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Labor union investment policy

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Labor Union Investment Policy

by

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I. Introduction

A. The Problem

The life of every person in the United States, whether engaged in business or the professions, whether a politician, housewife, farmer or worker, is affected in some way by the existence and activities of labor organizations. This will continue as long as we have a democratic form of government and a free enterprise economy, because organizations of workers are a natural concomitant of a competitive economy and are evidence of a free society.

In 70 years American labor unions have grown from small unorganized groups, unrecognized by either management or government, into institutions sanctioned by law and accepted by employers. Fostered under a favorable governmental climate since the early 1830's, the international unions have increased not only their membership and their financial resources, but also their political and economic power. Professor Sumner H. Slichter has called American labor unions "the most powerful economic organizations which the country has ever seen."*

Everyone is more or less familiar with the role of unions in collective bargaining. Less well-known is the role of unions in the financial sphere.

* 5, p. 2.

This facet of American unionism, however, has lately attracted more attention. In recent months there have been published several articles on this subject under rather sensationalized headlines: "Unions in the Big Money," "Latest in Union High Finance," "Unions--A Billion Dollar Business," "Unions Wield Vast Financial Power."

These articles spring from the realization that unionism is, in fact, a multi-billion dollar business. Unions, from a multiplicity of sources, have accumulated tremendous sums of money. As the amounts of these funds grow, the problem of how they are to be invested becomes more and more important.

The investment problem facing the unions at the present time is in reality a two-fold one: First, how are unions to invest their money so as to preserve and safeguard their principal without undue fluctuations in the market value of their capital, and, second, how can unions invest their funds so as to secure the best possible yield consistent with the first objective. Unions are said to be in a unique position, economically speaking, which accounts for their unusual investment problem. A union may accumulate vast monetary reserves which, on the one hand, may never be needed, or which, on the other hand, may be urgently needed on very short notice. The ability of a union to weather a strike depends to a great extent on the amount <u>and the liquidity</u> of its funds.

This issue of liquidity is one of the crucial problems of any union's investment program. It will be one of the major conclusions of this study that this difficulty has been greatly exaggerated by union leaders, and that a rational investment policy for modern labor unions does not require the maintenance of as large a percentage of their funds in highly liquid form.

B. Significance of the Problem

More than 16 million Americans belong to labor unions. Only in England and Sweden are larger relative portions of the labor force organized. These union members pay millions of dollars every year to their unions. Thus the money unions hold actually belongs to these people. Union investment policy is therefore of direct concern to about 10% of our entire population. In addition, millions of non-unionized workers are directly affected by union bargaining activities and union contracts. It is certainly no exaggeration to say that the bargaining power of a union is quite often in direct proportion to its financial strength. Thus the success or failure of union policy in carrying out its investment objectives is of great concern to the majority of workers, and hence to almost all businessmen. The significance of union investments is, then, even greater than would be imagined from their dollar amount.

The effects of union funds upon the securities markets must also be considered. Any significant change in union investment policy would have a profound effect on the securities markets. For example, a change in present union policy to one only slightly less conservative, could result in millions of new dollars coming into the securities markets.

Probably the first step in any discussion of the importance of labor union investment policy should be the assessment of the total amount of funds unions have at their disposal. It is one of the primary objectives of this study, therefore, to ascertain as accurately as possible, the sum of all the funds in the hands of , or under the control of, American labor unions.

C. Prior Work in the Field

Perhaps the most striking fact to be noticed about the previous work done in the field is the scarcity of it. A few rather half-hearted attempts have been made to analyze certain parts of the problem. For example, *Life* Magazine in 1948 attempted to gather data on the total assets of labor unions.* A few studies have been made of the sources of union income. i.e., dues, initiation fees, etc.** None of these projects, however, resulted in a very

*15, p. 80.
**16, p. 219.
17, p. 253.
5, p. 113.

complete or accurate picture of the situation they set out to portray.

The only full-scale analysis of labor union investment policy that has been undertaken to my knowledge, is by Professor Nathan Belfer, of Pennsylvania State College.* His analysis was based on financial reports obtained from the forty largest unions in the country at the time of his study. This methodology raises certain doubts as to the general validity of his conclusions. First of all, we must realize that the largest unions (in terms of total membership) are not necessarily the richest unions (in terms of either total assets or per capita assets), and secondly, a sample of forty unions selected from the total of over 200 in the country today may not be a reliable one, especially when, as we shall see, many of the smaller (and comparatively richer) unions follow an investment policy substantially different from that of the larger unions. Perhaps, and this is another of the most important questions that this study will attempt to resolve, the greater relative wealth of certain unions is <u>due</u> to the fact that their investment policy is different from that of the majority.

In addition to those difficulties in accepting Belfer's conclusions as valid for the present time, is the fact that his study was completed four years ago.

* 37.

The question arises: Since that time has there been any real change in philosophy behind union investments?

These criticisms are not meant to deprecate the value of Professor Belfer's work. On the contrary, a more complete investigation has only convinced me that the conclusions Belfer drew from his data concerning aggregate union investments were quite valid for the period involved. I do believe, however, that much more important conclusions can be drawn from the differences between unions as to their investment policy. It is much more significant that some unions have been able to obtain greater returns on their investments than other unions without undertaking an injudicious degree of risk, than that unions as a whole are not getting high returns on their investments. It is the intention of this study, therefore, to compare the investment results of many unions and determine whether or not it would be wise for all unions to adopt the investment policies of those few unions which have been very successful in the financial sphere.

Perhaps the main reason for the scantiness of work in this field has been the difficulty of obtaining concrete facts on the problem. An analysis of union investment policy necessarily depends upon getting reliable figures on union investments. income, assets, etc. These figures have been difficult or impossible to obtain in the past, but are becoming increasingly available. Under the Taft-Hartley Act, national unions are required to submit to the Department of Labor, detailed financial statements (a statement of income and expenditures, and a balance sheet), and to make these reports available to any bona fide member of the union who wishes to see them. There is no provision, however, requiring unions to make these reports available to the general public. Many unions, nevertheless, have followed a policy of giving wide publicity to these financial statements. Some unions. notably International Ladies Garment Workers Union, the United Steelworkers of America, and the American Federation of Hosiery Workers followed this practice even before the Taft-Hartley Act was passed in 1947. Emil Rieve, president of the Textile Workers Union of America (CIO) in 1947 stated, "I do not believe refusal to make public a union's financial statement is defensible today, and I think Congress should require it."*

It is this increasing willingness on the part of unions to disclose the financial details of their operations to the general public that has made this study possible.

D. Objectives Of This Study

Briefly, the objectives of this study may be summarized as follows: First, an attempt to measure the

*19, p. 32

total wealth of all unions in a more complete and accurate fashion than has been done before; second, an analysis of union investment policy as it has evolved in recent years to its present stage. Closely connected with this second problem is the question of whether unions will or can or should obtain a voice in management through purchase of common stocks. Third, I hope to point out some of the reasons for the extreme conservatism of most union investments. Too many articles have been written criticizing this ultraconservatism without displaying any awareness of the special characteristics of labor unions that have made such a policy not only reasonable, in the past, but perhaps also necessary. Fourth, I intend to point out some of the faults inherent in present union investment policy, and, lastly, to propose some possible solutions to the problem. These objectives are not really independent. For example, in examining some of the reasons for union conservatism, we see more clearly not only some of the faults of union investment policy, but also some of the possible improvements that could be made.

E. Method of Approach

The methodology of this study is basically very simple. Financial reports are detailed and up-to-date as possible were obtained from unions representing over 15,500,000 of the nation's 15-million-plus union members. In many cases balance sheets for 1954 were used (these were for various dates in 1954 as the fiscal periods of many unions differ from one another, but in the majority of cases 1955 figures were available and in several cases figures from 1953 or even earlier were the latest obtainable.

This approach involved not only an analysis of union investment policy as a whole, but also the more careful study of certain exceptionally successful union investment practices, with the aim of discovering if these exceptional practices could be followed profitably by the majority of unions.

A list of the unions included in the study will be found in Table IV.

II. The Growth of American Labor Unions

A. Membership

In 1792 the journeymen shoemakers of Philadelphia formed the first labor union in the United States. Within the next ten years, unions of shoemakers, carpenters, and printers were founded in Philadelphia, Boston, Baltimore, New York, and several other cities. Since that time there has been a strong, though by no means steady, growth in the number and strength of American labor unions.

Until after the Civil War, each depression wiped out unionism almost completely. Union membership still tends to decline during depression and revive during prosperity. The striking fact is that, after each decline in union membership, the movement has come back stronger than before. As Lloyd G. Reynolds has pointed out:

> The growth of unionism over the past hundred and fifty years has been similar to the rolling up of waves on a beach when the tide is rising. After each wave, there is a slipping back down the beach, but each new wave reaches a higher point than the one before it.*

The period of greatest growth in union membership has been in the fifteen years following the depression of the 1930's. In 1933 total union membership was approximately 3,000,000. It is now estimated that union membership is close to 17,000,000. Table I shows the growth that has taken place in some of the larger unions in the past twenty years.

*1, p. 49.

Table I

Membership of Selected National Unions
1932, 1952 and 1955

American Federation of Labor	1932	1952	1955
Teamsters, Chauffeurs, Warehousemen and Helpers	82,000	1,000,000	1,231,000
Carpenters and Joiners	290,000	750,000	804,343
Machinists	70,000	699,298	864,095
Electrical Workers	139,900	500,000	634,000
Hotel and Restaurant Employees and Bartenders	29,300	402,000	412,946
Ladies' Garment Workers	40,000	390,000	440,650
Hod Carriers, Building & Common Laborers	90,000	386,000	433,125
Railway and Steamship Clerks, Freight Handlers, Express and Station Employees	60,800	300,000	293,500
Retail Clerks	8,700	250,000	265,000
Musicians	100,000	242,167	248,078
Painters, Decorators and Paperhangers	79,600	208,189	220,000
Journeymen and Apprentices of the Plumbing and Pipe Fitting industry	45,000	201,343	246,720
Street, Electric Railway and Motor Coach Employees	81,700	200,000	190,000
Meat Cutters and Butchers	11,400	195,000	335,167
Operating Engineers	34,400	187,180	200,000
Building Service Employees	18,000	185,000	206,692
Maintenance of Way Employees	37,100	182,831	219,191

Table I (continued)

American Federation of Labor	1932	1952	1955
Bakery and Confectionary Workers	17,900	172,000	160,000
Boilermakers, Iron Shipbuilders Blacksmiths, Forgers and Helpers	15,000	150,000	150,000
Pulp, Sulphite and Paper Mill Workers	5,000	141,575	149,942
Bridge, Structural and Ornamental Iron Workers	12,000	125,000	139,562
Railway Carmen	80,000	106,700	170.000
Automobile Workers	-	100,000	120,000
Bricklayers, Masons and Plasterers	56,000	100,000	147,167
Laundry Workers	5,500	100,000	73,204
Congress of Industrial Organizations			
Automobile, Aircraft and Agricultural Implement Workers		1,184,507	1,239,000
Steelworkers		1,100,000	1,194,000
Clothing Workers		385,000	385,000
Textile Workers		361,970	292,500
Communication Workers		300,000	300,000
Electrical, Radio and Machine Workers		265,000	361,000
Rubber, Cork, Linoleum and Plastic Workers		190,000	175,000
Packinghouse Workers		132,600	84,000
Woodworkers		117,251	105,058

Table I (continued)

Independent Unions	1952	1955
Mineworkers	600,000	600,000
Railroad Trainmen	206,813	204,397

Sources: The AFL data for 1932 come from L. L. Lorwin, The American Federation of Labor (Washington: Brookings, 1933). The 1952 and 1955 figures are from the Bureau of Labor Statistics, Directory of Labor Unions in the United States, 1953 and 1956.

Chart I

Trade-Union Membership in the United States
1897-1952

Source: 1, p. 48.

Since the end of World War II, however, there has been a period of relative stability in union membership. There are several reasons for this stability which are frequently cited. These explanations, if valid, would also lead us to believe that union membership will not expand greatly in the next few years. The explanations are based on certain characteristics of American unionism.

Nearly all of the very large plants in the United States are already unionized, and these are the most fertile ground in which union membership grows. Also, the smaller firms are somewhat harder to unionize because smaller firms do not have the sensitive public relations positions of the larger firms. Another important explanation for this stability of membership is the fact that during the ten years since the end of the war, there has been a lack of strong motivations for workers to join unions. The years from 1945 to the
end of the war, there has been a lack of strong motivations for workers to join unions. The years from 1945 to the
present have without exception been years of prosperity. Younger workers have actually never experiences a depression, and hence do not feel the same need for maintain and belonging to a strong labor organization that their seniors do. In addition, due to the great number of strikes immediately succeeding the end of the war, there has been in the United States somewhat of a reaction on the part of the public against labor unions. The passage of the Taft-Hartley Act in 1947 might

be cited as evidence of this reaction. Union officials often blame the Taft-Hartley Act for the failure of union membership to increase substantially in the post-war years.

Thus it seems likely that we will not have in this country in the next several years any growth in union membership comparable to the period following the depression of the 30's. Most industrial workers are already unionized, so that any new wave of union growth must come from the unionization of workers in the service and merchandising fields, where unionism has not as yet had notable success.

B. Financial Growth

Assuming, then, that union membership will remain relatively stable in the foreseeable future, what significance does this have for union finances?

