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An Analysis of the Investment Policies of International Unions

Merlin Joseph Kingsley
Loyola University Chicago

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AN ANALYSIS OF THE INVESTMENT POLICIES
OF INTERNATIONAL UNIONS

by

Merlin Joseph Kingsley

A Thesis Submitted to the Faculty of the Institute of Social and
Industrial Relations of Loyola University in Partial
Fulfillment of the Requirements for the
Degree of Master of Social and
Industrial Relations

JUNE
1957
LIFE

Merlin Joseph Kingsley was born in Dubuque, Iowa, June 3, 1924.

He was graduated from St. Paul High School, Epworth, Iowa, June, 1943, and from Loyola University, Chicago, Illinois, February, 1951, with the degree of Bachelor of Arts.

He began his graduate studies at Loyola University in February, 1951.
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CHAPTER I

INTRODUCTION

In his autobiography Seventy Years of Life and Labor, Samuel Gompers describes the almost insurmountable problems he faced in raising sufficient funds to provide railway fares for his travel about the country to organize skilled workers into the embryonic American Federation of Labor.¹ His salary as head of the new federation was set at one thousand dollars per year. Expense allowances were non-existent. Any money spent in performing his functions as president came from his own pocket. Indeed, paying the monthly electric light bill was a matter of recurring anxiety. Headquarters for the fledgling organization was a single room roughly furnished with orange crates and discarded furniture.²

Today after almost three-quarters of a century of steady economic growth, such problems no longer exist. One need only visit Washington, D. C., and view the luxurious headquarters of many international unions to realize that unions have come a long way since the bleak economic days of Samuel Gompers.

In many unions the problem no longer is how to raise union revenue, but what to do with the revenue that is pouring into union treasuries.

¹Samuel Gompers, Seventy Years of Life and Labor (New York, 1925), I, 271.
²Ibid., 269.
The manner in which major international unions are investing these funds was the topic chosen for this thesis.

This is not an original approach to the problem. Unions' wealth has been given considerable attention by the daily press. Some of the attention is being prompted by investment interests who believe that unions should provide needed capital for an expanding economy. Some of the attention is elicited from opponents of labor who fear that unions will use their expanding wealth to buy ingress into industrial management.

In 1950 some investment firms engaged Dr. Alexander S. Lipsett, an economist, to conduct a survey as to the size of labor welfare and pension funds and their probable future growth. The Lipsett survey entitled Labor's Partnership in Industrial Enterprise, revealed that the preponderant portion of union resources is invested in government bonds, municipal bonds and in cash. 3

From the reports of forty-two national unions, Dr. Lipsett calculated that unions had a net worth exceeding $360,000,000. By membership, dues payment, and other factors, he estimated that the unions represented about one-quarter of the union movement. From this he inferred that the net worth of all parent unions exceeded $1,000,000,000 and might be close to $1,500,000,000. 4 The author lamented the fact that labor unions were not putting these vast sums to work and suggested a more realistic investment policy by placing substantial portions of these sums into corporate stocks and bonds. 5

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4 Ibid., p. 4.
5 Ibid., p. 7.
While the Lipsett survey presents by no means an over-all picture of American labor finances, it does offer some sort of yardstick. One must realize, however, that such union benefit reserves as real estate, banks, old age homes, resorts, newspapers, and artistic enterprises were included in this net total. Such items, while constituting a part of a union's basic treasury, are not readily convertible to cash.

Another investigator who has conducted a study on this problem is Mr. Nathan Belfer of Pennsylvania University.6

Mr. Belfer estimated that trade union assets were about $1,500,000,000, including $500,000,000 in welfare funds under direct union control. He, too, chided labor for its conservative investment policies and cited several instances of outright naiveté in union investment practices. In one instance he cites the case of a major union that appointed an old retainer, who knew nothing about finance, to handle its investment program. This man invested a sizable amount of union funds in municipal bonds of dubious value. His reasoning was that the income from bonds was tax-free. He did not realize that union revenue is tax-free anyway.7

In another instance, a union adhered to the policy of keeping its investments in commercial checking accounts. It did not even earn the small interest it would have gotten from a savings account. Finally, after much discussion and misgivings, the union officers decided to invest the money in government

6Nathan Belfer, "Trade Union Investment Policies", Industrial and Labor
Relations Review, VI (New York, 1953), 337-351.

7Ibid., p. 347.
bonds. Belter says the union considered this an outstanding achievement. 8

Mr. Belter's study employed the same method of research as that used in this study in that union financial statements will furnish the data necessary for systematic observation. However, this study was not pursued to point out the inadequacies of union investment policies. Its purpose is to examine the financial statements of a majority of international unions to determine the diversification of their investment account and, at the same time, determine the existence or non-existence of factors which indicate a trend toward a change in basic union investment practice. Personal correspondence with union officials will furnish additional evidence to support any propositions advanced.

Data for this study have been collected through examination of union financial statements and correspondence with union officials. Letters were sent to the presidents of 139 national and international unions affiliated with the American Federation of Labor and the Congress of Industrial Organizations as of March 1, 1956. This letter was as follows:

Dear Sir:

I am a student at Loyola University, Institute of Social and Industrial Relations, Chicago, and am engaged in collecting data for my master's thesis, "The Investment of Union Funds".

Would you be able to furnish me the following information or advise me whether such information has been published and where it can be secured:

(1) Your union financial reports
(2) Records disclosing disposition of funds for investment purposes

8 Ibid., p. 347.
I would also appreciate your personal comments as a union officer concerning the investment of union funds; whether you favor purchasing common stocks, government bonds, buying real estate or whatever policy you follow to secure reasonable returns on your available funds.

Unfortunately, the information I have been able to obtain so far has been strongly prejudicial and accurate union reports are necessary if I am to counteract this information. Your help will be greatly appreciated in the preparation of an unbiased study.

Thank you sincerely for your consideration to this matter and for whatever assistance you may be able to give me in this project. If you desire additional information concerning the nature of my thesis, I shall be pleased to furnish it.

Very truly yours,

Merlin J. Kingsley

Fifty-four union officials responded to this request for information. Of this total, thirty-one furnished certified audit reports consisting of balance sheets and statements of current income and expenses. Twenty-three other union officials supplied information as to the distribution of union assets without, however, disclosing specific financial data. Forty-one union officials expressed their personal attitudes toward the investment of union funds.

Mr. Lipsett and Mr. Belfer were both undoubtedly accurate when they stated that most union investment holdings consist of government securities. An analysis of the investment practices of forty national unions completed in 1952 disclosed the following aggregate union investment portfolio.⁹

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TABLE I

DISTRIBUTION OF ASSETS

<table>
<thead>
<tr>
<th>Assets</th>
<th>Per Cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>10.2</td>
</tr>
<tr>
<td>Government Bonds</td>
<td>74.0</td>
</tr>
<tr>
<td>Stocks</td>
<td>1.5</td>
</tr>
<tr>
<td>Real Estate</td>
<td>2.3</td>
</tr>
<tr>
<td>Mortgage Holdings</td>
<td>5.3</td>
</tr>
<tr>
<td>Savings Accounts</td>
<td>0.8</td>
</tr>
<tr>
<td>Special Investments</td>
<td>0.6</td>
</tr>
<tr>
<td>Loans</td>
<td>4.6</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The aspect of this financial distribution which attracts the most interest from the investment brokers is, of course, the large proportion of union sums in cash and in government bonds.

But even if interested parties can ultimately break down union resistance to the point where common stock becomes a major part of union investment portfolios, labor still will not constitute a controlling financial force in our capitalistic industrial system. Admittedly, the amounts of money under direct union control have multiplied substantially since World War II, but they still represent a relatively insignificant sum when measured against the total value of American corporations. Professor Edwin E. Witte, of the University of Wisconsin, points out that General Motors Corporation and American Telephone and Telegraph Company individually are wealthier than are all American unions.
combined.\textsuperscript{10}

It is also significant to add that the unions' wealth is divided up among thousands of locals and central units. Very few single organizations have substantial funds at their disposal.

Money to a union is a weapon and not an industrial power leverage. The acquisition of funds is not nearly as important to a union as the administration of the union in the best possible interests of its members. Money in union treasuries is invested but in most instances it is invested where it can be safeguarded and easily converted into cash. The availability of assets is more important than the interest which can be secured by investing sums into such channels as common stocks or utility bonds.\textsuperscript{11}

The areas that attract the most interest of professional investors are welfare and pension funds. Within the last ten years these programs have increased with amazing speed. There are several reasons to explain such rapid development. The most basic reason springs from man's desire to be protected from income loss or other costs arising from illness, old age and death. In addition, there exists the economic fact that an employee can buy such protection more cheaply on a group basis than on an individual basis. But the factors which gave the greatest stimulant to welfare and pension fund development were these:

1. High corporation taxes after World War II coupled with tax deductions


\textsuperscript{11}Ibid., p. 415.
for contributions to pensions and welfare plans provided employers the opportunity to give benefits at reduced rates.

