

Our Changing Economy

Mixing Thrift, Debt Is New Dichotomy

By Philip Stoddard Brown

A LOCAL building and loan association says "There is nothing more American than family thrift" and urges people to save. A finance company advertises: "Buy now and pay later—the American way."



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The same people may respond to both appeals. They "believe in" saving, so they open "a thrift account." They want a car, TV set, or fur coat, so they buy "on time."

There's nothing new about wanting present pleasures and future security. But the widespread belief that these wants are not utterly inconsistent and the degree to which both are being realized is new. The expansion since World War II of consumer credit, savings accounts, home ownership, insurance and pension rights is remark-

able.

Some general-purpose institutions—such as commercial banks and churches—have been adapting themselves to this change, but it hasn't been easy. It's hard for a bank not to blur its "corporate image" when it urges people to save and invites them to borrow the cost of a trip to Nassau.

Savings and loan associations and finance companies have single objectives: the former, to get people to save; the latter, to persuade them to borrow and buy. They plug these objectives by the "hard sell" techniques of radio and TV "spots," mass mailings, door prizes, giveaways and kick-backs to auto dealers. As a result, they have taken over much of the personal finance business.

Other factors, including legal and tax advantages over commercial banks, have contributed to the extraordinary growth of savings and loan associations.

In Washington, savings in the 28 Federally-insured associations have risen from some \$200 million to over \$900 million in the postwar period.

Nearly a Century Old

Four associations account for over half of all savings. The largest is Perpetual, the fourth biggest saving and loan association in the United States. The oldest is Oriental, organized in 1861, which may also be the oldest, or the second oldest, in the country.

Nearly half of all mortgages on single-family houses in the Washington area are held by local savings and loan associations. In the country as a whole, savings and loan associations hold only 38 or 39 per cent of nonfarm mortgages under \$20,000.

All 28 member associations of the D. C. Savings and Loan League are mutuals—that is, they are really coops owned by individual share holders. By-laws typically give one vote to each member, whether his account is for \$10 or \$10,000 (the largest amount covered by insurance). There are thousands of accounts in excess of \$10,000—one, I'm told, for \$750,000—but the holders of these too have no greater voting rights than the smallest savers.

Actually, the members don't participate in any way in the running of these associations. The top official of one association says it's rare that anybody except officers and directors comes to the annual meeting. Perpetual did have some 200 persons at its last meeting, but this is only 1/6 of 1 per cent of the members.

Who organizes these associations and why? How are they run? What fraction of income goes for expenses? Do special promotions pay off—and for whom? These are questions I shall try to answer next week—along with a discussion of the present dilemma of many local associations.

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In my column of April 13, I pointed out that racial discrimination in Washington has become increasingly expensive in terms of labor costs and taxes, and that this should be a matter of concern to the Board of Trade. I mentioned also that no committee of the Board has in view, or has even considered, an educational program to bring about equal job opportunities for Negroes, and that no Negro businessman has ever been invited to become a member of the Board of Trade.

I was wrong about the last statement. Mrs. Donald Ross Green informs me that one of the charter members, James Wormley, was a Negro. He was the son of the founder of the famous Wormley Hotel of the 1870s and 1880s.

John Lynch, a Negro building contractor, who built a "mansion" for himself on New Hampshire ave. above Dupont circle, later became a member. Also, five Negro professional men were members in the 1890s. However, between 1901 and 1907, the Negro members withdrew, presumably because they found their position futile and uncomfortable.

Mrs. Green, who has a Rockefeller grant, is writing a history of Washington that promises to be an outstanding cultural contribution—one that will enable us to see the past, and thereby ourselves, more truthfully.