Union financial power generally grows very slowly in the early days of the union's existence. This is due to the fact that organizing and striking are the two most expensive activities in which any union can indulge. Organizing expenses are, of course, necessary during the growth period of any union. Furthermore, dues must be low during the organizing period so as to attract new members. It also seems that frequent strikes are a peculiar characteristic of unions in the throes of birth or growth pains. Thus any funds the union can collect during these periods of growth are usually promptly expended, leaving the dollar net worth of the union at a rather low level. As the union reaches a point where its position is consolidated, that is, when it has become a recognized bargaining agent in the industry and has organized all the workers in the industry that it considers feasible or desirable, its financial strength will grow rapidly. Thus Business Week reports:

> Generally, unions with the most money are the oldest craft-type groups -- the independent railroad brotherhoods and either affiliates or (in the case of the United Mine Workers and thr International Association of Machinists) one-time affiliates of the AFL. Most have been building up their funds for a half-century or more.*

The above statement is, on the whole, accurate, but it does not tell the whole story. It is true that the older AFL unions are generally the richest, but in recent years, with strikes less frequent and organization activity largely completed, the CIO unions, as well as the independent and AFL unions, have increased their treasuries tremendously. Table II shows the net worth of the twenty wealthiest unions in 1950 as compared with their present net worth, and thus gives some indication of the tremendous financial gains most American labor unions have achieved in recent years. The sources of union income will be discussed in the following chapter.

Of at least as great significance for the problem of union investment policy as the funds in the treasuries of the unions, is the phenomenal growth in recent years of pension plans and other welfare programs for workers.

* 24, p. 116.

Table II

Assets Of Twenty Most Wealthy Unions
1950 and 1955

Union		Assets (Millions) 1950	1955
1.	Railroad Trainmen	$55.5	$49.0
2.	Locomotive Firemen and Enginemen	35.3	34.5
3.	Teamsters	21.0	34.6
4.	Mine Workers	20.0	34.0
5.	Typographers	16.6	16.2
6.	Boiler Makers	13.5	18.1
7.	Carpemters	13.0	15.3
8.	Bricklayers	12.3	17.8
9.	Electric Workers	11.5	13.7
10.	Ladies' Garment Workers	10.6	12.8
11.	Hod Carriers	10.0	12.6
12.	Railroad Conductors	10.0	8.3
13.	Steel Workers	8.8	17.6
14.	Operating Engineers	8.0	11.8
15.	Locomotive Engineers	7.3	19.0
16.	Machinists	6.7	14.0
17.	Street, Electric Railway and Motor Coach Employees	6.7	11.4
18.	Clothing Workerd	6.6	8.1
19.	Plumbers	6.5	
20.	Railway and Steamship Clerks	6.2	10.6

Source: Union Financial reports & convention proceedings

In 1947, premiums for group accident and health insurance totaled 300 million dollars; by January 1, 1953, the total had risen to over a billion dollars a year. The volume of group life insurance has increased 80% in five years, with 64 billion dollars of insurance currently in force and annual premiums of 750 million. This growth is very largely the result of union action. Today, about eleven million workers are covered by group insurance through collective bargaining, and pension fund reserves total about 24 billion dollars; those reserves are increasing at a rate of over two billion dollars a year.* The amount of these reserves under direct union control "is far in excess of one billion dollars."**

There are two main types of union welfare agreements. One is pensions, handled either by an insurance company or by a fund on a self-insured basis. The other is social insurance, which consists of straight life insurance and of accident and health insurance. Under the law, welfare payments need not be administered by joint union-management funds unless the union insists upon participation. In basic steel, social insurance is handled by the employer who negotiates directly with an insurance carrier. The welfare-fund arrangement involving a legal joint trusteeship between employer and union is most common where there is multi-

* 21, p. 140.
** 13, p. 82.

employer bargaining in an industry--e.g., among teamsters, electricians, bakery workers, construction workers, etc. In these cases there is a considerable advantage in pooling the employees to obtain lower premium costs, simplify administration and provide continuity of coverage for workers who change jobs.

Let us examine the organization of the uninsured or so called "self-administered" plans. In this case, a trust is created, annual contributions are made to it, "and the funds are invested under the direction of the trustees or a pension committee. The plan is actuarily determined and assumptions of interest, mortality and turnover are made on a conservatively realistic basis. The fund is entirely separate from the control of the company for the benefit of whose employees it is intended."*

At the present time the majority of employees welfare programs are of the uninsured type, with employers making a periodic payment to an established fund. The fund can be administered by either the employer, the union, or a joint committee. At the present time, most of these funds are managed by the employer (generally by a trustee appointed by the employer). There seems, however, to be a tendency for the unions involved to desire a more direct control over the funds accumulated for the benefit of their members. The

*7, P. 19.

United Mine Workers control a fund of nearly 100-million dollars, the ILOWU administers employer-supported funds with a total net worth of over $113,000,000.

There is no question but that the size of these funds, pension and other types, will continue to grow at a rapid rate. There is no question but that unions could exercise a greater and more direct control over the investment of these funds if they so desired. The real question, then, is whether unions will attempt to control more directly the investment of these huge reserves of the pension funds already in existence and those that will come into being in the near future. As we will see later, union thinking alomg these lines of financial and investment policy is not advanced to the point where the control over such huge funds would be advantageous for themselves or for the economy as a whole However, it should be noted that a change in union policy could lead them to desire more control over these funds.

III. Union Financial Strength

A. Union Financial Statements

It is the purpose of this chapter to come to some conclusions regarding the total amount of wealth controlled by American labor unions. Under the provisions of the Labor Management Relations Act of 1947 (Taft-Hartley Act), national unions must file each year with the Department of Labor a financial report consisting of a balance sheet and a statement of income and expenditure.# In addition, the law requires the unions to issue these reports to all their members. The law does not require the unions to make these reports available to the general public, and this fact makes it impossible to reach a completely accurate and up-to-date conclusion regarding union wealth.

Many unions, however, do, as a matter of policy, publicize their financial reports. This is done in many cases by publishing them in the union magazine or newspaper. Frequently the financial statements will be included in the reports of proceedings at the regular convention of the union. or in the annual report of the officers to the members. Many unions send copies of their annual financial statements to the public and university libraries that may request them.##

In addition, the following data are required: (1) names, titles, salaries and expenses of its three principal officers; (2) the initiation fees charged; (3) the dues or fees paid by the membership to retain good standing in the union; and (4) a detailed statement of its constitution and by-laws.

##"The interested public can secure copies...at approximately 20 university libraries, a few public libraries, the Library of Congress, and the Department of Labor Library." 2, p. 24.

There are several unions which, though they do not actively seek widespread circulation of their financial reports, will nevertheless send copies of their statements to interested individuals or institutions that request them.

It must be emphasized, however, that there is no law compelling unions to make public their financial situation. Many unions, therefore, do not reveal their finances to other than bona fide members of the union. # One reason frequently given by union leaders for maintaining secrecy as to their financial condition is that their bargaining position would be weakened by employers having knowledge of the extent of union financial resources. The idea behind this, presumably, is that an employer could attempt to secure wage cuts, or resist unreasonably, wage increases, if he knew that the union's financial condition would not allow it to weather a prolonged strike. Undoubtedly, an objective analysis would reveal that this conception is merely a rationalization of, rather than a reason for, union unwillingness to make financial information public.

Another reason occasionally met for union failure to reveal finances is the expense of preparing and circulating financial reports. The fact is, however, that all unions must prepare financial reports for the Department of Labor

#The UMW, in reply to a letter requesting a financial report, stated, "The provisions of the International Constitution limits distribution of this report to authorized representatives of our Organization and local unions comprising the United Mine Workers of America."

and their members, and the extra expe nses involved in printing or mimeographing additional copies of the statements are negligible. There seems to be little reason why unions should not reveal publicly their financial reports, and it would seem that a nation which has laws requiring disclosure of financial facts concerning private business organizations# should require the disclosure of the financial conditions of labor unions.

In all fairness to American labor unions, it should be pointed out that the vast majority do publicize, or at make available, information concerning their financial status. This is especially true of the larger unions, which generally issue very minutely detailed financial reports. The most notable exception to this tendency is the United Mine Workers. The extent of the UMW's public pronouncements on its financial condition for last year was a statement in the Convention Proceedings by president John L. Lewis to the effect that the union had 34-million dollars "exclusive of other assets." In addition, it should be noted that the trend of recent years has been towards reporting publicly more and more fully their financial status by labor unions. The leader in this field has been the International Ladies' Garment Workers Union, which is still one of the very few unions to include in its financial report the conditions the locals that make up the International Union.

#"The purpose of the (Securities Act) of 1933 can be summed up in the single principle of clear, truthful and adequate disclosure."
4. p. 203.

This brings us to the most serious problem in obtaining figures of the total net worth of American labor unions: how can we determine the amount of assets held by union locals? We have seen that the national union must prepare a financial report for the Labor Department, and that many unions publicize this report. There is no similar federal law which requires local unions to prepare and submit financial statements. There are, however, several states# which do require local unions to file financial reports, but even in these states the reports filed with the State Department of Labor are not necessarily available or open to the public.

Thus any estimate of total union wealth is to a great extent based upon a guess of the relation of local assets to national assets. This guess must be based on the scanty data that are available; the reports of the locals that thatobtainable, and the information provided by the national and to the financial condition of the locals (as provided by the ILOWU.

The estimates that have been made range from a low of union assets adjudged equally divided netween the locals and the internationals, to the statement made by Dr. Alexander Lipsett that #many local treasuries are capable of matching every dollar in the till of their parent organization with

#Alabame, Colorado, Delaware, Florida, Idaho, Kansas, Massachusetts, New Hampshire, North Dakota, South Dakota, and Texas.

four or five of their own.* From the evidence that I have been able to gather, it seems that this latter statement is quite true; there are many local unions which individually have more wealth than the national or international organization to which they belong. For example, James Petrillo serves as president of the Chicago local of the American Federation of Musicians, as well as acting as president of the national organization. His salary from each of these offices is probably roughly proportional to the net worth of the two organizations. From the American Federation of Musicians he draws a salary of $20,000 a year, and from the Chicago local he draws a salary of $26,000 a year. This would indicate that the local had a greater net worth than the national federation. This is by no means a rare situation but we have no way of determining just how prevalent it is.

Thus we see that there are two facets to the problem of obtaining union financial statements. First, financial statements are available or obtainable for the majority of International unions, practically no reports of financial conditions of local unions are available. Once the financial statements are obtained, a new problem comes into being. This new problem related to the interpretation of the financial reports themselves.

The accounting practices of unions are unsystematic and unstandardized. A substantial portion of union wealth is invested in bonds. There are many different ways in which

*9, p. 6.

bonds can be carried on the books of the holder. They can be shown at cost, at current market price, at par, and at cost plus accrued interest to list but a few. Different unions naturally choose to carry their bond holdings on their books in different ways. This in itself would cause little or no difficulty, but at times the same union will value its bonds by different methods, and very often there will be no indication which system is being used. Often United States Treasury bonds will be carried at par, and other bonds at cost or market. The International Association of Machinists, for example, carried its bonds at par, and writes off the discount or premium on bonds bought or sold as income or expense in the year bought or sold. As mentioned above, the difficulty arises when the method used is not specified.

> Property may be valued at cost, at a nominal value of $1 or $5000, or at tax assessed values. Receivable from locals or unions may represent amounts expected to be received or simply a memorandum of amounts loaned with the intention that they shall be repaid. Assets may be written off slowly over their useful life or written off at once at the time of purchase.*
>
> Some unions follow a cash basis of accounting while others accrued their expenses and their income. Some unions value their furniture and fixtures on the balance sheets; others do not.**

The example of the type of problem caused by the unsystematic accounting practices of the unions can be found in the International Printing Pressmen and Assistants'

* 2, p. 56.
**2, p. 58

Union of North America. For a number of years the union listed an investment of $500 in the Johnson City Hotel among its assets. In 1949, auditors attempted to check the market or realizable value of the investment. They discovered that the hotel had gone bankrupt in 1933, and thus the stock was completely worthless. Therefore, since 1933 the members had been unaware that the investment as shown on the balance sheet was not available for the union's use in its operations.

The Carpenters' Union provides another example. A study of the union's current financial statement would not reveal that the international owned its headquarters building in Indianapolis, had spent $2,000,000 on the Carpenters' Home, and also owned the Adams Packing Company.

In general, we can say that unions do not attempt to realistically value their real estate holdings, and several unions do not depreciate their fixed assets. The reason given for not depreciating is that unions do not pay taxes on their income, so there is no reason to show a depreciation expense.

Mr. Kozmetsky has aptly summarized the situation by saying:

> The many different methods of reporting assets, liabilities, income and expense found to be used by unions lead to confusion and misunderstanding....The varied accounting practices and financial statements are not the result of a deliberate attempt to misrepresent the facts. Rather they are the natural outgrowth of the rapid increase in the size of unions, the necessary concentration of union leaders on activities which have not

> elaborate accounting, and the primary concern of the members with the "honest" handling of their funds....Accounting principles and reporting were very enthusiastically discussed by the union leaders interviewed, which leads the writer to believe that lack of knowledge of accounting, the absence of accepted accounting practices for unions, and an unawareness of the full implications of present accounting practices are the causes for the current backwardness of union accounting.*

B. Sources of Union Income

In 1943, the Bureau of Labor Statistics estimated that union income up to and above 390 million dollars a year. Since that time, unions, as tax-exempt organizations, have been required to file reports of business receipts with the Internal Revenue Service. Figures for recent years are not yet available. Latest available figures show that, for 1946, labor unions reported total receipts of $477,701,000. Today, union income is undoubtedly well over one-half of a billion dollars a year, and probable closer to 600 million dollars per year. This growth of union income is even more significant when we see that union expenditures have not increased nearly so much in the past ten years. Some of the reasons for this were pointed out previously. Union income and expenditures at present are such that the percentages of receipts remaining after all expenditures is now higher than at any time in labor union history. This does not mean that there are not some unions which have operated in the red for the past year or two (the Boilermakers, for example, but

* 2, p. 190.

such situations are now much rarer than formerly.