2. During World War II, actual wage rates were frozen but the government allowed employers to establish fringe benefits and many firms found this a good way to hold employees.

3. Court decisions from 1948 to 1950 forced employers to bargain with unions on pensions and welfare plans.

4. Since 1948 unions have made a concerted drive for welfare and pension programs. 12

Perhaps, the greatest impact on welfare and pension plan development was made by a single man and a single union. John L. Lewis, president of the United Mine Workers, was the first national labor figure to demand a welfare fund. He first put forward a demand for a welfare fund in the 1945 wage negotiations. He failed that year but achieved it in 1946 after a fifty-two day strike and government seizure of the mines under the Smith-Connolly Act. Payments to this fund were financed by a five cent a ton contribution on coal mined for use or sale.

The steel industry granted group insurance benefits in 1949. Under a contributory pension plan, both employer and employee contributed two and one-half cents per hour into the fund. 13

Benefits were gained in the auto industry in 1950, but only after the union

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13 Ibid., p. 160.
had waged a strike lasting 105 days to force the company to fund its pension program. 14

As major unions became successful in forcing welfare and pension benefits and court decisions upheld them, smaller unions demanded similar concessions. By 1954, total estimated employer-employee contributions to these programs amounted to $6,846,200.00, of which employer contributions were $4,537,900.00, and employee contributions were $2,308,300.00. 15

14 Ibid., p. 99.
15 Ibid., p. 12.
CHAPTER II

THE INVESTMENT OF UNION ASSETS

Data compiled for this study from the financial statements of international unions discloses that the heads of major unions are among the country's most conservative investors. They are much less venturesome in putting the money to work than are universities, philanthropic foundations, or personal trusts.

Most labor organizations refuse to deviate from traditional policy of investing almost solely in government bonds. The prevailing view among labor leaders is that unions should distinguish themselves in promoting the welfare of their union rank and file and not concern themselves with executing financial coups. Union officials fear that time consumed in managing money will tend to make them business men first and unionists second. The relatively few unions which invest in common stocks erect exacting safeguards against speculation or union interference in corporate management.

Subsequent sections in this chapter will show that some unions operate their own banks, although the number of labor banks is only a fraction of what it was before the 1929 market crash.

This chapter will also point out unions that own luxury apartment buildings, unions that finance moderate housing projects, unions that run their own insurance companies, and unions that finance rest homes and housing for retired members. But the accent is upon a type of financial orthodoxy designed to keep
the union from sitting on both sides of the bargaining table in the dual role of part-owner and employee spokesman.

The greatest single accumulation of assets controlled by a labor union in the country seemingly is connected with the United Mine Workers of America. An examination of the statement of their Welfare and Retirement Fund reveals that the total unexpended balance of the fund as of June 30, 1955 was $103,607,911.33. Of this total, $37,160,127.72 is deposited in banks either in savings accounts or checking accounts or kept in petty cash funds. Better than forty-three per cent, or $45,093,750.00, is invested in government securities. These securities consist of $20,000,000.00 in United States Treasury notes, series A, which bear one and five-eighths per cent interest and $25,000,000.00 in United States Treasury notes with a yield of two and one-half per cent. 16

In nine years the fund has taken in more than $882,000,000.00. 17 All money paid into the fund comes from the mine operators who pay a royalty of forty cents on every ton of coal mined.

During the 1954-1955 period when the fund was receiving nearly $130,000,000.00 in contributions, it was paying out $116,000,000.00 in benefits to miners and their families. In the first nine years of the fund’s operations, it has paid out $779,000,000.00. Pension payments alone account for almost half of this total.


Medical care also accounts for a big drain on the fund. The hospital and medical care program have cost the fund more than $246,000,000.00 in the first nine years. Benefits include free hospitalization for as long as a patient needs it plus medical and surgical care during his stay in the hospital. The magnitude of the medical and hospital program is indicated by the figures for 1955. Fund expenditures of $42,773,658.47 provided 1,605,486 days of hospitalization for 95,824 fund beneficiaries. An additional $18,000,000.00 has been advanced to hospital associations set up by the United Mine Workers' fund to build ten hospitals in Kentucky, West Virginia, and Virginia. All administrative costs including those of the Washington office and the ten area medical offices of the fund were $3,555,150.95, or less than three per cent of the total expenditures.

Probably, in terms of actual net worth, the International Brotherhood of Teamsters ranks second. However, there was no acknowledgement of the author's request for financial statements from this particular organization, thus an analysis of their investment program is impossible. The current Senate investigation of racketeering in labor unions may force disclosure of this union's financial structure but, as of now, no such information has been made public.

The United Automobile, Aircraft and Agricultural Implement Workers of

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18 Ibid., p. 106.
19 United Mine Workers, p. 15.
20 Ibid., p. 33.
America, on the other hand, were very cooperative in supplying data. Total resources of this organization as of December 31, 1955, were $39,792,142.93. This was a gain of $19,342,610.12 over the previous year and was almost entirely accountable for by the fact that the 1955 Cleveland convention voted to increase dues to build up a substantial strike fund. Such a situation dictates that a large proportion of union assets be held as cash. Therefore, it was not surprising to find $3,851,822.63 as cash on hand and in banks. Investment securities accounted for $28,394,919.12. These consisted of government securities with a yield of two and one-half per cent. 22

Mr. Emil Masey, International Secretary-Treasurer of the union, disclosed that these securities were all short-term and generally matured in the year in which the union had contract negotiations, so that, if the need arose, they could be used to assist members in the event of a strike. 23

The union also has $10,000.00 invested in Dominion of Canada bonds and $1,890,637.50 in General Motors Acceptance Corporations bonds. 24 A small part of the union's assets is invested in common stock of companies which have collective bargaining agreements with the union. Such purchases enable the union to secure certain financial data concerning these companies.

The International Typographical Union, like many other unions, is prohibited by its constitution from investing money in any securities other than

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24 United Auto Workers, p. 5.
those issued by the government. Assets of this organization, including all its various funds, total $16,237,810.57. Tabulation of all bond assets discloses a grand total value of $9,738,175.00. Bond investments consist of U. S. Treasury bonds bearing interest of two and one-half per cent and U. S. Savings Bonds, series G and F. The largest single bloc of government securities is found in the Old Age Pension Fund which accounts for over half of the total. These are all U. S. Savings Bonds, series G and F. The Mortuary Fund also comprises a large amount of government securities, consisting of $2,300,000.00 U. S. Treasury bonds, series G and F. 25

Pension payments for retired Typographical union members at present are $22.00 a week. Expenditures for benefits for 1955 reached $10,140,743.00 while receipts from assessments, interest income, and bequests only totaled $9,669,059.88. The reserve balance on May 20, 1955 was $5,590,891.93 reflecting a decrease of $478,839.79 for the fiscal year. 26

The Mortuary Fund, like the Old Age Pension Fund is also running in the red. Receipts totaled $628,563.04 while disbursements were $797,286.72. The fund balance on May 20, 1955 was $2,762,502.37, a deficit of $114,723.68 for the fiscal year. 27

The Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees Union is also committed to a restrictive investment pro-

26 Ibid., p. 165.
27 Ibid.
gram by its constitution. Total assets of this organization are $10,258,325.14 with approximately eighty per cent of this total invested in U. S. Government obligations and slightly more than $1,000,000.00 invested in Canadian Government bonds. Cash on hand and in banks amounts to $248,309.87.

The constitutional restrictions of the International Association of Machinists are not as severe as those of the railway clerks. Their constitution specified: "Grand Lodge funds shall be invested only in United States Government bonds or notes, state and municipal bonds, supported by the general income of the state or municipality, Canadian Government bonds and other investments that would be approved by the Probate Court of the District of Columbia as suitable investment for guardian or trustee funds."  

The officials of this organization have to date purchased $1,907,934.22 of common stock. A further breakdown of the investment account of this organization discloses purchases of $7,734,646.88 in U. S. Government bonds and $1,390,031.25 in Canadian bonds.

