sales of \$115 million, and Stone's holdings are worth about \$8 million.

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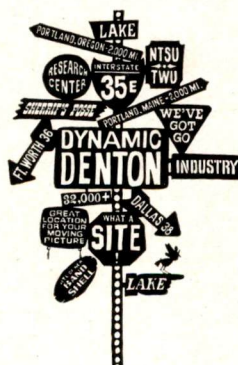
Sound impossible?

That's what we thought. For how could we offer a meaningful sample of the entire city of Denton, Texas? Her trees and hills, opera and jazz; her two great state universities and their research facilities; her drama, lakes and ballet; her industrial climate. Her strategic location mid-way between the two coasts. And the advantages of adjacency to Texas' largest metropolitan complex. Her peoples' pride. Her vitality. Her very essence.

A formidable task. But we did it. We recorded Denton, Texas, in sound and music. An exciting original recording that's unlike any pitch ever thrown at you. An absorbing, entertaining recording that we hope you won't soon forget.

For that is its reason for being. That you might know Denton, Texas. That you might remember Denton, Texas. And maybe even talk of Denton, Texas, to your friends and associates.

What does the little city of Denton, Texas, hope to get from all this? A little bigger.



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free 12-inch, high
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sample of
Denton, Texas.

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Position _____

Company _____

Address _____

City _____ State _____ Zip _____

America's Centimillionaires *continued*

and forget it." During a four-hour interview, MacArthur repeatedly disavowed any hobbies, recreations, or other non-business interests, but he finally broke down and admitted that he likes dogs (he has a Weimaraner, and his wife has a poodle).

Like many others among the Super Rich, Charles Allen Jr., sixty-five, probably the most successful venture capitalist of modern times, insists that moneymaking motives are far from foremost in his dealings. "Success is not financial," he says. As founder and principal owner of Allen & Co., the New York investment-banking firm, he has nurtured dozens of young companies. In doing so, he has profited mightily, but he is also, he feels, a man of good works. His most spectacularly profitable investment—he, his firm, and his family recently held \$82 million worth of the stock—has been Syntex Corp., a maker of synthetic hormone products, notably contraceptive pills. Allen says he was attracted to Syntex because of its potential contribution to public health.

A surprising restraint

The old urge for conspicuous consumption appears to have been channeled largely into a single activity—art collecting. Here the Super Rich spend lavishly. At least ten U.S. centimillionaires own collections valued at \$20 million or more. Some rich collectors, such as Henry Francis du Pont, who assembled the \$80-million Winterthur Museum collection in Wilmington, are so dedicated to art that they qualify as scholars. "Few human activities," rhapsodizes J. Paul Getty in his book *The Joys of Collecting*, "provide an individual with a greater sense of personal gratification than the assembling of a collection of art objects that appeal to him and that he feels have true and lasting beauty."

Art aside, the Super Rich spend with a restraint that would surprise the nonrich. To many people, the mention of nine-digit fortunes conjures up images of custom-built limousines, private airplanes, yachts, and a home in every port. And some of the Super Rich do come close to that stereotype. Marjorie Merriweather Post, eighty-one, the General Foods heiress, has three residences, numerous cars and boats, and a four-engine airplane that carries seventeen passengers and a crew of five; her living expenses run to about \$2 million a year. But, in general, the rich who spend immoderately are likely to be only moderately rich. "The really wealthy," says Albert Buehler, "are quiet, and don't flash their money around." Buehler expresses contempt for the sort of people who tip too heavily and demand the best tables in restaurants. "I'm content," he says, "to sit over in the corner and wait my turn."

Many of the Super Rich are as frugal as any middle-class suburbanite, getting by with a couple of cars, a house, and perhaps a summer cottage with a boat. A few live even more moderately than that—for example, S. Mark Taper, sixty-six, chairman of California's First Charter Financial Corp., and John W. Kieckhefer, eighty-one, of Phoenix, who made his fortune during a half-century in the container business. They get along with one home, one car, and no further means of locomotion but their feet. Indeed, the Super Rich today seem close to blending with the rest of the affluent society. "There is no great difference between the middle-class and the wealthy," says W. Clement Stone. "The wealthy man has gotten out of debt, that's all."

END