The bulk of union income is derived from initiation fees and from dues. Initiation fees range from a few dollars in unions that are aggressively organizing and expanding to about prohibitive sums in unions (such as motion picture operators) that seek to discourage membership. Dues are usually collected monthly and range from a minimum of about $.50 to several dollars a month. In discussions of union finance, the level of dues is often exaggerated by citing such high-dues organizations as the printers and the railway union--which provide their members with welfare benefits--as typical. Much m more representative, however, are the auto workers, charging $2.50 a month, and the steel workers, charging $3 a month. Even such nominal amounts can accumulate to large sums when the number of workers is high enough. U. S. Steel Corporation recently sent the USW a monthly check for nearly $500,000; the check sent to the USW by General Motors for dues collected in November, 1955, was a shade over $840,000.

The mainstay of most international union treasuries is the per capita tax--the international's share of dues collected by the locals. A part of the initial fees also winds up in the international treasury. And, if they have to, internationals can levy special assessments. It should be noted, however, that the locals keep a larger portion of the dues they collect than they send to the international organization. This is some indication of the fact that locals treasuries as a whole are substantially wealthier than the internationals, but we do not know the relative expenditures undertaken by the locals and the internationals.

The international unions also have substantial income from their securities and real estate investments. Many unions, in addition to these more or less standard types of income, also receive income from the various businesses which they own or control. For example, The Mine Workers control two large banks in Washington, D.C. Texas locals, affiliated with the AFL, own two-thirds of a large insurance company in Texas. Other examples of union business activity will be presented in later chapters.

C. Estimate of Total Union Assets

Estimating total union assets has been a popular pastime among writers on the subject of labor union finances in recent years. Perhaps the most important reason for its popularity is the fact that no one has undertaken a comprehensive survey of union wealth, so that no estimate, no matter how unreasonable, could be proved wrong. Guesses as to total union wealth based on samples composed of only three or four union financial statements are common.

U. S. News & World Report estimated recently the "assets of unions--local, national and international--...at 1 to 1.5 billion dollars."* Dr. Lipsett stated that "the

*29, p. 64.

American labor movement has a net worth of three billion to four billion, most of it in the hands of the union locals,"* One estimate of total union wealth put it at about $8,000,000. Joseph Gambatese of Nation's Business stated that union assets are "an estimated $1,000,000 in in union treasuries and $5,000,000 in welfare fund reserves (not including pensions) over which unions exercise at least some control."** Other estimates of the total amount of funds over which unions have complete control or (in the case of many welfare plans) share control with employer representatives, run as high as seven to eight billion dollars.

Nathan Belfer made an excellent study of total union wealth in 1949, which is probably the most thorough study yet made of the subject. Unfortunately, this study is rather outdated because of the great increase in union wealth in the last several years.

Professor Belfer's method involved writing to the fifty or sixty largest labor unions in the United States (comprising about eleven million members* and requesting them to send him a copy of their latest financial statements. He was able, from the information provided, to estimate total funds held by international unions to be about 350 million dollars.

The method I used in computing union wealth was basically the same, with the exception that I started with

* 9, p. 16.
*38, p. 46.

a substantial amount of information gathered from an analysis of the many union financial statements collected by the Dewey library of the Massachusetts Institute of Technology. Since their file of union financial reports is not complete (reports were not available for many small and several large unions) and in many cases not up-to-date. I therefore wrote to all the international unions with a membership of over 5,000 and which were listed in the 1955 edition of the Labor Department's Directory of Labor Unions in the United States, for which unions I did not have a current (December, 1954) balance sheet. The majority of unions replied to my first letter, many including financial statements. Some (generally the unions with very small membership) stated that their funds were "not sufficiently large to merit my attention." Several indicated that their finances were none of my business. A second letter was sent to the larger unions which did not respond to the first letter, but with practically no success.

Totaling the data I do have, I find that I have financial reports from 86 unions with a total membership of over 15,644,247.# Since authorities estimate total union membership in the United States at between sixteen and seventeen million, this is a fairly complete compilation. The sum of the net worths of these 86 unions is about $566,778,000. This includes all funds which these unions consider as part

Membership figures for the International Union of Electric and Radio Workers are not available. See Table III.

of their treasury. That is, it does not include pensions and welfare funds which they administer in coöperation with employer representatives, or which they administer themselves if the funds are not included as part of their operating treasury. Thus, for example, the Amalgamated Clothing

Table III

Membership and Net Worth American Labor Unions

Unions	Membership	Net Worth
Auto Workers (CIO)	1,239,000	$39,405,000
Auto Workers (AFL)	120,000	434,966
Bakery & Confectionary Workers	160,000	6,281,889
Boilermakers	150,000	18,061,000
Bookbinders	54,316	1,788,942
Brewery, Flour, Cereal Workers	62,000	1,145,410
Bricklayers	147,157	17,785,000
Building Service Employees	206,692	974,190
Carpenters	804,343	15,278,372
Cement & Lime Workers	38,246	402,354
Chemical Workers	90,000	678,727
Cigar Makers	9,640	157,066
Clothing Workers	385,000	8,054,533
American Communications Asso.	7,000	52,158
Communications Workers	300,000	3,202,897
Electric Radio Workers	361,000	438,549
Electric, Radio, Machine Workers	-	1,527,022
IBEW	630,000	13,700,000
Operating Engineers	200,000	11,813,000
Fire Fighters	85,000	162,774
Furniture Workers	50,000	92,524
Ladies' Garment Workers	440,650	12,752,049
Glass Bottle Blowers	51,000	178,582
Glass & Ceramic Workers	47,150	724,035
Glass Workers	30,000	1,509,393
Hatters	40,000	155,590
Hod Carriers	433,125	12,617,914
Hosiery Workers	15,000	314,713
Hotel & Restaurant Workers	412,946	5,050,650
Iron & Bridge Workers	139,462	10,793,173
Lathers	15,301	632,294
Laundry Workers	73,204	423,567
Leather Goods, Plastics Workers	15,000	337,816
Letter Carriers	103,000	739,621
Lithographers	27,976	2,562,000
Locomotive Engineers	74,481	19,046,874
Locomotive Firemen & Enginemen	96,432	34,537,205
Longshoremen	65,000	128,940
Longshoremen and Warehousemen	65,000	11,792,310
Machinists	864,095	14,009,583
Maintenance of Way Employees	219,191	7,018,179
Mining Engineers	9,000	44,000
Maritime & Shipbuilding Workers	50,000	135,555
Maritime Workers	43,000	5,555,312
Masters, Mates & Pilots	9,500	25,377
Meat Cutters & Butchers	335,167	5,886,371

Table III (continued)

Union	Membership	Net Worth
Mine, Mill & Smelter Workers	100,000	$50,874
Progressive Mineworkers	28,000	1,572,000
UMW	600,000	34,039,833
Molders & Foundry Workers	65,000	6,225,477
Musiciana	248,078	5,533,800
Newspaper Guild	26,936	150,036
Office Employees	60,000	103,008
Oil, Chemical & Atomic Workers	180,000	832,192
Packinghouse Workers	84,000	755,000
Painters	220,000	5,092,597
Papermakers	72,700	1,753,114
Pattern Makers	13,000	779,952
Photo-Engravers	16,032	790,000
Post Office Clerks	101,576	381,000
Potters	23,674	5,174,000
Printing Pressmen	98,967	6,712,778
Pulp Sulphite Workers	149,942	3,550,000
Railroad Trainmen	204,397	49,241,000
Railway Carmen	170,000	6,180,000
Railway Clerks	293,500	10,547,274
Railway Conductors	31,800	8,264,000
Retail Clerks	265,000	3,694,000
Rubber & Cork Workers	175,000	1,739,000
Seafaring Workers	44,300	72,000
Sleeping Car Porters	15,000	649,000
Stage Workers	42,000	847,000
State, County & Municipal Employees	96,328	120,000
Steelworkers	1,194,000	17,626,000
Street Electric Railway	190,000	11,358,784
Teachers	45,140	13,000
Teamsters	1,231,000	34,627,193
Telegraphers	30,000	37,000
Textile Workers	292,500	3,093,000
Tobacco Workers	38,114	491,734
Transport Workers	90,000	329,000
Transport Service Employees	8,000	63,008
Typographers	96,455	16,238,000
Upholsterers	52,836	35,000
Utility Workers	81,000	416,000
Wood Workers	105,058	391,000

Workers list their total net worth as $8,000,000, though they control several insurance funds with total reserves of over $100,000,000.

We have seen that most estimates of funds at the disposal of national and international unions have erred p on the conservative side. Estimating the total amount of funds of which unions have control for purposes of investment is subject to much more guesswork. A conservative estimate as to net worth held by local unions would be at least twice the amount held by the internationals (though it is probably more). This would give us a final estimate of total funds in union treasuries of at least one and one-half billion dollars. This figure is exclusive of the amount unions control under agreements with employers as to welfare plans and pension funds. This estimate, therefore, includes only funds which unions consider part of their own treasury, and not funds held in trust. Mr. Gambatese has estimated the amount in welfare reserves (not including pensions) over which unions have some control at five billion dollars. To some extent this depends upon our definition of "control," but if by some measure of control we mean representation on a joint board of trustees or sole trusteeship of the fund (and not merely the fact that the fund is part of the collective bargaining contract), then Mr. Gambatese's estimate is, in all probability, accurate or possibly a little on the high side. The amount in pensions funds which are under more or less direct union control is probably substantially in excess of one billion dollars. Thus, the total amount of funds under union control is probably between 7 and 9 billion dollars.

The significance of the employer administered and insured welfare funds and pension plans for this question is that they are subject to bargaining and, should American labor unions at any time in the future decide that they want a more important role in determining the investment of these huge funds, they undoubtedly would be able to get this power. At present they do not wish to have this power, but the need for a more rational investment policy on the part of unions may put them in the position of finding it necessary to have an investment staff, and with a staff on the payroll, perhaps they might decide to make a wider use of it. Or, as unions learn more about investments and the investment field, as they must when their funds grow, they may want a larger voice in the investment of these funds. Or, if any of the solutions to the problem of union investment policy which will be presented in a later chapter are adopted, this would result in a greater interest in the investment of the pension and welfare funds which are now accumulating, and will continue to accumulate, for the benefit of their members.

Thus we see that the funds which unions how have at their disposal are large enough so that a full-scale study of their investment policy is well warranted, and the possibility that unions may extend vastly the sums over which they exercise control makes the problem even more important.

IV. Earlier Union Investment Policy

It is only in relative recent years that union investment policy has become an important subject. In the years before World War II, unions in general did not have funds large enough to make inventment policy an important problem for the unions themselves. Union treasuries grew through the war years and the years thereafter.

The first study of union investment policy of any detail was made by Professor Belfer in 1952.* It appears that a brief review of the conclusions reached by Professor Belfer in his research (as well as the conclusions of other writers of about the same time) would be extremely valuable as it should reveal what, if any, significant changes have taken place in the past few years, years in which union funds have grown tremendously.

Professor Belfer started with an estimate of total union resources of about one billion dollars in local and international union treasuries.# This figure does not include welfare and pension funds over which unions have investment control.

Belfer found that most union funds were concentrated in highly conservative investments. They generally kept a fairly large percentage of their funds in cash and checking accounts. The greater part of their funds were either de-

* 11, p. 37

This estimate was based on the examination of financial reports of the forty largest unions in the U. S.

posited in savings accounts or invested in government bonds. He also noted that to a great extent the government bonds held were non-marketable savings bonds which can be redeemed at cost plus accrued interest at any time, rather than marketable U. S. Treasury Bonds which, if immediate liquidation were desired, might have to be sold at a loss.

Another important investment outlet for union funds in 1952 was the real estate field.* Real estate consisted largely of union owned headquarters. In addition to this, various unions maintain rest homes, camps, and health centers for their members. The Carpenters have a home for aged members in Lakeland, Florida, located on a 2000 acre tract with room for 400 members. The Printing Pressmen maintain a combined home, tuberculosis sanitasium and trade school in Northeastern Tennessee. The Typographical Union has a home near Colorado Springs with a capacity for 455. Three railroad brotherhoods operate a home near Chicago with a capacity for 135, and the Railroad Conductors operate a home at Savannah, Georgia. The International Ladies' Garment Workers maintain fifteen health centers for members. These centers represented a total investment of about three million dollars in 1949 (this has been expanded further in the years since the Belfer study). The Auto Workers have over a quarter of a million dollars invested in their health institute. Several unions support City of Hope, a large hospital in Los Angeles which

* 11, p. 341.

provides free medical and hospital services to union members.

It would appear from this data that most union real estate holdings are not operated for profit, and this is the conclusion which Belfer came to regarding union investment in this field. He noted several exceptions, however. The Brotherhood of Locomotive Engineers owns several large office nuildings in Cleveland. The Bricklayers Union owns the Bowen Building in Washington, D.C. The Mine Workers in 1949 purchased four buildings in the nation's capital for nearly two and one-half million dollars.

Unions in 1950, as at present, had sizeable holdings of mortgages. These, however, were not usually commercial investments. The mortgages were mainly on union headquarters and union-spomsored housing projects. The Amalgamated Clothing Workers have sponsored three such projects in New York City with a total of 2463 apartments, representing a total investment of twenty million dollars. The ILGWU sponsored a low-rental housing project of 1600 dwellings in New York City. The union's pension fund invested 7.5 million dollars in the project in the form of a 4.5% insured mortgage. The Joint Pension Fund of Local 3 of the International Brotherhood of Electric Workers has invested a quarter of a million dollars in a 2000 apartment housing development in New York. The Textile Workers (in Virginia), the Hosiery Workers (Philadelphia, and various locals in Racine, Wisconsin, have Sponsored the financing and construction of housing projects in these places. These were later sold to private interests.