Examination of the balance sheet of the Amalgamated Meat Cutters and Butcher Workmen of North America as of February 29, 1956, including the various separate funds of the association, reveals total assets of $10,350,467.86. Practically the entire amount of these assets is invested in U. S. Treasury

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29 Constitution of International Association of Machinists, sect. 3, art. 4.
30 Information in a letter to the author from Eric Peterson, General Secretary-Treasurer, International Association of Machinists, June 13, 1956.
31 Ibid.
The International Constitution of this organization precludes investment in any securities other than government bonds, municipal, or state bonds without express permission of the executive board or the delegates at the general conventions. Such permission has not been solicited to any great extent since miscellaneous stocks, bonds, and reservables only account for $168,651.75 of total assets.

The investment policies of the Millinery Workers Welfare Fund of the United Hatters, Cap and Millinery Workers International Union formerly were practically identical to those followed by the Amalgamated Meatcutters. However, recently the Executive Board of this organization decided to broaden its investment portfolio. The present breakdown of assets shows $6,407,842.45, or over ninety-two per cent, of assets invested in government securities. Approximately two per cent of assets have been invested in common stocks. The Executive Board was dissatisfied with the two and one-quarter and two and one-half per cent yield on government securities and decided in mid-1951 to permit the purchase of high grade municipal bonds and other securities of a similar nature. In June, 1952 the Irving Trust Company was engaged to act in an advisory capacity and as custodian of the investments. With the guidance of this company, investments were made in high grade corporate bonds yielding a return

32 The Butcher Workman (June, 1956), p. 46.
33 Ibid.
34 Millinery Workers Union, Welfare Fund, Chairman's Tenth Annual Report, p. 15.
of between three and three and one-half per cent. Since 1946 the fund has realized a return of $718,665.88 as interest on securities.35

Mr. Harry Frumerman, Research Associate of the union, indicated that the union proposes to continue investing larger portions of reserves in corporate stock until "the over-all yield approaches a reasonable amount and places the investment portfolio in a more favorable position in relation to the currently large proportion of government bonds."36

The Amalgamated Association of Street, Electric Railway, and Motor Coach Employees of America have a more diversified investment portfolio than most unions. Approximately one-half of the organization's total assets of $11,358,784.42 is invested in governments. The balance of the account is made up of Canadian, provincial, county, and municipal bonds, savings and loans association accounts, and real estate mortgages. Earnings from this program have shown remarkable increases. A total of $673,878.03 was realized as return on investments for the two-year period ending in 1955 as contrasted with a return of only $109,978.81 for the two-year period ending in 1944.37

Assets of the Amalgamated Clothing Workers of America amount to $8,500,301.66.38 These consist principally of the following: Cash on hand and

35Ibid., pp. 6-7.

36Information in a letter to the author from Harry Frumerman, Research Associate, May 7, 1956.


38Amalgamated Clothing Workers of America, Report and Audited Financial Statements for Two-Year Period 1954-1955, exhibit A.
in banks, $501,909.75; United States Government securities, $4,899,943.25; Dominion of Canada bonds, $799,674.59. The organization has also invested $1,802,371.02 in financial institutions it sponsored, namely stock holdings in the Amalgamated Bank of New York and the Amalgamated Trust and Savings Bank of Chicago. 39

The investment policies of the giant International Brotherhood of Electrical Workers is unique among major unions. With a pension fund of $48,277,873.67, the union lists only $1,538,877.50 in government bonds, but over $8,000,000.00 in common and preferred stocks. 40 The union has for many years used the financial service of one of Washington's leading banking institutions for investment guidance. Gordon Freeman, President of the 625,000 member union, states that the union is interested in securing a reasonable return on its money as well as protecting the security of its investment. 41

The National Maritime Union follows a much more conservative program. With liquid assets of $4,228,559.47, the union has no investments other than government securities. As of June 30, 1955 the union had $3,490,000.00 in United States Treasury bonds and notes. Bonds totaling $1,200,000.00 were allocated to the Strike Fund and the balance of $2,290,000.00 was in the General Fund. 42

39 Ibid., p. 80.
41 Information in a letter from James E. Nee, Director of Research, International Brotherhood of Electrical Workers, June 5, 1956.
The Laundry Workers International Union, currently under congressional investigation for abuses in welfare fund administration, lists total assets of $3,450,369.02. No information could be secured concerning the breakdown of their investment program, but current investments account for $2,397,556.28 of this total. 13

Financial data were more readily secured from the Amalgamated Lithographers of America. With total liquid resources of $2,382,005.20, this organization has investments of $174,399.50 in U. S. Government bonds, series F, $510,000.00 in U. S. Government bonds, series G, $43,200.00 in U. S. Government bonds, series J, $125,000.00 in U. S. Government bonds, series K, and U. S. Treasury bonds in the amount of $1,102,720.17. 44

Donald W. Stone, the union's Secretary-Treasurer, advised that the union's constitution limits investments to government bonds, but adds that there is some discussion of changes in it to permit a somewhat broader investment program to include investments in blue chip stocks and, on a limited basis, the purchase of other common stocks. 45

The Flint Glass Workers Union of America is likewise constitutionally prohibited from investing in securities other than U. S. Government bonds. With a treasury balance of $1,619,529.98 as of May 1, 1956, the union has $812,126.00, approximately forty-one per cent, invested in U. S. Savings bonds, series F


45 Information in a letter to the author from Donald W. Stone, Secretary-Treasurer, Amalgamated Lithographers of America, June 1, 1956.
The Brotherhood of Railway Carmen of North America with total assets of $5,521,602.66 is an exception to the general policy of investments primarily in government securities. U. S. Government bonds account for only $1,982,221.00 of their total liquid assets. The union owns $197,803.77 in foreign government bonds, and over $1,100,000.00 in state and municipal bonds. Railroad bonds account for $179,401.45 of their holdings. Industrial and commercial bonds total $2,430,945.73 and the organization holds corporate stocks in the amount of $326,653.03. Investment revenue for the period of April 1, 1955 to March 31, 1956 reflects the increased yield of such a diversified portfolio. Investment revenue for this period totaled $170,377.51.

Another railroad brotherhood, the Order of Railroad Telegraphers, follows much the same investment policy as that espoused by the Carmen. Their investment portfolio includes government bonds in the amount of $1,352,451.19, Canadian Government bonds in the amount of $588,097.44, railroad, utility, and industrial bonds in the amount of $721,170.30, stocks in the amount of $225,790.00, first mortgage loans on real estate in the amount of $2,125,474.28, F. H. A. and G. I. mortgage loans for $106,401.77, and policy loans of $290,408.41. In the union's opinion, its liquid position is very good and

47 Railway Carmen's Journal (June 1956), p. 15.
48 Ibid.
provides the union with the necessary funds to cope with contingencies promptly and without undue sacrifice of investment values.  

The quarterly financial report of the International Printing Pressmen of North America reveals total assets of $6,846,026.45 as of November 30, 1955. Under its constitution the union can only invest funds in government and first mortgage loans. Investments at present are restricted to United States and Canadian Government bonds and to time savings certificates purchased from commercial banks. U. S. Treasury bonds and U. S. Savings bonds account for $319,864.73 of total liquid assets.

The Journeyman Barbers, Hairdressers, Cosmetologists and Proprietors International Union of North America also follows a policy of investment limitation. This union buys nothing but government, state, and city securities.

A similar narrow investment policy is followed by the International Alliance of Theatrical Stage Employees and Moving Picture Machine Operators of the United States and Canada. This union has total assets of $867,973.57. Of this total, $350,000.00 is invested in U. S. Savings bonds, series G and K, and $80,265.00 in Dominion of Canada victory loans paying three per cent interest.

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50 Ibid., p. 27.


53 International Alliance of Theatrical Stage Employees and Moving Picture Machine Operators of the United States and Canada, Proceedings of the Forty-Second Convention, August 9 to 13, 1954, pp. 122-123.
With a somewhat larger treasury, the Glass Bottle Blowers Association has a much broader investment program than the preceding union. This organization has only $343,000.00 of its total assets of $1,595,939.34 in government bonds. But it has $780,000.00 in corporation bonds and $100,000.00 in railway bonds, shares in Union Labor Life Insurance in the amount of $49,116.67, shares in trust companies in the amount of $22,006.33, real estate mortgages for $16,500, and Federal Savings and Loan certificates in the amount of $35,997.50.54

The National Federation of Post Office Clerks follows an even more liberal investment program. With total assets of $499,829.93, this organization has $65,519.68 as cash in banks, $176,468.00 in U. S. Savings bonds, series G and J, $57,139.39 in U. S. Treasury bonds, 368 2/3 shares of Union Labor Life Insurance Company stock with a value of $70,000.00, and common stock of twenty-three companies in the amount of $62,882.98.55

The International Union, United Automobile Workers of America follows the more conventional pattern of investing only in governments and savings and loan associations. Total current assets of $532,298.22 are divided as follows: $319,482.58 in savings accounts, $115,000.00 in U. S. Government bonds, $30,000.00 deposited in savings and loan associations, and $67,815.64 in notes, accounts and mortgages receivable.

The American Federation of Musicians with total assets of $5,339,663.15 has also adopted a restrictive investment policy and has $350,000.00 invested


in government securities. 56 The Brotherhood of Painters, Decorators and Paper-
hangers of North America has total assets of $4,625,839.25 and confines its
investments to U. S. Government bonds, Dominion of Canada bonds, and state,
city, and municipality bonds. 57

Among unions with limited funds, the principle of investing in government
only, or government and savings and loan associations combined, seems to be the
general pattern. Such a policy is followed by the Coopers International Union
which has assets of $131,895.02 of which $85,000.00 were invested in U. S.
Savings bonds, series G; 58 the Oil Workers International Union with total as-
sets of $759,001.98, $50,000.00 in U. S. Government bonds and $474,477.63 in
cash on hand and on deposit; 59 the American Newspaper Guild with total assets
of $254,459.75, $113,067.28 in savings accounts and $55,000.00 in government
bonds; 60 the International Association of Fire Fighters with total assets of
$254,721.31 and U. S. Savings bonds of $11,400.00; 61 the Seafarers Interna-
tional Union of North America with total assets of only $84,632.04 and investments in
government bonds only. 62

56 The International Musician (March 31, 1956), p. 11.
57 The Painter and Decorator (June 1956), p. 39.
61 International Association of Fire Fighters, Report of Audit for the Fiscal
Year, July 1, 1954 to June 30, 1955.
1955, p. 2.

The Brotherhood of Locomotive Engineers unfortunately did not disclose complete financial data. However, the General Secretary-Treasurer of this union disclosed that none of the funds of this organization, as such, are invested in stocks or bonds of any nature. He added that the organization owns a twenty-one story building and a twelve story building in Cleveland, Ohio. These are free of debt and have a combined value of about $15,500,000.00. 64

The Secretary-Treasurer did enclose financial data for the Locomotive Engineers Mutual Life and Accident Insurance Association, however. With total assets of $19,482,617.00, the Association has $13,271,441.00, or sixty-eight per cent, invested in government bonds. Cash and bank deposits account for $427,598.00, or slightly more than two per cent. Mortgage loans total

63 Information in Letters to the author from officials of these unions, June, 1956.

64 Information in a letter to the author from H. F. Hempy, General Secretary-Treasurer, Brotherhood of Locomotive Engineers, May 11, 1956.
$1,984,186.00 or twenty-six per cent. Policy loans comprise $592,542.00, or three per cent of admitted assets and miscellaneous items of $208,850,00 account for the remaining one per cent.65

Many union officials consider investments in real estate as safe and profitable outlets for union funds. However, relatively few unions have any great amount of money invested in real estate, outside of owning the buildings and facilities necessary to operate their unions. Some union headquarters rival those of leading non-union organizations in the country for size, beauty, and luxury. The Teamsters five million dollar headquarters in Washington, D. C. is one of the city's most attractive buildings. Such ostentation may hinder a union rather than aid it.

Every union has the right to at least acquire facilities necessary to administer the affairs of the union effectively and adequately. Perhaps, unions have the right to even exceed the needs of simple adequacy. Attractive, but not pretentious, union headquarters promote a sense of achievement in the average union member. The members of the Amalgamated Meat Cutters and Butcher Workmen of North America point with pride to their union headquarters at 2800 North Sheridan Road, Chicago. Its net worth of $1,426,171.96 represents approximately fourteen per cent of this organization's net worth.66

The United Auto Workers two union buildings in the United States and Canada and the Health Institute of the union are evaluated at $1,519,888.74.67


66The Butcher Workman (June 1956), 46.

67United Auto Workers, p. 18.
Other unions with substantial treasuries display similar wealth.

The **International Typographical Union** lists the value of its headquarters property at $207,624.27. 68 This sum does not include the Union Printers House at Colorado Springs, Colorado which is an institution established for the aged, disabled, and tubercular members of this union.

The value of the **International Printing Pressmen and Assistants Union** headquarters is put at $3,512,099.44. 69 This does, however, include the Printing Pressmen and Assistants Home located in the mountains of northeastern Tennessee. This is an institution established to provide care for financially or physically disabled members.

The **National Maritime Union** lists land, buildings, and improvements in the amount of $1,448,698.64. This represents the value of eleven buildings in various sections of the country and two sections of land where buildings soon will be erected. 70

The real estate assets of the **International Brotherhood of Electrical Workers** include a five hundred and fifty-six unit apartment building in Washington, D. C. This is part of the union's pension fund which lists real estate assets of $939,260.34. 71

The Beverly Hills, California headquarters of the **International Union**, 71

68 International Typographical Union, p. 50s.
69 International Printing Pressmen, p. 2.
70 National Maritime Union, p. 176.
71 The Electrical Workers Journal (September 1955), 40.
United Auto Workers of America is worth $524,663.90. The home office building of the Order of Railroad Telegraphers is valued at $212,407.14. The Railway Carmen list their headquarters valuation as $202,812.33.

In addition to real estate acquired for the administration of union business, some unions have invested money in areas such as housing projects, medical centers, homes for aged and disabled union members and vacation resorts.

The Amalgamated Clothing Workers and the International Ladies Garment Workers are the two outstanding unions in the area of cooperative housing. The three Amalgamated housing projects provide homes and the benefits of cooperative housing for twenty-five hundred families. The first of these, completed in 1927, were the Amalgamated Houses in the bronx, which with more recent additions, have 1,450 tenants. The original Amalgamated dwellings and the Hillman Houses, on the Lower East Side of New York, are occupied by 1,045 families.

All the Amalgamated projects are consumer projects designed for the families of wage earners and others of moderate income. The amounts required as the equity investment for the construction of the projects were invested by the tenant cooperators, who received stock and securities for their investments. They are the only stockholders; there is no profit for outsiders. Each tenant

72AFL Auto Worker (June 1956), 15.
73The Order of Railroad Telegraphers, p. 33.
74Railway Carmen's Journal (June 1956), 15.
75Amalgamated Clothing Workers, General Executive Board Report, May 1956, p. 129.
76Ibid.
has one vote at the meetings of the housing companies, regardless of the number of shares held.

The total annual gross of the projects is almost two million dollars. Total investment in land and buildings exceeds $22,000,000.00 with more than $5,300,000.00 as the equity investment of the tenants.

Amortization of the projects has been rapid. For example, the original mortgage of over $1,000,000.00 has now been reduced to less than $350,000.00.77

The sound planning of the projects is indicated by the fact that they were the only cooperative housing projects to survive the depression.

The union itself does not own a single share of stock in the housing cooperatives. It occasionally acts as a guarantor in financial matters, but, outside of this, the cooperative is self-administered.78

The International Ladies Garment Workers Union has invested fifteen million dollars in a cooperative housing and slum clearance project in New York. This project has done much to reclaim the slum area which made up the neighborhood before the cooperative housing was undertaken.79

The International Brotherhood of Electrical Workers, which has one of the most comprehensive programs for investing union funds, own an apartment building in Washington, D. C.80 and operates it through a special corporation. The average return on all the union's real estate and mortgages, including this in-

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77 Ibid., p. 130.
78 Hardman and Neufeld, p. 322.
79 Amalgamated Clothing Workers, p. 130.
80 See above, p. 30, n. 2.
vestment, is over four per cent. 81

Among unions who finance medical centers for their members, the United Mine Workers, the Amalgamated Clothing Workers, the International Ladies Garment Workers and, to a lesser degree, the United Auto Workers, have proven the most successful.

The magnitude of the United Mine Workers' Welfare and Retirement Fund medical and hospital program is indicated by the expenditures for the year ending June 30, 1955. A total of $119,184,791.91 was spent to provide medical care and hospitalization for patients. A total of 210,599 fund beneficiaries were aided by the program. Administrative costs were only three per cent of total expenditures. 82

The Welfare and Retirement Fund is also building a network of ten regional hospitals across Kentucky, Virginia, and West Virginia. These hospitals will not be restricted to union members, but will be open to other members of the community as well. Under the union's Memorial Hospital Plan, the investment will be repaid through charges comparable to those set for similar services elsewhere and rates will eventually be reduced through ownership and efficient operation. 83

The four Amalgamated Health Centers of the Amalgamated Clothing Workers provide similar service for members of this union with over 100,000 members being given medical attention annually.