Unions have generally not been as adverse to entering the banking field as they have most other commercial fields. Union banks were a favorite type of union activity during the 1920's. There were 36 union banks in 1929. Unfortunately, only four of these banks survived the depression of the 30's. Between 1920 and 1926, the Locomotive Engineers acquired fourteen banks, a realty and mortgage company, several thrift companies, an insurance company, an interest in a bank in Wall Street and in another in Florida, a holding company, an investment company, and a security corporation. The grandiose schemes of the Engineers resulted in enormous losses. The Engineers assessed each member twenty dollars a month for twenty months to help cover the losses. The remaining debt was gradually paid off by 1945.*

This widespread failure of union-run banks in the 1930's is one of the most important reasons for the conservative policy unions follow at the present time. An official of the Railway Clerks Union stated that, "We learned the lesson...that the proper business of a labor union is to promote the welfare of working people through processes of collective bargaining." **

Belfer also mentioned several other activities in which unions engaged on a non-profit making basis. These

* 11, pp. 343-4.
** 11, p. 344.

include such activities as newspapers and radio stations. Unions, naturally, are interested in creating and maintaining a favorable attitude towards unions and unionism on the part of the general public. Some unions, to further this end, have entered the radio business. After World War II, the ILGWU opened three FM stations and the UAW started two. These were not successful, largely because of the failure of FM to develop commercially. By 1952 all these stations had been given up. The ILGWU lost an estimated $1,000 on its ventures into the radio business. At the present time, the only union-owned radio station in the United States is WCFL, in Chicago, which is owned by the Chicago Federation of Labor.*

The International Typographical Workers have set up nine daily papers to provide jobs for unemployed members. These papers are not now operating profitably, but they have provided many jobs for many otherwise jobless members.**

Investment in common stock was practically non-existent. It was pointed out by Belfer that many unions hold stock in the Union Labor Life Insurance Company, an enterprise organized in 1925 by the AFL for the purchase of writing group and individual insurance policies for unions and their members. This insurance company is owned and controlled by unions affiliated with the AFL. Belfer commented on this lack of interest in common stock ownership by pointing out that,

* 11, p. 346.
**ibid.

"It is somewhat surprising to find that in the investment of their own funds unions do not appear to be participating to any great extent in American industrial development."*

There are a few unions which did have sizeable common stock investments (notably the International Brotherhood of Operative Potters which has 72% of its assets invested in equity securities), but most unions invested their funds in a much more conservative manner.

There were some indications that a change was taking place in union thinking concerning investment policies and practices about the time of Belfer's study. Business Week of April 29, 1950, for example, reported on an Israeli housing project sponsored jointly by the ILGWU and the Amalgamated Clothing Workers. These two international unions invested a sizeable sum in bonds issued to finance the housing project. Then, more significantly, the two unions advised the local unions affiliated with them to invest in the project's bond issue. Business Week emphasized that, "The International unions recommend for the first time that the joint boards and local unions invest in a private enterprise."**

As pointed out in the introduction, it is one of the principal purposes of this study to attempt to evaluate any change that may have taken place in the last few years in union thinking regardings investment policy. We should now

* 11, p. 337.
**25, p. 105.

turn to an examination of present union investment policy and see if there is any perceptible change in union policy, and attempt to evaluate these policies in the light of the special requirements and characteristics of a labor union.

V. Present Union Investment Policy

A. Union Investments: Aggregate

Since Professor Belfer completed his study of labor union investment policy in 1952, there has been, as we have seen, a substantial growth in union investment funds. There has not yet, however, been a real change in the principles governing the investment of these funds, though there is some evidence that a change is now taking place. We shall see that unions are still extremely conservative in the investment of their funds. The bulk of union assets is still in government securities. It is, however, difficult to make valid generalizations about so diverse a group as American labor unions. While many unions, indeed the vast majority, have no funds invested at all in common stocks, there are several with substantial investments in equity securities.

In general, union funds are invested in much the same way that the funds of conservative business firms are invested. There is, of course, a heavy accent on government securities. Lesser amounts are used to purchase stocks and bonds of corporations. Some unions have substantial mortgage and real estate holdings. Several unions carry on large business enterprises of their own.

Of the total funds held by the international unions (well over half a billion dollars), approximately 10% are held in the form of cash or checking accounts. About 60% of union funds are invested in United States Government Bonds.

Over 10% are invested in bonds of American states and munici- palities and Canadian provinces. About 3% of union funds are deposited in savings accounts.#

Some characteristics of this union investment in state and municipal securities are worth noting. First, interest on state and municioal bonds is free from federal income taxation. This makes them extremely desirable from the point of view on the wealthy individual investor. The demand for these securities on the part of these investors forces their yields to very low levels when compared wuth corporate securities of comparative quality. Thus it is almost incomprehensible to see unions invest such a significant portion of their assets in such securities because unions, by law, are exempted from federal income taxation. Thus we find unions in the somewhat ludicrous position of paying a premium to own securities whose main attraction is that the return on them is tax free, while unions would not have to pay taxes on <u>any</u> security they owned. To some extent, the size of union investment in municipal securities is a measure of the lack of knowledge of the investment field on the part of union leaders. There is another factor, however, which should be considered. Many labor unions have articles in their constitutions which forbid investment in any securities other than those of the U. S. Government or its subdiv-

#These figures are only approximations, and are based on only a sample of the larger unions in the U. S.

ision. When a union desires a security furnishing a higher yield than it can get by buying U. S. Government issues, its only alternative is a municipal bond. Many unions thus hold municipal bonds yielding five per cent, or even more in several cases. This is certainly an indication that the bond is of extremely poor quality, and, if the union were allowed to by itd constitution, it would be much safer in buying corporation bonds or even corporate preferred stock yielding the same return .

International unions own millions of dollars worth of real estate, but much of this is not a money-making proposition. It seems that unions, much like individuals, like to own their own homes. Indeed, the growth of real estate holdings of unions is one of the most notable trends in the union investment field. The Teamsters completed last year a handsome marble-faced structure into which they moved from rented space in the building the Letter Carriers recently built. The latter got some help from the Bricklayers, who hold the mortgage. The Bricklayers, Mineworkers, Government employees, and others already own their own buildings and, "in the past year there has been a spate of announcements of home buildings to be erected by CIO, AFL, IUE-CIO,Machinists, and others. There may soon be almost as many buildings in Washington owned by unions as by the Government."*

* 12.

Mortgage holdings have shown a very significant increase in union portfolios in recent years. The main reason for this great growth is the existence of mortgages insured by agencies of the federal government (mainly the VA and the FHA). These investments yield the union over 4% with great safety, though they are by no means as liquid as holdings of government bonds or even many corporate securities.# The AFL Electrical Workers (IBEW) has gone strongly into mortgages. Of its general funds, 18% are invested in mortgages, and 68% of its pension fund.

Many unions have undertaken business enterprises of a varied character. Unions own banks in Washington, D.C., in Chicago, New York, Kansas City, and Newark. Unions also own insurance companies. In addition to the Union Labor Life Insurance Companies, American Standard Life Insurance Company is owned by the IBEW; the Insurance Company of Texas is owned by AFL locals in Texas, and the Amalgamated Clothing Workers own two insurance companies.

Unions have gone into business to compete with unfriendly employers or to provide jobs for unemployed members. The ILGWU built a plant to compete against a struck employer. As noted previously, the International Typographical Union started eleven newspapers to provide jobs for members, but most of these have since folded. Local 678 of the United

The Federal National Morfgage Association (Fanny Mae) was chartered in 1938 to provide a secondary market for home mortgages insured by Government agencies. See 3, p. 190.

Optical and Instrumental Workers, CIO, in 1953 went into the wholesale optical business in St. Louis to provide jobs for unemployed members.

As far as common stock investments were concerned, however, most unions seem to have little interest in expanding their holdings. Total union holdings of common stocks comprise less than 1% of total union assets. Natuurally there are some exceptions to this general rule. The IBEW have $16,500,000 invested in common stocks. The Machinists have about two million. These holdings, however, represent only 20% and 15% respectively of the unions' assets. The The union which has the majority of the assets in common stock is the small, but financially active, Brotherhood of Operative Potters. The brotherhood has only 24,000 members but has assets in excess of $5,000,000. Over 75% of the union's assets are invested in common stocks. More details concerning the Potter's investments will be presented in the next section of this chapter.

Even the union stock holdings that do exist are extremely conservative. The IBEW buys only stock that has paid dividends for 25 years. The Machinists buy only stock which is approved for trust funds in Washington, D.C. The Potters buy insurance, bank, and utility stocks, and stay out of industrial stocks almost completely.

Many of the points that have been made thus far will be better brought out by the following section.

B. Union Investments: Examples

AMALGAMATED CLOTHING WORKERS:

The New York Times recently stated that the total assets of the Clothing Workers are over a quarter of a million dollars. This includes over $100,000,000 in welfare funds, banks in New York and Chicago with total resources of 88 million dollars, and credit unions with assets of several million dollars. Assets of the international union itself are nearly eight million dollars. Of this eight million, 5¼ are in Government bonds (66%), $1,300,000 is invested in the banks controlled by the union, $680,000 is in Canadian bonds, and almost $600,000 is held in cash. The Clothing Workers also control eight insurance funds and two insurance companies with reserves of 106 million dollars. The union has a housing development valued at $23,000,000. In addition, with its joint boards and locals, the union has $23 million in cash and bonds and 10 million invested in properties of various kinds.

BAKERY & CONFECTIONART WORKERS:

The international union has a net worth of $6.28 million. Of this total, 53% is invested in U. S. Government Bonds, 33% in corporate bonds (of which over 90% are of utility companies), and 5% is in Canadian Government and Municipal Bonds. The union also has a $29,000 investment in the common stock of the Midwest Printing Company, and single shares of stock in four baking chains (probably for the purpose of receiving financial reports). The return on the union's investments in recent years has always been under 3%.

BOILERMAKERS:

Over 55% of the Union's $11.66 million net worth is invested in U. S. Government Bonds. 31% is invested in two office buildings, part of one of which is used as union headquarters, and 7% is in mortgages. The mortgages in this case are on commercial property, and thus are not government insured. The union holds $400,000 in cash. The boilermakers also own $2,600 of Brotherhood Bank stock, and have an investment of $40,940 in New Wyandotte Hotel common stock.

UNITED AUTO WORKERS:

At the end of 1954 the net worth of the Auto Workers was $20.4 million. The union recently reported that during the year 1955 their assets nearly doubled, so that as of December 31, 1955, the net worth of the United Auto Workers was $39.4 millions. The union reported that almost $32.2 million was in liquid assets. The Auto Workers put a higher premium on liquidity than the majority of unions. They have 15% of their assets in cash and 10% in receivables. Over 55% of the international's assets are invested in U. S. Government Securities, mostly Treasury Bills. Buildings and real estate comprise 17% of the union's assets, and the union has sizeable holdings (2% of total assets) of GMAC bonds. The Auto Workers also own $11,878 worth of common stock, representing one share of stock from each company with which the union has a bargaining contract. The conservatism of the union's investments accounts for the fact that in 1954 the Auto Workers received a 1.23% return on their investments.

STEEL WORKERS:

Of USW assets of $18.1 million, $3.9 millions is in cash and $11.9 millions is in investment securities. The securities are all U. S. Governments with the exception of one million dollars in municipals and $13,698 in common stocks of companies with which the union bargains. The cash holding is one of the largest, percentagewise, of any union holding. This may be distorted by the fact that the union may be looking forward to the possibility of a strike in the near future when the present contract runs out.

The audited financial statement of the USW (in general one of the best and most complete of any union financial statements) demonstrated one of the problems faced in analyzing union financial reports. Bonds are listed in a table at maturity value, market value, and "carrying value," which is the figure shown in the balance sheet. No explanation is given as to how such a figure is arrived at.#

CARPENTERS:

The Carpenters have a net worth of $15.3 million. This is also in highly liquid form, with 27% ($4.2 million) in cash and 65% in U. S. Governments. It is hard to justify such an investment program as this. The Carpenters have no

As long as the bonds are also at par and market, there is no difficulty involved in this case. Many other unions, however, do not indicate this other information.

real reason to hold 27% of their assets in cash. The return on only two of the union's four million dollars in cash, if deposited in a Government-insured savings account instead of a checking account, would earn up to $90,000,000 per year for the union at current rates.

The Carpenters also own $200,000 of Adams Packing Company preferred stock and $150,000 of the same company's common stock, which represents 100% ownership. In a case where a union owns a company completely, as in this case, it would seem that the union should show the assets and liabilities of the wholly-owned subsidiary either separately or in a consolidated statement. In addition. the Carpenters own $2,000 of Growers Fertilizer Company common stock.

OPERATIVE ENGINEERS:

The engineers have 11% of their $12.2 million net worth in cash and another 11% in savings deposits. Nearly 74% of their net worth is in U. S. Governments of such short maturities that the Carpenters earned only slightly more than 2% on their investments in the past few years. The union owns common stock valued at $5,000 of the Union Labor Life Insurance Company and the Great Lakes Supply Company.

LADIES GARMENT WORKERS:

The ILGWU has a total net worth of over $165,000,000. The international itself has $14 million in net worth, of which one million is in cash and 7 million in net U.S. Governments. The balance sheet of the ILGWU also shows $2.7 million in collateral loans and three million in "other loans". Probably most of these are loans to other unions. The international owns stock in Union Labor Life Insurance Company and in several radio stations. The ILGWU has pioneered in the principle of full disclosure in union financial reporting, and is still one of the very few unions which includes in its financial report the assets and liabilities of the locals affiliated with it. At last reports, the local unions connected with the ILGWU had $26.7 million net worth, most of which is invested in Government bonds. The international has a death benefit fund with assets of $9.1 million and a staff retirement fund with assets of over three million. In addition, the union administers employer supported Health, Vacation, and Retirement Funds with total net worth of over $113,000,000. While most of this is invested in U. S.Government Bonds, the union has fifteen million dollars in a 4.5% mortgage on a coöperativehousing and slum clearance projrct and five million dollars in Federal Savings & Loan Insurance Corporation insured savings and loan associations.