81 The Electrical Workers Journal (September 1955), 40.
82 United Mine Workers, p. 2.
83 Ibid., p. 22.
Two of the health centers were established in 1951. The Amalgamated Laundry Workers' Health Center was opened in New York in 1951 and the latest center, the Sidney Hillman Health Center of Chicago, began operations on September 12, 1955.84

The **International Ladies Garment Workers** have a similar health center in New York City. Over two hundred thousand members are provided with forty different medical services at the center. A staff of 175 doctors and over two hundred persons including nurses, pharmacists, and technicians are employed at the facilities.

During 1949 as many as 2,700 services were being rendered daily. Over 48,000 patients were given medical attention.85

The Center is financed by payroll taxes on employers, contributions from the union itself and by fees paid by patients.86

The **International Union, United Automobile, Aircraft, and Agricultural Implement Workers of America** have also entered the area of medical health centers. Although not as well known as those of the Amalgamated, the health center, nevertheless, has filled the need for medical service among its members. Total assets of the health institute as of December 31, 1955, were $51,948.19.87

Some unions provide institutional care for their physically disabled. The **International Typographical Union** was one of the first unions to purchase a

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84 Amalgamated Clothing Workers, pp. 32-41.
85 Hardman and Neufeld, p. 309.
86 Ibid., p. 310.
87 United Auto Workers, p. 3.
home for its disabled members. Since 1891, a total of $16,665,310.07 has been received by the union and transferred to the home fund. The cost of maintaining the home, located at Colorado Springs, is met by levying a per capita tax of fifty cents monthly on each member. In 1955 the average number of members living at the home was 294. Gross annual expenditure for the home amounted to $666,429.26, a net cost of $186.39 monthly for each member.

The International Printing Pressmen and Assistants have an institution in the mountains of northeastern Tennessee for their members. Average monthly expenses of maintaining the home in 1955 were $47,356.02. Like the Typographers' home this home is also financed by a separate per capita tax on each member.

The International Upholsterers are now in the process of constructing a model retirement village with housing, recreational, vocational, and medical facilities. The village is taking form on a 640 acre tract along the Intracoastal Waterway near Jupiter, Florida.

Plans call for the construction of 750 homes with one, two, and three bedrooms for married members of the union and lodges for single residents.

The dwellings will be owned by the fifty-eight thousand member union and will be rented to members on as reasonable a rental basis as possible.

Constructing of the village, which will be known as Salhaven, is being financed by the union's health and welfare funds and will cost between

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88 International Typographical Union, p. 74s.
89 Ibid.
90 International Printing Pressmen and Assistants Union, p. 31.
$7,000,000.00 and $10,000,000.00. Some units were in operation last year, but the entire project will not be completed until 1960.91

The existence of a discernible trend away from union investments only in government bonds is pointed out by the number of unions who are either using, or contemplating using, the purchase of common stocks as an outlet for union assets. This trend stems from a growing belief that the piling up of large funds in pension reserves makes the old policy too narrow. Dr. Lipsett's research, it must be noted, was done before the full impetus of the welfare movement had been felt. Unionists in charge of these comparatively recent programs are becoming more and more concerned over the blocking of better retirement benefits for their members when they turn their backs on the more substantial interest yields obtainable by mixing stocks and bonds in their investment portfolios.

Stock brokers, too, are contributing to the gradual change in attitude by persuading unions that they can combine safety with a higher interest yield by investing as much as twenty-five per cent of their pension funds in common stocks. Financial counselors are convincing union officials that the "governments only" policy is wasteful rather than conservative in its impact upon union pension reserves.

One of the most comprehensive programs for using common stock to increase the return on a union pension and insurance fund is maintained by the International Brotherhood of Electrical Workers. This union has a pension benefit fund with assets of $41,887,688.03 and has $8,008,011.34 of this amount invest-

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ed in corporate stocks. 92 The union's rules forbid the purchase of any stock that has not paid dividends regularly for at least twenty-five years. 93

To guard against any hint of union intrusion into company affairs, all of the union-owned stock is held in the name of a financial advisor, The American Security and Trust Company. In 1955 the union sold stocks which they had purchased at a cost of $864,118.42. The net profit on these sales amounted to $225,224.96. 94

The union has devised a unique plan for further increasing its pension benefit fund by borrowing money from its local unions at an interest rate of two per cent. The local is given an unqualified note payable on demand for the sum borrowed. The international, in turn, invests the money. All profits in excess of two per cent are then turned into the pension fund. So far this "Silver Jubilee Plan" has resulted in loans from locals in excess of four million dollars. The union has set a goal of $10,000,000.00 from its locals and expects to net over $200,000.00 for its pension fund, in addition to paying $200,000.00 in interest to its locals. 95

The United Mine Workers' Welfare and Retirement Fund lists $3,350,030.60 as assets invested in common stocks. Dividends for the fiscal year July 1, 1954 to June 30, 1955, amounted to $51,420.00 on these purchases. 96

92 The Electrical Workers Journal (September 1955), 40.
93 The Electrical Workers Journal (August-September 1954), 8.
94 The Electrical Workers Journal (September 1955), 40.
95 Ibid., p. 32.
96 United Mine Workers, p. 31.
The International Association of Machinists has $1,907,934.22 of a basic investment account of $11,032,012.35 invested in common stocks. All purchases of this organization are approved by the Probate Court of the District of Columbia.97

The Glass Bottle Blowers Association has $62,875.02 of total investments of $987,097.33 in common stocks.98 The Brotherhood of Railway Carmen lists investments of $326,653.03 in corporate stocks from an investment account of $5,221,602.66.99 The Amalgamated Meat Cutters have $168,651.75 of total assets of $10,350,467.86 in miscellaneous stocks, bonds, and receivables.100 How much of this total is represented by common stock could not be ascertained.

The broader investment program adopted by the Millinery Workers' Welfare Fund trustees in 1952 is also indicative of a changing attitude against conservatism. The interest yield of three and one-half per cent now being achieved contrasts sharply with the yield of two and one-quarter per cent realized under the former "governments only" program.101 At present only one and eight-tenths per cent of assets consists of corporate stocks, but this percentage will gradually be increased.102

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97 Information in a letter to the author from Eric Peterson, General Secretary-Treasurer, International Association of Machinists, June 13, 1956.

98 Glass Bottle Blowers, p. 11.

99 Railway Carmen Journal (June 1956), 15.

100 The Butcher Workman (June 1956), 47.

101 Millinery Workers, pp. 6-7.

102 Information in a letter to the author from Harry Frumerman, Research Associate, Millinery Workers Union, May 7, 1956.
The National Federation of Post Office Clerks with total assets of $393,471.57 has investments in corporate stocks exceeding those of many other unions with much larger treasuries. This organization has $60,322.98 invested in common stock from assets of the Retirement Fund and Building Fund. The union owns stock of twenty-two companies. The largest single blocs are 120 shares of American Tobacco Company and 120 shares of Motorola, Incorporated. Purchases of one hundred shares each have been made from International Harvester Company, Westchester Fire Insurance Company, American Insurance Company, Commonwealth Edison Company, Mississippi River Fuel Company, National Dairy Company, North American Company, Sunshine Biscuit Company, Potomac Electric Power Company, and Swift and Company. Smaller amounts have been bought from New Jersey Zinc Company, Consolidated Natural Gas Company, General Tire and Rubber Company, Parke Davis Company, and Union Electric of Missouri.  

The Mutual Benefit Department of the Order of Railroad Telegraphers lists stock purchases of $225,790.00. Cash, bonds, and stocks account for fifty-nine per cent of total assets. The net interest income on these investments amounted to three and one-half per cent in 1955.  

The Printing Pressmen list securities of $16,053.57 in their pension fund for the fiscal year ending November 30, 1955. No breakdown of these securities was obtainable.

103 National Federation of Post Office Clerks, p. 38  
104 Order of Railroad Telegraphers, p. 27.  
105 Ibid., p. 30.  
106 International Printing Pressmen, p. 31.
The National Brotherhood of Operative Potters displays none of the investment philosophy shown by unions with treasuries ten times its size. More than half of the union's money is in common stocks and municipal bonds.\textsuperscript{107}

Frank Hull, president, says the union has "just about doubled" its assets since the war through its market transactions. He insists that its present total of $5,500,000.00 is attributable to the skill and conservatism the union has displayed in stock deals. It stays out of industrial stocks and puts the bulk of its money into utilities, with a scattering of transportation issues.\textsuperscript{108}

Most unions have a few shares of stock in companies with whom they have contracts. These are simply for report purposes. Such is the case in the Steelworkers, the Oil Chemical and Atomic Workers, the Railroad Clerks, and most other unions. These sums in corporate stocks are not intended as investments. They consist simply of one share of stock in each corporation in their jurisdiction. These are owned for the purpose of receiving copies of the corporations' annual reports for study and analysis by the unions' research departments as an aid to collective bargaining. The Oil Chemical and Atomic Workers, for example, own one share of stock in each of 160 corporations. The total investment is about $7,500.00.\textsuperscript{109}

Investments in the field of banking began as early as 1920 when the Machinists Union established the Mount Vernon Bank in Washington, D. C., and the Loco-

\begin{footnotes}
\item[107] Belfer, ILRR, VI, 340.
\item[108] Ibid.
\item[109] Information in a letter to the author from Ray Davidson, Publicity Director, Oil, Chemical, and Atomic Workers International Union, June 21, 1956.
\end{footnotes}
motive Engineers Union opened the Engineers National Bank of Cleveland.110

Other unions were quick to enter the field and by 1926 there were thirty-five labor banks with total resources of $126,534,000.00. The depression of the 1930's forced the closing of all but four of these institutions. The factor which contributed the greatest blow to labor banking was, undoubtedly, the closing of the Engineers National Bank.111 This institution had invested unwisely in production ventures and real estate and had fifteen branches in various sections of the country.

The only banks which emerged from the depression were the Union National Bank of Newark, the bank operated by the Railway Telegraphers in St. Louis, and the two banks run by the Amalgamated Clothing Workers.112

The largest and most successful financial institutions still controlled by labor are the Amalgamated Trust and Savings Bank of Chicago with total assets of $36,770,765.00 as of 1949 and the Amalgamated Bank of New York with total assets of $39,358,694.00 as of the same year.113

Recently, labor has again taken an active interest in banking institutions. The United Mine Workers have gained controlling interest in two Washington banks. These banks have recently merged to form the National Bank of Washington, D. C.

111 Ibid.
112 Ibid.
113 Hardman and Neufeld, p. 317.
The Amalgamated banks continue to grow in resources and reputation. Since 1949 combined assets of these institutions have increased about $34,000,000.00. By the end of 1955 the New York bank had total resources of over $67,000,000.00. The Chicago banks' resources were almost $43,000,000.00.\textsuperscript{114}

The banks are engaged in general, commercial banking business. But their avowed concern is to render sympathetic, low-cost service to small depositors, labor organizations, and community organizations. The New York bank was the first commercial bank to institute a personal loan service thirty years ago. In 1955 when the problems of the small borrower were generally difficult and interest rates at other institutions continued to be high, the Amalgamated Bank of New York reduced its interest rate on personal loans.\textsuperscript{115}

The Chicago bank has been particularly concerned with personal loans. During 1954 and 1955 over seven thousand personal loans, amounting to $1,000,000.00 were made.\textsuperscript{116}

The \textit{Printing Pressmen} also have banking investments. As of November 30, 1955, they owned $106,998.65 of the capital stock of the Citizen Union Bank of Rogersville, Tennessee.\textsuperscript{117}

In spite of undeniable failure in many instances, there is no reason to believe that labor banking will die out entirely. The success of several of the better managed survivors seems to indicate that the movement, shorn of its

\textsuperscript{114}\textit{Amalgamated Clothing Workers}, pp. 131-132.

\textsuperscript{115}\textit{Ibid}.

\textsuperscript{116}\textit{Ibid}.

\textsuperscript{117}\textit{International Printing Pressmen}, p. 2.
unwarranted early enthusiasms and profiting by past mistakes, has passed the experimental stage and will show under fair business conditions a real stability. 118

Many of the unions that furnished data for this study listed shares in union insurance companies as part of their investment programs. The Amalgamated Meat Cutters and Butcher Workmen, for example, own capital stock in Amalgamated Labor Life Insurance Company in the amount of $760,000.00. 119 This is part of the investment account of their General Fund and Emergency Fund.

Numerous unions have bought shares of Union Labor Life Insurance Company stock. The Glass Bottle Blowers own 1,964 2/3 shares with a face value of $49,116.67. 120 The Amalgamated Lithographers have shares in the amount of $40,833.34 in their Mortuary Fund. 121 The Amalgamated Association of Street, Electric Railway, and Motor Coach Employees have insurance stock with a face value of $20,550.00. 122 The Flint Glass Workers have $8,333.33 invested in this company. 123 The International Alliance of Theatrical Stage Employees and Moving Pictures Machine Operators own 324 1/3 shares with a face value of

118 Daugherty, p. 509.
119 The Butcher Workmen, p. 46.
120 The Glass Bottle Blowers, p. 11
121 The Amalgamated Lithographers, p. 5.
122 Motormen, Conductor and Motor Coach Operator, p. 75.
123 Information in a letter to the author from Harry H. Hook, President, American Flint Glass Workers Union of North America, June 1, 1956.
Other unions also own Union Labor Life Insurance stock. Some have considerable amounts, some have invested as little as one hundred dollars.

The Union Labor Life Insurance Company was founded in 1927 to provide labor with insurance as near cost as possible, and to develop policies specifically suited for labor requirements. The president of the company, Edmond Tobin, disclosed that the company has over $853,000,000.00 of life insurance on its books. During 1954 the company paid out over twenty million dollars in benefits.

The Brotherhood of Locomotive Engineers sponsors its own insurance company, The Locomotive Engineers Mutual Life and Accident Insurance Association. It is a subsidiary of the Brotherhood of Locomotive Engineers but is independently incorporated, is owned and governed solely by its policy-holders, maintains strict segregation of its own funds and accounts, and is self-supporting. Total liquid assets of the company are $19,482,617.00. The Association provides life, endowment, health, and accident, and family hospital insurance plans at moderate participating cost.

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124 International Alliance of Theatrical Stage Employees and Moving Picture Machine Operators, p. 123.

125 The International Association of Fire Fighters, Report of Audit for the Fiscal Year, July 1, 1954 to June 30, 1955, p. 3.

126 Edmond Tobin, Address to the Amalgamated Association of Street, Electric Railway, and Motor Coach Employees, Thirty-Third Convention, September 12-16, 1955.

127 The Locomotive Engineers, p. 2.
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<td>Oil Workers</td>
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<td>Jewelry Workers</td>
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<td>900.93</td>
<td>1,676.48</td>
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<td>40,213.89</td>
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Unions have expended funds in the area of newspapers and magazines as early as 1836, when the National Trades Union began publishing its own magazine, *The Union*, to combat the opponents of labor political action. Since that time the labor press has been marked by periods of rise and falls. It has been active during periods of intellectual revolt against poverty and injustice. It has declined during periods of prosperity or severe depression.

The New Deal and the emergence of the Congress of Industrial Organizations stimulated the lethargic labor press until now it is an effective medium. By 1949 labor organizations were publishing over eight hundred periodicals.

The labor organs with the greatest current circulation are those published by the national organizations. Among these are: *The Advance* published by the Amalgamated Clothing Workers; *Justice*, published by the International Ladies Garment Workers; *The International Teamster*, published by the Teamsters; *The United Automobile Worker*, published by the Auto Workers; *Steel Labor*, published by the Steel Workers; *The Communication Workers of America News*; *The Retail Clerks Advocate*; *The United Rubber Worker*; *The International Chemical Worker*; *The Electrical Workers Journal*; *The Railway Carmen's Journal*; *Pilot*, published by the National Maritime Union; and the *Guild Reporter*, official publication of the American Newspaper Guild.

Many local union papers also have large circulations. Some of these are: *The Colorado Labor Advocate*, *The Cleveland Union Leader*, and *The Cleveland Citizen*.

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129 Hardman and Neufeld, p. 188.
Costs for printing and mailing the organs of the various unions are paid out of the unions' general funds. To give an example of the expense involved, the net cost of publishing and mailing The Typographical Journal, the official paper of the International Typographical Union, runs an average of $160,444.63 each month. 130

The Typographers also own all the stock of Labor's Daily. This newspaper company was incorporated under the laws of the state of Indiana on March 29, 1955. Members of the Executive Council of the Union serve as officers and directors of the corporation without salary or compensation. The newspaper recently incorporated an amusement page with programs and comments about television and radio, a new woman's page, a youth page, and a sports section. Labor's Daily has assets of $499,602.45. 131

In addition, this union owns and operates a printing company known as Unitypo, Incorporated. This company was incorporated under the laws of the state of New York on October 11, 1946. As of December 31, 1954, the company had total assets of $1,473,764.85. However, profit and loss statements for the two years ending December 31, 1954, reveal that the company had income of $212,385.85 and expenses of $278,426.37, or an operating loss of $66,040.52. 132

The labor press unquestionably fills a vital role in combating the biased reporting of the majority of American newspapers. It has had great importance in labor's dramatic growth and development.