HOD CARRIERS:

Over 95% of the Hod Carriers $12.6 million net worth is invested in bonds, the remaining 5% is in cash. The bond holdings consist of 53% U. S. Governments and 47% corporate bonds. The corporate bonds are of very high quality; 85% are rated AAA by Moody's and the remaining are AA. The union also owns 233 shares of Union Labor Life Insurance Company and two shares of Federal Bank and Trust Company common stock.

MUSICIANS:

The American Federation of Musicians has a net worth of $5,433,225. Almost 20% of the union's assets are in cash, and the remaining assets, with the exception of $120,000 of real estate and a 4% $200,000 industrial mortgage, are invested in U. S. and Canadian Government Bonds.

IRON WORKERS:

The Iron Workers present the ultimate in union investment conservatism. Nearly 87% of the union's total assets of eleven million dollars is held in cash. It is needless to point out how much the union could earn on its funds if they were invested in even the most conservative of all possible manners.

MAINTENANCE OF WAY EMPLOYEES:

The union has over $7.7 millions in assets. Only about 4% of these assets are in cash and over 60% is invested in securities. The union also holds real estate valued at $676,000. All the securities are Government Bonds of the U. S. and Canada, thus the yield on its investments received by the union is only a little over 1%.

MARITIME UNION:

The Maritime Union receives a yield on about 2.1% on its investments consisting mainly of U. S. Government Bonds (61%) and real estate (26%). The remainder of the union's $5,677,258 total assets are held in cash.

RAILROAD AND STEAMSHIP CLERKS:

The Brotherhood has total assets in excess of $10,547,000. Nearly $886,500 (or 8.5% of total assets) is held in the form of cash. U. S. Government Bonds account for 76% of the union's assets and Canadian Government bonds make up another 8%. The balance sheet of the union shows an investment of $10,000 in common stock, but this is merely a holding of a wholly-owned building company of little importance. The union received a yield of 2.8% on the investments, which is rather high for a fund with no holdings of common stocks or mortgages. The explanation lies in the fact that the bonds owned are mostly long-term issues and several of the Canadian issues yield 3% and over.

TEAMSTERS:

The Teamsters have total assets of just under forty million dollars, which makes it one of the richest in the U. S. Nine per cent of the union's assets are in cash, another nine per cent in land and buildings and 76% in investments. The investments, as shown in the union's balance sheet, consist almost entirely of "securities." This figure is not broken down, but it appears likely that the Teamsters hold some common stock, as well as substantial amounts of various corporate bonds. The Teamsters' constitution prohibits the investment of more than $50,000 in the bonds of any one company. The Teamsters' investments return a yield of about 3.3%.

LOCOMOTIVE FIREMEN AND ENGINEMEN:

The Brotherhood holds about 3% of the total assets of nearly 35 million dollars in cash. The balance is invested in securities of the U. S. Government, State and Municipals, Canadian bonds, and Public Utility Bonds. U. S. Treasury issues account for 33% of the union's investments, State and Municipals make up 22%, Canadian Bonds another 30% and the remaining 15% is invested in Public Utility Bonds? The Firemen and Enginemen receive a yield of 3.06% on these investments, which at first glance seem extraordinarily high in view of the classifications of securities owned. A closer look at the investments of the union shows that its investment policy is almost unbelievably shortsighted. The U. S. Treasury and Utility Bonds appear to be of high quality (Yielding 2.67% and 2.68% respectively), the Canadian Bonds are also of fairly good quality (yielding 3.12%), but the State and Municipals held demonstrate that the union's investment policy is not a sound one. In the first place, such securities generally sell at very low yields because of their tax exempt features. Since unions do not have to pay taxes on their investment returns, it is foolish for a union to pay a premium to obtain these bonds. Thus, the union, with 22% of its assets invested in such securities is paying high prices for the bonds which do not afford it any advantages. In the second place, the particular issues owned by the Firemen and Enginemen are of extremely poor quality (as evidenced by the fact that the yield on these holdings is about 3.75%. There is no doubt that the union would greatly benefit if some of these low-quality municipals were sold, and the funds resulting from their sale invested in high-grade corporate common and preferred stocks, or at least corporate bonds

MACHINISTS:

The balance sheet of the International Association of Machinists shows total assets of nearly $14,500,000 Cash holdings account for 3% of these assets, U. S. Treasury Bonds make up 56%, Canadian Government issues 9% and common stocks comprise 14%. The two-million plus investment in common stocks is put only into securities which meet the requirements of the Probate Court of Washington for Estates, etc. The union thus receives a yield of about 2.65% on its investments, though a small pension fund operated by the Machinists, with a higher percentage of its assets invested in common stocks, earns well over 3% annually.

LOCOMOTIVE ENGINEERS:

The Locomotive Engineers, with total assets of almost 20 million dollars, have gone rather heavily into FHA insured mortgages. While the union has 67% of its assets in bonds (U. S. and Canadian Government and Corporates), 27% of its assets are in such mortgages. This is an extremely high percentage for any union. Since an income statement was unobtainable, it was impossible to estimate the yield earned by the union.

STREET, ELECTRIC & MOTOR COACH EMPLOYEES:

As of June 30, 1955, the Street, Electric Railway & Motor Coach Employees had total assets of $11,538,000. Only $588,192 was in cash and $10,843,600 was in investments? About 75% of these investments consisted of U. S. and Canadian Government Bonds (49% in U. S. Governments). The balance sheet shows $472,791 in U. S. Bonds other than Governments, but does not explain what these consist of. The union also holds $20,000 worth of Union Labpr Life Insurance Company common stock. Mortgages comprise 24% of the union's investments. Nearly 99% of these are FHA insured. Principally because of this large mortgage holding, the union receives a yield of about 3.1% on the investments.

POST OFFICE CLERKS:

The Post Office Clerks have over 60% of their total assets of $527,000 invested in securities. They also hold $59,000 (11%) in cash. The securities held are about 80% bonds and 20% commpn stocks. The union received a return of about 5.4% on its investments in 1$§4# The union's assets are actually substantially understated because its stock holdings are reported at cost and are now selling at higher prices. For example, most of the union's common stock investment is in Commonwealth Edison (cost $32, market $42.75), General Tire & Rubber (cost $33, market $66), Parke Davis (cost $43, market $53), Swift & Company (cost $40, market $48), International Harvester (cost $31, market $35,75). Thus it can easily be seen that the Post Office Clerks, in addition to obtaining an excellent return on their investments have also made sizeable capital gains.

POTTERS:

The International Brotherhood of Operative Potters has been the most successful union in the investment field of any American union. This is due to the fact that nearly 80% of the union's $5,176,199 total assets are invested in a diversified list of common stocks.## Another $503,000 is

This is the return on cost. The yield on present market value would be somewhat lower.

##The portfolio of the Potters Union is given in Table VI.

invested in bonds (both government and corporate). $227,000 is in cash and $276,000 is in savings deposits. The union obtained a yield of 4.51% in 1950, 6.03% in 1951, 6.02% in 1952, 5.27% in 1953, and 5.06% in 1954. The yield on stocks owned was 5.4% in 1954. In addition, the union made a profit of $113,562 in 1954 on security transactions. The stocks held by the union are now selling at prices well above the cost price. This means that the assets of the union are, like those of the Post Office Clerks, actually higher than recorded in the balance sheet. The Potters buy only the stocks of banks, insurance companies, and public utilities. The success of the Potters indicates the opportunities available to any union which organizes its investment policy.

C. Stock Ownership as a Means of Corporate Control

We have seen that labor unions in the United States are not, to any great degree, investing their funds in common stocks? The possibility that this policy may be changed, however, brings up one of the most interesting questions in the discussion of labor union investment policy, namely, the problem of unions obtaining a voice in management through common stock ownership. That is a topic that has received a great deal of attention in recent months, and one upon which there has been a great deal of controversy,

The essence of the problem is simple. Common stock ownership carries with it the right to a voice in the management of the corporation. As unions purchase common stock they will receive the right to vote for directors of the corporations and the right to vote on other issues concerning the company. The question then becomes the following: Is participation in management, even to the extent of representation on boards of directors, within the proper sphere of activity for a labor union?

The problem was well stated by Jesse Robinson, when he asked:

> There arises the question of a union participating in management decisions? This is difficult to answer. Should the union cast a vote in proxy contests? Should it cast a vote on <u>any</u> question presented to stockholders? The traditional union policy is to avoid the responsibility for management decisions. Some unions that hold stock appear at stockholders' meetings and present their views on labor-related issues, but refrain from voting. On the other handm some union officials listen kindly to the idea that their holdings may become large enough to justify representation on the board of directors, where they can support the demands of labor in any conflict with management.*

Most labor leaders who have commented on this subject have denied rather vehemently that they have any intentions of seeking to control by common stock ownership firms they bargain with. John L. Lewis, although his union is rather deeply involved in the banking business, told visiting West German industry and labor leaders:

> We don't want responsibility of management. We want the people who put their money into it to worry about the problems of management. And we can help them to decide--at times --on matters of policy and principle, without being burdened with the responsibility of their

* 12.

> detailed management problems. If the UMW went into the coal business, we wouldn't be a labor union when we were doing it. We'd be another competitive commercial enterprise. And the policies of the UMW would have to be modified to suit the requirements of their financial obligations.*

Perhaps even more significant is the import of a speech made by J. Scott Milne, president of the IBEW which has substantial holdings of common stocks, including sizeable holdings of the stock of many companies with which the IBEW has labor contracts. Mr. Milne stated that:

> It is the job of my associates and my self...to handle our financial affairs in the capacity of trustees and not as leaders of a labor organization. It is our definite policy to continue to represent the members of our organization to the best of our ability, and to protect and increase their funds in order to promote their security in their old age, and it is not our policy now, nor at any time, to endeavor to interfere with management.*

Mr. Milne went on to amplify this statement and gave a very interesting analysis of the attitudes of his union toward this problem. It is probable that this attitude is one that the IBEW shares with the majority of other unions that currently own, or eventually will own, common stocks.

> Our organization will obviously endeavor to protect the rights of our members, but it is not our policy to use our ownership of any of our stocks to force any action along such lines. Any action on that front must be fully justified on its own merits.

* 38, p. 50.
**110, p. 8.

> Also...if we make an investment in any company, which, in our opinion, ceases to continue proper and efficient managementm except for unusual conditions, we will withdraw and treat this purely on its investment merits, rather than use it as a means of forcing an issue.
>
> As stockholders, we are only interested in getting a fair return on our investments in order to build up our pension funds and keep faith with our members? We have no desire to interfere or participate further in corporation management.*

The fact that should be noted about this statement of policy is that the problem of a proxy fight of widespread stockholder dissatisfaction with present management has not yet come up in any of the companies in which the Electrical Workers have a common stock investment. Despite the pronouncements of president Milne, it is still impossible to determine what the actual reactions of the Electrical Workers will be if such a situation should arise.

Although such statements as the above by Mr. Milne and Mr. Lewis are typical, it should by no means be assumed that there is anything approaching unanimity of opinion on the part of labor leaders concerning the question of the proper use of the powers associated with common stock ownership. Mr. Paul D. Jackson, of the Harbor Carriers Association, in a speech before the 1954 ILA convention argued that:

> If one legitimate goal of trade unionism may be said to include a larger stake in America and a larger voice in managementm in what way can that better be served than by stock purchase

* 10, p. 8.

> and ownership in those corporations where union membership desires a larger participation, possiply through a directorship, in business decisions.*

Benjamin Fairless, president of the United States Steel Corporation, has made a statement in a similar vein:

> We have approximately 300,000 employees...and together they could buy all the common stock of the corporation by purchasing just 87 shares apiece....By investing $10 a week apiece the employees of U. S. Steel could buy all the outstanding common stock in less than seven years.**

There are cases, as we have seen, where unions have gone into business in competition with their employers (as, for example, the ILGWU, the Typographers, and the Optical Workers), but purchase of common stock for the sake of influencing management decisions has been virtually non-existent. Of course, in many cases a union will buy one or more shares of common stock of each company with which they have bargaining contracts for the purpose of receiving company financial reports. The one case in which there possibly has been some attempt to influence management by the purchase of common stock is the much publicized Teamsters-Montgomery Ward negotiations of last year. The Teamsters Union was trying to negotiate a union shop agreement with the management of Montgomery Ward. Several local teamster organizations# bought substantial quantities of common stock in Montgomery

* 36, p. 425.

** 22, p. 107

\# The organizations involved were the Michigan Conference of Teamsters (covering 23 locals and 50,000 members) and the Automobile Transportation Association (representing 12,000 members).

Ward.# Many commentators on the subject apparently felt that the stock was purchased for the purpose of influencing management which was engaged in a fight for control of the corporation. As Business Week put it:

> The large stockholding might give the Teamsters more leverage in trying to budge Montgomery Ward in bargaining--particularly on the union shop, to which Avery is firmly opposed.**

The Teamsters naturally denied that they had any such motives, arguing (with considerable justification that the purpose was justified solely on the basis of its investment merits. J. Howard Minuich, president of the Red Star Transit Company, Detroit, and an employer trustee of the welfare fund which purchased the stock stated:

> Our purchase is not part of the controversy over control of the company, at least, so far as I am concerned.***

Subsequently, the stock held by the Teamsters was voted for management, and management agreed that a union shop contract with the Teamsters Union. This does not mean to imply that there was any improper use of the union's funds. The stock was purchased because it appeared a sound investment. Since the union was satisfied with the present management, its shares were voted for management. Of course, the new bargaining contract negotiated with the company may have had

Approximately 1% of the outstanding stock of the company was purchased by the union ($1,000,000). While this seems to be a relatively small holding, it should be noted that the largest single holder of Montgomery Ward stock (Mass. Investment Trust) did not vote its holdings.