130 International Typographical Union, p. 455.
131 Ibid., p. 805.
132 Ibid., p. 795.
The maturity and sense of responsibility to the public and community that labor has developed is not only reflected in union newspapers, but in the programming of union radio stations as well.

At present, there are five FM stations owned and operated by labor. Three are operated by the International Ladies Garment Workers, and two are operated by the Amalgamated Clothing Workers. But, of over two thousand AM stations in the United States, only one, WCFL in Chicago, is labor owned. Labor did not act quickly enough when wavelengths were available. They now, like many educational non-commercial organizations, regret not having taken advantage of the opportunity when it existed.\(^3\)

\[^3\] Hardman and Neufeld, p. 327.
CHAPTER III

THE ATTITUDES OF UNION LEADERS ON INVESTMENTS

Data collected for this study reveal that the attitudes of union leaders towards restrictive investment policies have changed significantly since the publication of Dr. Belfer's study.

Perhaps, the biggest reason for this change is the increasing number of union officers who now, besides managing the money in union treasuries, also serve as trustees of pension and welfare funds. They are getting their first experience with bankers, brokers, and investment counselors. As a result, they are beginning to understand how money can be put to work and they are using this knowledge to manage union funds more ambitiously. More and more of these union officials are becoming dissatisfied with the two per cent and two and one-half per cent yield on government bonds and are turning to the stock market as an investment outlet.

Belfer's comment that most labor unions follow rather conservative, even wastefully conservative, policies still can be applied to many unions, but


there are enough unions forsaking conservatism to indicate a trend away from restrictive investment practices.

The preceding chapter of this study showed the investment diversification of some major unions. Personal correspondence with the officials of these unions disclosed that their thinking generally followed one of three patterns: (1) Unions which confined investment policies to government securities only, or to such securities and real estate, vigorously defended their action with the reasoning that they were the trustees of the unions' money and should not dissipate their energies in money-making programs, (2) Unions which invested in government securities only, or government securities and real estate, indicated that they considered their unions' policies too restrictive and desired to broaden current investment accounts, but were prevented from doing so by constitutional prohibition, and (3) Unions with broad investment policies defended their position on the evidence of increased interest yield secured by less confining practices.

Mr. O. A. Knight, President of the Oil, Chemical, and Atomic Workers, is typical of the first category. He stated:

I do not believe that a labor union should invest funds simply for the purpose of making money; that is not our business. In my opinion a union should collect and hold money only to the following extent: (1) It should collect enough income in dues from its members to render a high quality of union service in the way of assistance in collective bargaining, organization, and the other standard and legitimate functions of a union. (2) It should set aside some money in a defense fund; that is, a fund to assist members who are on strike or locked out. It is worthwhile to build a substantial balance in this fund. (3) Finally, the union should accumulate a sufficient reserve in its general operating funds to maintain operation of the union at a normal level for about six months if regular income should be cut off. Beyond this, I believe it to be immoral for a labor union to extract further funds from its members. The role of the union leader is to
serve its members, not to go into the investment business. 136

Mr. Knight considers corporate stock to be a sound and wise field of investment, but he believes that the administrative officers of a union should not take the risk of corporate stock investments with money belonging to union members. 137

Mr. Lloyd A. Mashburn, General President of the Wood, Wire, and Metal Lathers International Union followed much the same rationale. All the reserve funds of this union are invested in government bonds, real estate, and building and loan associations on the basis that "as trustees of our membership's money, our investments must be made on a sound basis, even though the interest rate may not be as great as it might be if we took greater risk investments." 138

Mr. Toney Gallo, General Secretary-Treasurer of the United Cement, Lime, and Gypsum Workers International Union echoed these comments as follows: "As officers we merely serve as trustees of our organization's surplus funds and, therefore, we have no right to gamble with such funds in speculative investments, even though such investments might yield a greater return." 139

The International Union, United Automobile, Aircraft, and Agricultural

136 Information in a letter to the author from O. A. Knight, President, Oil Chemical, and Atomic Workers International Union, June 21, 1956.

137 Ibid.


139 Information in a letter to the author from Toney Gallo, General Secretary-Treasurer, United Cement, Lime, and Gypsum Workers International Union, June 1, 1956.
The desire to break away from restrictive investment policies was reflected in letters from many union officials. Some admit having made investigations to explore the possibilities of diversifying their investment programs. Mr. George V. Clancy, Treasurer of the American Federation of Musicians is an example. He states: "Be advised that heretofore the investments of the A. F. of M. have consisted in the main of U. S. and Canadian government bonds. The income from such investments is relatively low with, however, as much safety in investment as it is possible to obtain. I have recently made an investigation to determine the possibilities of diversification of investments of this organisation." 141

Unions who have broken away from traditional conservatism constitute the remaining category. The International Brotherhood of Electrical Workers gives much publicity to the earnings they have realized and is proud of "the more than four per cent interest achieved through careful investment." 142 The National Postal Transport Association's Secretary-Treasurer, Jerauld McDermott,

140 See above, p. 14, n 1.

141 Information in a letter to the author from George V. Clancy, Treasurer, American Federation of Musicians, June 20, 1956.

emphasized that: "good sound securities bought under my advice have appreciated to the point, that if they were placed on today's market for sale, the association would be able to realize a profit of some $95,000.00."\textsuperscript{143}

While it is accurate to state that unions, by and large, still confine investments to government securities, evidence of union financial statements coupled with disclosures of dissatisfaction with the small yield on such securities, lends support to the proposition stated in the introduction to this study that a definite trend away from conservatism exists and in many unions has actually become a fact.

\textsuperscript{143}Information in a letter to the author from Jerauld McDermott, Secretary-treasurer, National Postal Transport Association, June 7, 1956.
CHAPTER IV

RECONCILING UNION INVESTMENT PRACTICES
WITH BASIC UNION OBJECTIVES

The superiority of united group action to individual action in the field of labor relations has been proven over a long period of years. The proof of opposition to workers' needs and desires has also been born out by the struggles between management and labor over the benefits which many union members now take for granted. The resistance to such gains as the eight-hour day, the right to organize and bargain collectively, and the comparatively short work-week now enjoyed by most of industry was overcome only by submission of individual interests to those of the group. Without concerted group action the worker is at a hopeless disadvantage. The employer is vastly superior in his knowledge of the labor market, labor prices, and labor conditions. He also possesses the wealth to hold out until the worker must give in because of economic distress. With concerted group action the worker meets management on more equal terms. His weapon is not individual opposition, but the opposition of his fellow workers, regimented, identified, and represented by individuals on an even par with management.

Probably, if one asked the ordinary worker just what he expects from a union, he would get a variety of answers. Some workers would give a forthright,
concise answer. Other workers would be vague and indefinite. But the vast majority of answers could be reduced to one simple phrase: "we want someone to fight for us." Each worker would express himself differently, but ultimately and elementally, each statement could be classified as encompassing this desire.

The average worker is not concerned with his union's financial strength or lack of financial strength. As long as his dues remain within reason and he has someone to resolve his grievances and meet management on at least equal terms, he will continue to support his union. He accepts the impressive union buildings and public displays of union wealth. But basically his needs are met when he is convinced that his union is fighting for him.

Much has been written in this study of the treasuries and wealth of unions. Whether or not such wealth is necessary is academic. A strong defense could be offered for the union official who believes that the wealthier a union becomes, the better job it can perform for its members. The union officials who sincerely believe that the acquisition of wealth dissipates energy needed to administer basic union needs can also present convincing proof.

One thing, however, is certain. Unless a union's treasury is reasonably solvent, it is in a precarious position. The union which has over-extended investments into areas where they cannot quickly be converted into cash is seriously jeopardized when a lengthy strike ensues. But, on the other hand, there is little justification in investing all a union's assets into cash, checking accounts, or unprofitable channels. The alert union official will pursue a reasonable course between both extremes.
How much liquidity is required to remain strong but still receive reasonable value for investments differs with each union and with each industry in which the union is bargaining. The United Auto Workers, for example, require much more liquidity of their investments than do the Amalgamated Clothing Workers. One union is situated in an industry where strikes are frequent and lengthy. The other represents workers in an industry where mature and reasonable bargaining usually precludes the necessity of strikes.

The Order of Railroad Telegraphers, as another example, have fifty-nine per cent of their assets liquid. Considering this industry, it appears that such liquidity is sufficient to cope with contingencies promptly and still not involve undue sacrifice of investment values. Each union must be viewed individually. There is no certain percentage of liquidity which can be applied to all unions.