**27, p. 57.

***Ibid.

a lot to do with the union's satisfaction with the Avery management.

Perhaps the most idealistic view taken of this situation is that held by Frank Tannenbaum:

> It is only logical that some of these funds should be reinvested in the industry from which they came....It is not likely that these new savings institutions, for so the unions may be considered, will ever own all of modern industry. That is not necessary, and perhaps not even desirable. But increasing ownership is a logical next step.... What is presumed in this development is that the union will gradually take on the role of the modern corporation by buying into it.... The corporation and the union will ultimately merge in common ownership and cease to be a house divided.*

Thus we see that there is a great deal to be said on both sides of this question. There are several people who think union representation on boards of directors would be a desirable thing, and there are others who claim that this is outside the sphere of proper labor union activity.

To a large extent, however, the problem does not really exist at the present time. Total union assets, while huge in absolute amount, are still an insignificant fraction of the total value of all corporate securities outstanding. At the present time it is extremely unlikely that more than a handful of unions could obtain a directorship even if the majority of their investible funds were devoted to the purchase of one company's common stock. But this is not to say that this problem will not become a real one as union assets grow

* 6, p. 188ff.

in the next several years. Eventually unions will reach the point where a fundamental decision must be made on this question. Assuming that unions will devote larger and larger proportions of their funds to common stock purchase, should they or should they not buy stock in companies with which they have bargaining contracts? If they do buy the common stock of such companies, thus making the union part owner of the enterprise, how should they use the rights and privileges that go with corporate ownership? If enough stock is owned so that a directorship is a possibility, should the union take advantage of this opportunity?

These are questions which are impossible to answer in a definite fashion at the present time. No matter what union officials may say now, the fact remains that the problem has never really come up, and when it does it will be one to which union leaders will have to give serious thought.

VI. Evaluation of Union Investment Policy

A. Conservatism of Union Investments

Most of the union managements, as we have seen, are standing firmly by their conservative policy of concentration in Government bonds. By pursuing such a conservative policym there are two principal effects to the union funds. First, unions are losing a considerable amount of income on their investment funds and, second, the unions are not protecting their funds against a shrinkage in buying power through a price inflation.

It is obvious that unions could secure a much higher yield on their funds if they followed a less conservative investment policy. The present yield received by American labor unions on their investments is under $2\frac{1}{2}\%$. A policy which included the purchase of sound corporate preferred and common stocks would raise the average yield substantially. Even at the present time, with common stocks prices at an all time high, there are many sound stocks available furnishing yields of 5% or more. In the case of pension funds, it has been estimated that an increase of one per cent in yield would make possible an increase in benefit payments of approximately 25 to 30 per cent.

The problem of inflation is perhaps an even more compelling reason for union leaders to look to equity securities as an investment medium. Most economists look forward to a long term inflationary trend in this country. If this is the case in the future, as it has been in the past, unions with all their funds invested in securities yielding a fixed monet return will find that the return to real terms (what the money return will buy) will decline. To a union member who is planning to live after retirement on benefits received from union retirement funds this problem is of the utmost practical importance.

There are very few financial organizations which have even approximately the same investment problems as unions. Bank and insurance companies have legal restrictions on their investments. Trust funds, likewise, are regulated. Investment companies are less restricted in their investment policy, but they face the constant problem of trying to sell shares to the public, thus there is strong pressure on them to be fully invested at all times, regardless of market conditions. The only sizeable funds which have the relative freedom of union funds as far as investments are concerned, as well as the peculiar tax status of unions are those in college and university endowment funds. Trustees of these funds in recent years have come to realize the advantages of common stock investment, and now all sizeable investment funds have substabtial portions of their assets invested in common stocks* These provide the dual function of yielding a higher return than is obtainable by a program of 100% bond

* Sec. 8 and p, p. 147.

investment, and provide as good a hedge as possible against the almost inevitable encroachment of inflation on the real value of the funds.

naturally, investment in common stocks involves more "risk" than is involved in the policy of Governments only or even bonds only. However, there are several ways of minimizing these risks. One of these methods of reducing risk is the simple principle of diversification, which is open to the investor with large funds to invest. In addition to this there are several formula plans that have been devised to cope with this problem. . Formula timing provides a method of investment in common stocks which minimizes what is probably the greatest risk in common stock investment; the "Psychological" risk.* These plans require the administration of the fund to purchase or sell securities at certain times in the stock price cycle. Formula plans of various types. Among the most common are, first, the constant dollar plan. In this type of plan the same dollar amount is always kept invested in stocks, as stock prices increase the trustees are compelled to sell stocks, and as prices fall, they are compelled to buy stocks. Other plans involve a constant ratio between stocks and bonds. This means that a set percentage of the total assets of the fund are invested in common stocks. The working of the plan is similar to

* 4, p. 5.

the first in that it encourages investment in stocks when they are selling at low prices, and discourages common stock purchasers after a long rise in the market, when, historically, such investment has always been unprofitable. A third type of plan is one involving a variable stock-bond ratio, usually tied to the Dow-Jones Index, or some similar guide. Under this type of plan the proportion of stocks and bonds held varies according to the position of the index used. As the index climbs, the per cent of stocks held declines and as the market declines, the per cent of the stocks is increased.

On a less formal level, the familiar principle of dollar averaging is very well suited to union investments. International unions receive a fairly regular monthly income. Under such a program, the union would invest a certain amount of its monthly receipts in common stocks. This investment of a fixed amount of money at regular intervals assured the union of buying more shares of stock when prices are low than when prices are high. This plan, when carried on with a proper policy of diversification will assure the union's faring better than the stock averages.

An involved technical description of the workings of these plans is beyond the scope of this work. An excellent description of the different plans in common use today will be found in Lucile Tomlinson's Successful Investing Formulas.

Still other arrangements for common stock purchase are possible.. For example, the International Brotherhood of Electrical Workers puts all returns from its common stock investments in excess of 4% in a reserve fund to serve as a cushion for possible declines in stock prices. This is similar to the policy followed by a few insurance companies, notably New England Mutual, in buying lower grade corporate bonds and setting up a reserve account which is credited with the excess of return on these bonds over what the company would receive from high-grade bonds.

The following chapter will discuss in more detail how unions could change their present investment policy so as to take advantage of the benefits of common stock ownership.

B. Reasons for Union Conservation

There appears to be little understanding outside of labor circles of the reasons for present union investment policy. There are reasons, and, from a union manager's viewpointm very good reasons for this policy. In order to fairly criticize union investment policy, we must have some understanding of these reasons. It is only if we can show that these reasons are not valid for today that we have any right to say that unions should change their investment policy.

One important reason for present conservatism on the part of the managers of union investment funds is the fact that the unions suffered heavily in the collapse of 1929-1933. Many unions caught the speculative fever of the 20's, and many went after "bankers" profits. Of 36 union banks precrash, only four surpived. Bonds, mortgages, and stocks likewise proved unsuccessful receptacles for funds. The banks folded just as unemployment rocketed, membership dues declined, and the unions needed their full resources.

Leaders of American labor unions are mostly older men, particularly in the wealthier AFL internationals. These men remember the bad days in the past and fear a repetition. In fact, it is these same men who were mainly instrumental for imposing the constitutional limitations on their union's investment policy which are now tying the hands of those who would like to liberalize union investment policy.

As Professor Belfer has pointed out:

> The record of Labor's previous failures in business activities has undoubtedly done much to convince labor leaders that they should confine their activities to collective bargaining...a subject in which they are experts.*

It is not a persuative argument with most union officials and members that, by following a government's only policy, they are losing a golden opportunity to increase income and profits. They will tell you, "The unions are not in business to make money," and they are right. Funds which they collect and hold are a trust; their first essential is

* 11, p. 347.

to conserve them. It is better, they say, for them to get 2 to 2½% on Governments than to seek higher income, with the risk involved in corporate bonds and stocks. The outstanding exponent of this policy is, as we have seen, the UMW Welfare and Retirement Fund. Of the more than $90,000,000 in total assets, over 60 million was in short and long term Governments, six million was represented by loans to UMW hospitals, and the remaining 27 million dollars was in checking and savings accounts. The results of this ultra-conservative policy were that the UMW earn about 2.4% on their investments. Even this is higher than the amount earned by many other unions, such as the Auto Workers who showed only a 1.23% return on their investments in their last fiscal year.

As pointed out beforem Taft-Hartley, the trend toward arbitration of wage demands, and improved mechanism within unions for settling jurisdictional disputes, could lead to a continuing improvement in the time-lost-through-strikes picture. The significance to Union treasuries has already been pointed out. General funds, special funds, and reserves will continue to grow, unless there is a deep recession in business. As long as these funds continue to grow, the general membership of the unions will continue to be satisfied with the handling of their organization's financial resources.

The bricklayers, for example, have little reason to be discontented with the financial progress of their union.

Net worth of the International Union of Bricklayers, Masons, and Plasterers has increased in ten years from less than ten million dollars to more than 17 million dollars in 1954. The bulk of its investments are in United States and Canadiam Government Bonds, and Municipal Bonds. The Steelworkers have increased their net worth by almost twenty million dollars in the one yearm 1955.

As long as this growth continues it is likely that union members will be favorably impressed with the financial results obtained by their officers, and thus there will be no incentive on these grounds to change investment policy.

This attitude towards investments is summed up in a statement made by William F. Schnitzler, Secretary-Treasurer of the AF of L: "We are not in the money business. If we get the interested in Wall Street, we are likely to forget the job we were elected to do?"* The Secretary-Treasurer of the CIO had made some similar pronouncements. Mr. James B. Carey last year stated that, "We have never had the slightest taint of scandal in connection with CIO Fundsm and maybe one reason we haven't is that we have stayed out of the stock market business."**

Another reason for the conservatism of union investments is to be in the characteristics of the union leaders themselves. Union leaders are political personalities

* 23, p. 82.
** <u>Ibid</u>.

who have risen to their high position through a series of political and economic struggles. A knowledge of investment markets is not now, and never has been, a prerequisite for union leadership. Nevertheless, as unions grow in financial strength and power, the leadership discovers that it has substantial funds at its disposal. Their union experience has not prepared them specifically for the task of wise investment of their funds. It is thus unusual to find in top union financial positions individuals who have a keen understanding of the money and securities markets and of the subtleties of the government bond market. Often men in charge of the investment of union funds are selected because of their loyalty and devotion to the union and not because of their knowledge of investment opportunities.

In addition, as an authority has recently pointed out:

> It is a hard fact that, if the international officials who have come up through the ranks of labor by virtue of their organization ability and leadership capacity generally are not trained or experienced at the business of investing, local officials who often spend their days in the shops and their nights on union business are even less sophisticated about investments and have less time to give to fund management.*

Since most union financial officers are not experienced in the securities field, the selection of Government bonds only, relieves them of the responsibility of exercizing

* 12.

any particular judgement on the selection of investments. Although these individuals are nominally responsible for the prudent investment of union funds, they cannot actually be criticized by the membership of the union if they stick to a Government only policy. Who would blame them if Treasury Bonds bought at par decline to the low 90's or if the price level rises so that the real value of their reserves deteriorates or even if the poor quality municipal bond (selected because it yields a higher return than any U. S. Government issue defaults? On the other handm they may be accused of speculating if a carefully selected list of blue-chip common stocks drops only a few per cent from cost. Moreover, administering union funds is not a full time job in most cases. Union managers do not have the time (even if they did have the ability and experience) to study security values, select appropriate securities, and maintain the continuous supervision that the professional knows is essential to successful diversified investing.

This problem is intensified by the fact that unions have a distrust of financial institutions and personnel because these institutions have frequently been allied with anti-union forces. This distrust makes it difficult for union officials to seek competent advice about investment programs. Many union leaders would find the idea of consulting a broker or investment advisor about the proper investment of their funds repugnant to themselves.

Thus the policy of investing in government securities only is simple and "safe." Such a policy requires no special investment staff or financial "know-how." The union leader doesn't have to concern himself with the investment problem.

Another important reason for union conservatism lies in the legal restrictions on union financial activities. In this case the legal restrictions are not imposed by government authorities but by the unions themselces. The majority of unions have written into their constitutions, provisions which limit the investments of union funds, generally to government and municipal securities. A few unions have recently eased these restrictions, others are planning to, and a few others are reinterpreting the restrictions in a more liberal manner.

Still another reason offered for the avoidance of common stock ownership lies in the problems that could arise from unions owning stock of firms within which the union has a bargaining contract. Many unions, as has been pointed out earlier, own token amounts of stock in all the firms with which they have collective bargaining contracts. This is principally for the purpose of receiving financial reports and the right to be heard at annual meetings of the company. When unions own more than a token amount of stock in these companies, serious policy problems can arise. Most labor leaders disapproved of the Teamsters purchase of Montgomery Ward stock last year, on the basis that this was done only to influence management decisions in regard to employment policies. Even in cases, however, where the union does not specifically purchase securities for this purpose, the mere fact that a union holds stock in a company which is involved in a dispute of some sort (labor or otherwise) can have serious consequences. Let us assume that a labor union holds a substantial number of shares in a particular corporation. Suppose, further, that the company should become involved in a dispute over control of the corporation. The union's decision on which faction should be supported in a proxy fight would depend to a great extent on which group would be willing to give the union the best contract, or which group had the best record of good labor relations.

Many unions feel that they do not want to get involved in proxy fightsm or even take advantage of the limited management functions that attend common stock ownership. The converse results of such a situation is possible: if an international invests in companies with which it bargains, will its stockholder position undermine its primary concern with wage rates and working conditions? Some union executives are fearful that it might, or that they might be criticized unfairly on that score by the membership if they do not make as good a deal as some members want. Union leaders are naturally very sensitive about the possibility of such criticism. Therefore, they conclude that it is wiser to avoid the problem by avoiding common stock purchases.

Another reason for union conservatism that is frequently stressed by union officials is the great need for liquidity in union funds. They concede that the union's funds may be idle for long periods and not needed, but, they claim, there may be times when all the union's resources would be needed in a relatively short period. They also argue that the financial strength of a union as far as bargaining and weathering a strike is concerned, is measured as much by the liquidity of the union's funds as by their absolute amount. If a contract expires, the employer is less likely to grant advantageous terms to the union if he knows that the union cannot afford a strike. The threat of a strike is labor's chief weapon in any bargaining dispute. A union whose assets are tied up in investments which cannot be quickly or advantageously converted into cash is not in any position to weather a prolonged strike. With the present situation in regard to union financial reports what it is (that is, now as never before, employers can have up-to-date knowledge of the state of union finances), the unions must maintain a highly liquid position in order to maintain a strong position at the bargaining table.

The cost of a strike to a union is surprisingly large. Even with very little support given to strikers, a shutdown of work in a plantm or an industry, involving, say 10,000 men for a period of three months "would be staggering to the union's treasury--a million dollars would be quickly disbursed."* The million dollars, while a substantial sum for even the wealthiest of unions, would be no more than pocket money to the striker, not real support. It would provide about $33 to each striker per month for a strike lasting three months. And Support of the strikers is, it should be noted, generally only one item in heavy costs that a strike of any magnitude necessarily involves.

Since unions realize that their fundamental purpose is the securing of higher wages and improved working conditions for their members, and not the accumulation of vast sums of money, they are very aware of this situation. Union leaders are more interested in successfully carrying out the jobs they were elected to do than increasing the yield on their investments. They feel that a highly liquid position is a necessity in trying to successfully function as the collective bargaining agents of their constituents.

One of the most distinctive characteristics of common stocks is that they fluctuate widely in the market price. A union with a heavy investment in common stocks may find that it is forced to sell these holdings just at the time when sound investment policy may dictate the addition of common stock to their holdings. Thus, a union with common stock holdings could find that its investment objectives and

* Eric Peterson, General Secretary, International Association of Machinists (quoted in 13, p. 359).

policies could come into conflict with its collective bargaining aims. For this reason, many unions reject entirely the concept of common stock investment for their funds.

To some extent, of course, union thinking along these lines is perfectly correct. The objective analyst, however, cannot help but be struck with the thought that unions are overdoing this need for liquidity. There seems to be little justification for a union to hold 15 or 20 per cent of its total assets in checking accounts. Short term Treasury Bills, especially during the past year , would have provided a safe, liquid investment outlet for these funds which would provide a substantial yield. Unions with fifteen or twenty million dollars in their treasury are certainly within the bounds of reasonable safety if they invest a small percentage of their holdings in common stock, which, in addition to giving a greater yield to the union, will also serve as a hedge against the inflationary tendencies in our economy. Moreover, this need for liquidity certainly does not exist in the welfare, vacation, and retirement funds administered by the unions. In these funds the managers should consider all the risks attendant to investing large sums of money, and, in the light of present day government fiscal and monetary policy, the risk of inflation is of prime importance.

The extremes to which unions desire liquidity can be shown by an example cited by Professor Belfer. He related the case of a union which secured an employer financed vacation fund into which the employer made contributions each week. Disbursements from this fund were made only during the summer. The funds were deposited in a checking account, and, Belfer reports, it was "impossible to convince the treasurer that the funds should be invested in Treasury Bills."*

There is one final reason why international unions do not invest to any great extent in common stocks. This is the fact that, by confining its investments to Government Bonds, the international sets a standard for the locals. That is, the locals, seeing the international investing its funds in Governments only, follows the same policy. The internationals, with millions of dollars in their treasuries, could easily afford to hire expert investment advisors. Locals, many of whom have only tiny assets as compared with the internationals, generally could not afford such a service. Once the international buys stocks, then, even though it may be guided by expert advisors, it releases the locals, which through innocence of investment techniques, may not use the same caution and judgement shown by their international office has invested in common stocks, may decide that he should do the same. His investments, however, are almost

* 11, p. 348.

sure to be less well-advised than the international stock purchases. As one writer has put it:

> One of the problems that a few union leaders have faced in the effect that any change in investment policy by the international will have on the constituent districts, chapters, and locals. How much their aggregates are is anyone's guess, with some guesses running to $3 million or more, without benefit of pension or welfare funds.
>
> If one speaks to an international official about the finances of the locals, it becomes apparent that this is a sensitive situation. Where treasury funds are concerned every unit is autonomous and intends to remain so. Any effort to impose policy from above is likely to elicit curt rejection. Suggestion--yes;direction--no!*

This is a valid reason, if not overestended, for international unions to be ultraconservative in their investment policies.

Thus we can see that there are many explanations for the conservatism of union investment policy. A few of these are valid reasons why a union, because of its peculiar characteristics should avoid equity securities. Most of them, however, appear to be greatly overworked by union leaders, and, on balance, it seems hard to avoid the conclusion that union leaders have an irrational distrust of financial institutions and a more rational but exaggerated desire to play safe.

The only conclusion that can fairly be drawn from an analysis of union investment policy and the reason for it is that it is extremely unrealistic and has little to commend

* 12.

itself in the light of U. S. fiscal and debt-management policies, and that it offers little or no compensation for the decline of the purchasing power of the dollar as experienced in recent years.

VII. Possible Solutions to the Problem

We have seen that the problem of union investment policy is an important one, and that as union treasuries grow in future years the problem will become more serious. What type of solution can we expect to this problem? Will unions realize that they have an obligation to their members to protect their funds from the dangers of inflation as well as depression?

It seems likely that certain basic feelings of union leaders cannot be changed in the near future. We can not expect unions to invest heavily in common stocks because of their strong desire for liquidity, and their fears of setting an improper example for the locals, not to mention the distrust which union officials have of many financial institutions.

Recently we have seen that there has been some improvement in the situation. The Machinists only recently concluded that a modest position in equalities may provide a sound hedge against long-term inflation, which most union leaders accept as inevitable. This 15% of the Machinists assets which are invested in common stocks are confined to issues approved by the District of Columbia Probate Court for investment by estates and trusts. The union's advisor on its investments is the local office of a national brokerage concern.

Some unions that have decided on a stock position have solved the problem of choice of securities by buying into a mutual fund. Barron's recently reported that, "A recent survey of the National Association of Investment Companies revealed that labor unions have 33 mutual fund accounts, aggregating $887,000."*

This investment in mutual fund shares is more characteristic of local unions and small internationals than of the larger internationals.

One West Coast local invests $17,000 every month in a large balanced fund. Small pension plans are doing the same thing. On the other hand, a large Washington international recently took into its own employ the broker whose advice it had been following. The investment companies with large union accounts are Fidelity Fund, Incorporated Investors, and Massachusetts Investors Trust.**

The unions have come a long way from the days of the cash box. Continued accumulation of funds in the hands of unions and their institutions steadily intensifies the serious problem of investment. There is some evidence of their slow trend from the traditional reliance on Government bonds and in the direction of equities. The labor unions, therefore, present a great challenge to banks, investment advisors, individual economists and security analysts, commission brokerage houses and mutual fund managers, who can

* 19, p. 40.
**11, p. 340.

logically be expected to help them steer a safe course in waters strange to them. But, if the analyst or investment manager hopes to accelerate and share in this trend, he must visualize the problems as they appear to union leaders. He must realize that labor leaders are not particularly fond of Wall Streeters as a class. Consequently, the investment expert cannot approach this group with only the statistics, charts, and arguments that would persuade other institutions and individual investors. He must consider and understand the union official's responsibility to the membership, the many varied purposes for which the funds are accumulated, and the basic function and primary purpose and interests of labor unions. With a sympathetic and intelligent understanding of this new and different client, special techniques and mechanisms for investment may be developed and accepted--with the possibility of a profound influemce on the labor unions, the investment markets, and the economy as a whole.

What then, are the possible solutions which might be suggested by investment advisors to handle this unique situation? Perhaps the most obvious, and indeed one of the best, would be the one that was pointed out earlier in this chapter--investment by international and local unions in open-end investment companies.

The rapid growth of mutual funds in recent years reflects the advantages they offer to the individual investor and to many financial institutions and funds. These same advantages would hold in the case of union investment.

Among the advantages of investment in a mutual fund are its advantages in solving the problems of (1) proper selection of securities, (2) diversification, and (3) timing. Selection of securities is a difficult job:

> Proper analysis takes time, requires access to specialized statistical information, and requires the ability to interpret this information. This can best be done by an experienced analyst trained in economics, finance, and accounting as well as in practical experience. With the best of tools and training and good judgement, proper security selection is still no easy task; without them it is virtually impossible.*

An investment company aggregates investment funds contributed by many investors. It is thus able to reinvest these funds "in a wide variety of other companies, (thus) the investor secures adequate diversification and careful selection."** The investment company also offers to the union the advantage of professional opinion in regard to the timing of security purchases. "Investors may question their own ability to time their purchases properly, but they may be willing to have the skilled management of an investment company time their security purchases and sales."***

Moreover, because of the diversification offered by the mutual fund, such an investment offers the best means available to the union to follow a dollar-averaging or form-

* 3, p. 4[illegible]
** Ibid.
*** 3, p. 450.

ula-timing program.

There is still another advantage to a union in purchasing the shares of open-end investment companies. The survey made by the National Association of Investment Companies referred to above pointed out this fact which is of great importance to union leaders:

> It should be noted that ownership of mutual fund shares, in contrast to direct ownership of equity securities of a company with which a labor union has a labor contract involves no possibility of company control and, therefore, poses no conflict with a union's partisan interests....(The) union's interest in a company, or group of companies, whose securities are included in a mutual fund held by the union, is purely an economic one.*

Because of all the above advantages, it appears to this observer that a program of systematic investment in the shares of a suitable open-end investment company would be a wise method by which unions could raise the return on their funds, and obtain some degree of protection from the long-term inflationary trend in the U. S. economy. Such a program should not be considered a dereliction of duty on the part of the individuals responsible for the administration of the union's funds. In turning over the management of a portion of their funds to the managers of the mutual fund, the union managers are still retaining control over the funds. An important point that should be made in regard to this is the relatively recent recognition by trustees and by courts that

* 19, p. 40.

investment companies are satisfactory investment outlets for trust funds. After the Annual Meeting of the Probate Judges of Massachusetts in 1948, Judge Dillon reported:

> It was the unanimous feeling that the Probate Judges of this state, to keep abreast of the times, should recognize the fact that such purchases (shares of investment companies) are not such a delegation of authority on the part of the trustees as would warrant an objection on that score alone.*

Similar decisions have been made in New York, Ohio and several other states. This recognition of investment companies as a proper investment for trustees indicates that such an investment should by no means be considered improper on the part of the administrator of a union fund.

While such a program would be a great improvement on present union investment policy, there is still one possible measure which unions could adopt which would be superior to investment in existing open-end investment companies, this would be the establishment of an open-end investment company by the unions themselves. The recent unification of the American Federation of Labor and the Congress of Industrial Organizations makes such a program practical for the first time in the history of the American labor movement. The officers of the AFL-CIO federation could organize such a fund. Each union in the country could buy shares in the investment company thus formed to whatever extend it thought

* 3, p. 451.

desirable, and continue to buy according to its receipts some other systematic program. Since such a fund would presumably be extremely large in dollar amount, it could afford to hire the best in managerial talent available to supervise the purchases and sales of securities by the fund. This fund, in addition to providing a receptacle for the funds of the internationals, would provide an investment outlet which would be suitable for the investment funds of the locals. The locals would thus be getting the advantages of common stock ownership and still not be forced to rely on the inexperienced and untrained local union officials to determine investment qualities of the hundreds upon hundreds of available stocks and bonds.

If such a mutual fund were established by American labor unions, the problem of voting the stock accumulated might present serious policy problems (as well as the possibility of being accused of unfair speculation because of the inside information available about the course of contract negotiations). Such a problem could easily be avoided or at least greatly minimized, however.. The fund would presumably hire trained investment advisors to administer the resources of the fund. To eliminate the problem that could arise when the fund owns sizeable portions of the stock of companies with which one of the member unions negotiates, these investment experts could be given complete control over the voting of the stock in the fund. The stock would then be voted according to the opinions of these securities experts as to which candidates or slate of candidates or policies are most bwnwficial from an investment point of view.

Such a program, if adopted by the unions, would have important repercussions on the rest of the economy. The additional funds invested in the stock market, for example, would add millions to the demand for stocks and, in addition, add needed depth to a market that, even with the highest volume in recent years, is strikingly thin.# Moreover, such a program as the one sketched above, if successful, could result in union's demanding a greater voice in the administration of pension and welfare funds now administered by employers or non-union trustees. It could lead to a trend away from the insured pension plans to uninsured, union adninistered plans. Thus if the plan is successful we can expect it to greatly influence labor-management negotiations concerning pensions, welfare, vacation and other "fringe" benefits.

VIII. Conclutions

The main points made in this paper can be summed up briefly as follows:

1) American labor unions have enjoyed in recent years a period of great growth in membership

2) In the near future, union membership will probably be stabilized at or near present levels.

3) The endof the need for sizeable organizing expenses and the probable decline in work stoppages due to labor disputes will result in a rapid and longlasting growth in the total amount of funds in union treasuries,

4) These funds already amount to over $500,000,000 in the treasuries of the international unions. The local unions probably have at least a billion dollars more. In addition, the welfare and direct control amount to close to five billion dollars. Pension funds under union control are almost certainly well in excess of one billion dollars.

5) The huge size of funds under union control, and the likelihood that the amount will greatly increase in the near future makes the problem of labor union investment policy a vital one to everyone interested in labor and financial fields.

6) At present, union investment policy is extremely conservative, relying almost entirely on government bonds as an investment outlet, and ignoring almost completely the opportunities and advantages attaching to common stock ownership. This present investment policy is restricting labor unions to yields much lower than is necessary, and affording no protection against the encroachment of inflation or the real value of the funds in their possession.

7) There are some slight signs of a movement away from the traditional reliance on Government Bonds and in the direction of equities as an investment outlet for union funds. There is however, no evidence of union desire for control

or voice in management affairs by common stock purchase.

8) There are several reasons offered by union leaders for their traditional conservative policy, but a closer examination reveals that most of these reasons have only limited validity.

9) One of the possible solutions to this problem is the purchase of shares in open-end investment companies. so as to receive the benefits of common stock ownership. It was pointed out that several local unions already have accounts with mutual funds.

10) A better solution would be the formation of an open-end investment company financed completely with the funds of international and local unions. The recent unification of the AF of L and CIO has made such a plan a practical one for the first time in labor union history. The fund thus established would be large enough to obtain any desired amount of diversification, and would also be able to afford the best in professional advice. Naturally, there are several technicalities that would have to be worked out before such a plan could be put into operation, but it is my firm belief that the establishment of a mutual fund such as that described in the previous chapter would be the best way for unions to solve the present and future problem of what to do with their tremendous and growing assets.

Table IV

Unions Included in This Study*#

Automobile, Aircraft & Agricultural Implement Workers of America, United (CIO)

Automobile Workers of America, United (AFL)

Bakery & Confectionery Workers' International Union of America (AFL)

Boilermakers, Iron Ship Builders & Helpers, International Brotherhood of (AFL)

Bookbinders, International Brotherhood of (AFL)

Boot and Shoe Workers' Union (SFL)

Bricklaters, Masons & Plasterers International Union of America (AFL)

Bridge & Structural Iron Workers, International Associan of (AFL)

Building Service Employees' International Union (AFL)

Carpenters & Joiners of America, United Brotherhood of (AFL)

Cement, Lime & Gypsum Workers International Union, United (AFL)

Chemical Workers Union, International (AFL)

Cigarmakers' International Union of America (AFL)

Clothing Workers of America, Amalgamated (CIO)

Communications Association, American (CIO)

Communications Workers of America (CIO)

Electrical, Radio & Machine Workers International Union (Inf.)

Electrical, Radio & Machine Workers of Americam United (CIO)

* This includes all unions for which financial statements or letters explaining their investment policy were obtained.

Electrical Workers of America, International Brotherhood of (AFL)

Engineers, International Union of Operating (AFL)

Fire Fighters, International Association of (AFL)

Foreman's Association of America (Ind.)

Furniture Workers of America, United (CIO)

Garment Workers' Union, International Ladies' (AFL)

Glass Bottle Blowers Association of the U. S. & Canada (AFL)

Glass, Ceranic & Silica Sand Workers of America, Federation of (CIO)

Glass Workers Union of North America, American Flint (AFL)

Hatters, Cap & Millinery Workers International Union, United (AFL)

Hod Carriers', Building and Common Laborers' Union of American International (AFL)

Hotel & Restaurant Employees' International Alliance & Bartenders' International League of America (AFL)

Lathers, International Union of Wood, Wire, & Metal (AFL)

Hosiery Workers, American Federation of (CIO)

Laundry Workers' International Union (AFL)

Leather Goods, Plastic & Novelty Workers, International (AFL)

Letter Carriers Association, National Rural (Ind.)

Lithographers of America, Amalgamated (AFL)

Locomotive Engineers, Brotherhood of (Ind.)

Locomotive Firemen & Enginemen, Brotherhood of (Ind.)

Longshoremen's Association, International (AFL)

Machinists, International Association of (AFL)

Maintenance of Way Employees, Brotherhood of (AFL)

Marine Engineers' Beneficial Association, National Union of (CIO)

Maritime Union of America, National (CIO)

Masters, Mates & Pilots of America (AFL)

Meat Cutters & Butcher Workmen of North America, Amalgamated (AFL)

Mine Workers of America, Progressive (AFL)

Mine Workers of America, United (Ind.)

Mine, Mill & Smelter Workers, International Union of (CIO)

Molders & Foundry Workers Union of North America, International (AFL)

Musicians, Americam Federation of (AFL)

Newspaper Guild, American (CIO)

Office Employes International Union (AFL)

Oil, Chemical & Atomic Workers International Union (CIO)

Packinghouse Workers of America, United (CIO)

Painters, Decorators & Paperhangers of America, Brotherhood of (AFL)

Paper Makers, International Brotherhood of (AFL)

Pattern Makers' League of North America (AFL)

Photo-Engravers' Union of North America, International (AFL)

Plasterers' and Cement Masons' International Association of The United States and Canada, Operative (AFL)

Post Office Clerksm National Federation of (AFL)

Postal Transport Association, National (AFL)

Potters, National Brotherhood of Operative (AFL)

Printing Pressmen's & Assistants' Union of North America, International (AFL)

Pulp, Sulphite & Paper Mill Workers of the U. S. and Canada, International Brotherhood of (AFL)

Railroad Trainmen, Brotherhood of (Ind.)

Railway Carmen of America, Brotherhood of (AFL)

Railway Conductors of America, Order of (Ind.)

Railway & Steamship Clerks, Freight Handlers, Express & Station Employes, Brotherhood of (AFL)

Retail Clerks International Protective Association (AFL)

Rubber Workers' of America, United (CIO)

Seafarers' International Union of North America (AFL)

Sleeping Car Porters, Brotherhood of (AFL)

Stage Employees & Moving Picture Machine Operators of the U. S. and Canada, International Alliance of Theatrical (AFL)

State, County & Municipal Employees, American Federation of (AFL)

Steelworkers of America, United (CIO)

Stereotypers' & Electrotypers Union of North America, International (AFL)

Stone & Allied Products Workers of America, United (CIO)

Stove Mounters' International Union of North America (AFL)

Street, Electric Railway & Motor Coach Employees of America, Amalgamated Association of (AFL)

Teachers, American Federation of (AFL)

Teamsters, Chauffeurs, Warehousemen & Helpers of America, International Brotherhood of (AFL)

Telegraphers Union of North America, Commercial (AFL)

Textile Workers Union of America (CIO)

Tobacco Workers' International Union (AFL)

Transport Service Employees of America, United (CIO)

Transport Workers Union of America (CIO)

Typographical Union, International (AFL)

Upholsterers' International Union of North America (AFL)

Utility Workers Organizing Committee (CIO)

Woodworkers of America, International (CIO)

Table V

Unions Refusing to Send Financial Reports#

Actors & Artistes of America, The Associated (AFL)

Agricultural Workers Union, National (CIO)

Barbers, Hairdressers & Cosmetologists' International Union of America, The Journeymen (AFL)

Brewers, Flour, Cereal & Soft Drink Workers of America, Int. Union of America (CIO)

Blacksmiths, Drop Forgers & Helpers, International Brotherhood of (AFL)

Brick & Clay Workers of Anerica, The United (AFL)

Cleaning & Dye House Workers, International Association of (AFL)

Distillery, Rectifying & Wine Workers' Intertational Union of America (AFL)

Dyers, Finishers, Printers & Bleachers of America, Federation of (CIO)

Elevator Constructors, International Union of (AFL)

Farm Equipment & Metal Workers of Americam United (CIO)

Federal Employees, National Federation of (Ind.)

Federal Workers of America, United (CIO)

Firemen & Oilers, International Brotherhood of (AFL)

Fishermen & Allied Workers of America, International (CIO)

Food, Tobacco, Agricultural and Allied Workers Union of America (CIO)

Fur & Leather Workers' Union, International (CIO)

Garment Workers of America, United (AFL)

Government Employees, American Federation of (AFL)

Grain Millers, American Federation of (AFL)

Industrial Trades Union of America (Ind.)

This list includes all unions which either refused to send me their Financial reports or did not answer my letters requesting such reports.

Insurance Agents' International Union (AFL)

Jewelry Workers' Union, International (AFL)

Marble, Slate & Stone Polishers, Rubbers & Sawyers, Tile & Marble Setters Helpers & Terrazzo Helpers, International Association of (AFL)

Marine Cooks & Stewards Association of the Pacific Coast (CIO)

Marine Firemen, Oilers, Watertenders & Wipers of the Pacific Coast (Ind.)

Metal Polishers, Buffers, Platers & Helpers International Union (AFL)

Office & Professional Workers of America, United (CIO)

Optical & Instrument Workers of America, United (CIO)

Paper Workers of America, United (CIO)

Playthings, Jewelry & Novelty Workers International Union (CIO)

Plumbers & Steam Fitters of the U. S. & Canada, United Association of (CIO)

Post Office Clerks, United National Association of (Ind.)

Postal Employees, National Alliance of (Ind.)

Postal Supervisors, The National Association of (Ind.)

Postmasters of the U. S., National League of District (Ind.)

Public Workers of America, United (CIO)

Railroad Signalmen, Brotherhood of (Ind.)

Railroad Telegraphers, Order of (AFL)

Railway Mail Association (AFL)

Retail, Whosesale & Department Store Employees of America, United (CIO)

Sheet Metal Workers' International Association (AFL)

Shoe Workers of America, United (CIO)

State, County & Municipal Workers of America (CIO)

Switchmen's Union of North America (AFL)

Telephone Workers, National Federation of (Ind.)

Textile Workers of America, United (CIO)

Tool and Dye Craftsmen, the Society of (Ind.)

Utilities Union of America, United (Ind.)

Table VI

Investment Portfolio

International Brotherhood of Operative Potters

U. S. Government Bonds	$503,000
Checking Account	227,917
Savings Account	227,284
Stocks	4,001,167

Stocks

Shares	Insurance Companies
1000	Aetna Insurance Company
1000	American Auto Insurance Company
1000	American Equitable Assurance Company of New York
2500	American Insurance Company of New Jersey
600	American Surety Company of New York
500	Camden Fire Insurance Association
1000	Employers Group Association
700	Firemen's Fund Insurance Company
1650	General Reinsurance Corporation
1300	Hanover Fire Insurance Company
1500	Home Insurance Company
1000	Jersey Insurance Company
2000	Massachusetts Bonding & Insurance Company
1000	Merchants & Manufacturers Insurance Company
1800	National Union Fire Insurance Company
1000	New Amsterdam Casualty Company
1719	New Hampshire Fire Insurance Co.
1320	Northern Insurance Company
700	North River Insurance Company
1680	Pacific Indemnity Company
1500	Peerless Casualty Company
1000	Pennsylvania Company for Insurance
1700	Providence Washington Insurance Company
1000	Springfield Fire & Marine Insurance Company
1000	Standard Accident Insurance Company
1174	Union Labor Life Insurance Company
1000	Westchester Fire Insutance Company

Banks

1000	American Trust Company
4017	Bank of America
1500	Bankers Trust Company
500	California Bank
4172	Central National Bank of Cleveland

1500	Chase National Bank
825	Chemical Bank & Trust Company
500	Fidelity Philadelphia Trust Co.
1000	First National Bank of Atlanta
2000	First National Bank of Philadelphia
1000	Guaranty Trust Company of New York
2000	Irving Trust Company
3000	National Bank of Dover
1000	National Shawmut Bank of Boston
772	Pennsylvania Company for Banking
1500	People's First National Bank & Trust Company
575	Public National Bank of New York City
1000	Republic National Bank of Dallas
1000	Union Bank of Commerce

Public Utility Companies

1000	American Water Works, $1.50 preferred
3000	Arizona Public Service Company
1060	Black Hills Power & Light Company
1000	California Oregon Power Company
1000	Central Illinois Public Service Company
3000	Central Indiana Gas Company
500	Central Maine Power Company, 3½% preferred
3500	Columbus and Southern Ohio Electric Company
2000	Equitable Gas Company
6000	General Public Service Corporation
2000	General Telephone Company of Ohio
1500	General Telephone Company of the South West
250	General Telephone Corporation
100	Illinois Power Co.
1000	Indiana Gas & Water Company
3000	Interstate Power Co.
1000	Iowa Electric Light & Power Company
1000	Iowa Power & Light Company
2000	Iowa Southern Utilities
1000	Kentucky Utilities Company
3000	Middle South Utilities, Incorporated
2000	Minnesota Power & Light Company
2201	New England Gas & Electric Association
2250	New York State Electric & Gas Corporation
1500	Niagara Mohawk Power Company
2200	Northern Indiana Public Service Company
1500	Northwest Public Company
1210	Ohio Edison Company
1815	Oklahoma Gas & Electric Company
1371	Pacific Gas & Electric Company
400	Pacific Gas & Electric Co.
2785	Pacific Power & Light Company
1100	Public Service Company of Indiana, Incorporated
1000	Public Service Gas & Electric Company

1500	Public Service of New Hampshire
1068	Rochester Gas & Electric Corporation
2000	Southern California Edison Company
1608	Southwestern Public Service Company
1220	Tennessee Gas Transmission Company
200	Texas Eastern Transmission Corporation
1530	Texas Gas Transmission Corporation
3000	Texas Utilities Company
300	Toledo Edison Company, 4.56% preferred
1500	Transcontinental Gas Pipe Line Corporation
1000	Tucson Gas, Electric Light & Power Company
550	Utah Power & Light Company
1000	Vermont Public Service Company

Others

750	Clevite Corporation
2050	Fanner Manufacturing Company
1000	Foote Brothers Gear & Machine Corp., 5 3/4% preferred
2500	General Contract Corporation, 6% preferred
175	Harshaw Chemical Corporation, 4½% Preferred
850	Twin Coach, $1.50 Preferred

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