All evidence points to the fact that no matter how much money unions invest in common stocks, they have no intent to form any kind of partnership with industry. Investing union assets, from an economic view, is beneficial since it provides equity capital for industry. But it is basically immoral and indefensible if it places labor on both sides of the bargaining table. The furor occasioned by the Teamsters' purchase of one million dollars of Montgomery Ward stock in the midst of the Wolfson-Avery fight for control of the company has left deep imprints in the minds of labor leaders. If unions invest substantial portions of their treasuries into corporate stock purchases, reason demands that such purchases be made outside of the areas where these unions operate.
Any labor leader can find good negotiators and organizers inside union ranks, but rarely is it possible to find a man who has been trained in the field of investment. Therefore, most union officials who contemplate venturing into corporate stock purchases would do well to seek counsel from a reputable stock brokerage firm. If a union is to get the most out of the union's investments, it must pursue this course in the objective fashion that big business seeks a high return for its stockholders. If it does not, the ineptitude and naivety of its officials in financial matters makes the union easy prey for unscrupulous stock salesmen who can take easy advantage of such unfamiliarity.
CHAPTER V

SUMMARY AND CONCLUSIONS

This study has disclosed the financial distribution of assets for a large number of international unions, and of trust funds controlled by them. It has revealed that the dollar worth of the unions covered in this analysis ranged all the way from the $103,607,911.33 total assets of the United Mine Workers Welfare and Retirement Fund to the $14,656.95 total assets of the International Jewelry Workers Union. It has shown in terms of actual dollars and cents how much each union has invested in such areas as savings and checking accounts, government securities, common stocks, Canadian bonds, notes, accounts and mortgages, real estate and insurance stock. It has stated that by and large most unions invest the vast majority of their surplus funds in government securities. The United Mine Workers Welfare and Retirement Fund, for example, has $45,093,750.00 of its total assets of $103,607,911.33 in government bonds. Other unions have proportionately large percentages of their assets in government securities. The Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees Union has $8,171,916.19 of total assets of $10,258,325.14 invested in government securities. This comprises approximately eighty per cent of this union's total wealth. In addition, another $1,000,000.00 of this union's assets is in Canadian government
bonds. Most unions follow similar conservative investment policies. The reason for such conservatism is due to two factors. Many unions are prohibited by their constitutions from investing in any field other than government securities. Other unions restrict their investment program to government securities by choice and conviction. Personal correspondence with many union officials revealed that they were basically opposed to broad investment programs on the grounds that such activity is inconsistent with the goals and purpose of unions. Such union officials judged energy spent in unrestrictive investment programs as energy dissipated and misapplied. This philosophy is exemplified by the Amalgamated Lithographers of America Union which has $1,955,319.67 of total assets of $2,568,566.76 invested in government securities. Yet it was shown that there is a discernible tendency to abandon such restrictive programs. Mr. O. J. Mischo, Secretary-Treasurer of the Amalgamated Association of Street, Electric Railway and Motor Coach Employees of America typifies this break with tradition. Mr. Mischo replied that he believed that a reasonable proportion of a union's funds should be invested in government bonds so that in case of emergency cash could be obtained rapidly to meet such emergency. However, he felt that the bulk of a union's funds should be invested in "good, sound industrial bonds, common and preferred stock, and real estate mortgages, preferably FHA mortgages." The most striking example of departure from historically restrictive investment policies was seen in the investment policy espoused by the International Brotherhood of Electrical Workers. This union has a pension benefit fund of $41,887,688.03 and has $8,008,011.34 of this amount invested in corporate stocks. This union has even undertaken a program whereby it borrows money from its locals at two per
cent interest and invests this money in corporate stocks. All profits realized from these investments are turned into the international's pension fund. The United Mine Workers Welfare and Retirement Fund lists $3,350,030.60 as assets invested in common stocks. The International Association of Machinists listed $1,907,934.22 as funds invested in common stock. It was pointed out that the United Hatters, Cap and Millinery Workers International Union, the Railway Carmen, the Order of Railway Telegraphers, the National Federation of Post Office Clerks, the Amalgamated Meat Cutters and Butcher Workmen of North America, and the Glass Bottle Makers Association follow similar liberal investment practices. The National Brotherhood of Operative Potters was cited as an illustration of radical departure from typical union investment policies.

This study also listed some of the other areas where unions have invested their assets. The Amalgamated Clothing Workers and the International Ladies Garment Workers were described as the outstanding union advocates of cooperative housing programs. The three Amalgamated housing projects have cost over $22,000,000.00 and provide the benefits of cooperative housing for twenty-five hundred families. The International Ladies Garment Workers Union has invested over $15,000,000.00 in a cooperative housing and slum clearance project in New York City.

Many unions, it was noted, have established medical health centers for their members. The most noteworthy example is the United Mine Workers Welfare and Retirement Fund which is building a network of ten regional hospitals across Kentucky, Virginia and West Virginia. The Amalgamated Clothing Workers have already built four health centers where over 100,000 members are given
medical service annually. The International Ladies Garment Workers Union have a similar program in New York City. Over 48,000 members are given medical attention there annually. The United Automobile, Aircraft and Agricultural Implement Workers of America have also built a medical center for its members. Some unions, it was seen, provide institutional care for their physically disabled members. The International Typographers Union and the International Printing Pressmen and Assistants Union are examples of this type of investment.

The rise and decline of union banking was examined. The conclusion reached was that the only current important union activity in this field was that engaged in by the Amalgamated Clothing Workers. However, it was disclosed that the United Mine Workers had recently purchased control of two Washington, D. C. banks and that the Printing Pressmen owned stock in a small bank in Rogersville, Tennessee. The height of union banking activity was reached in 1926 when there were thirty-five labor banks with total resources of $126,534,000.00. The depression of the 1930's forced the closing of all but four of these institutions.

Investigation of union financial data also disclosed that the Amalgamated Meat Cutters and Butcher Workmen of North America owned capital stock in the Amalgamated Labor Life Insurance Company in the amount of $760,000.00. Many other unions listed shares in Union Labor Life Insurance Company as part of their financial assets. The Glass Bottle Blowers Union owned the most shares of unions examined in this study with 1,964 2/3 shares having a face value of $49,116.67. The Amalgamated Lithographers had shares worth $40,833.34. The Amalgamated Association of Street, Electric Railway and Motor Coach Employees
bad Union Labor Life Insurance stock with a face value of $20,550.00. Many
other unions had smaller amounts.

Union functions in the field of communications were discussed briefly in
this study. It was shown that unions have expended funds in the field of new-
papers and magazines since as early as 1836, when the National Trades Union
began publishing its own magazine, The Union, to combat the opponents of
labor's political action. By 1949 labor organizations were publishing over
eight hundred periodicals. Some of the labor organizations with the largest
magazine and newspaper publication were listed. The Colorado Labor Advocate,
the Cleveland Union Leader and the Cleveland Citizen were described as news-
papers with roles of importance in the communications field. Labor's Daily,
a newspaper published by the Typographical Union was incorporated under the
laws of the state of Indiana on March 29, 1955. Labor's Daily has assets of
$149,602.45.

Labor's importance in radio broadcasting was also examined. At present,
it was noted, there are five FM stations owned and operated by the Interna-
tional Ladies Garment Workers Union and the Amalgamated Clothing Workers.
But of over two thousand AM stations in the United States, only one, WCFL in
Chicago, is labor-owned.

In appraising the investment policies of the unions examined in this
study one must face the fact that unions undoubtedly sacrifice considerable
wealth by adhering to narrow investment practices. There likewise is little
evidence to support the over-emphasis on the need for liquidity advanced by
some unions in support of their restrictive investment portfolios. There is
considerable justification for the convictions some union officials hold when


they profess that union energy should not be expended in directions which do not vitally concern the problems of their members. The sincere beliefs of such officials are commendable.

On the other hand, much foresight and credit must be attributed to those union officials who realized substantial and uncommon returns on money which would have lain practically dormant if they had not invested it in more remunerative channels. But credit should only be given in this case when such officials have not lost sight of the ideal that a union's main reason for being is to fill the basic needs of its membership as adequately as possible.

If a union's resources can be increased by intelligent investment policies without sacrifice of basic objectives and this increased revenue is used to supply better facilities and extra services for union members, than a broad investment program can be justified. Certainly, every union member is entitled to union facilities which are large enough and adequate enough to take care of all union members who desire to attend meetings or social functions sponsored by the union. These facilities should be attractive enough to elicit pride in the union. There is no justification for union buildings which rival the most expensive and elaborate buildings in the country. Such squandering of union assets is an injustice to the average union member, to whom the payment of monthly dues is often a very real hardship.

Practically speaking, the dues which union members pay are never reduced. But there is no reason why such reductions could not be made if the union were able to afford such a venture by utilizing the surplus funds realized through sound investment practices.

Increased investment income could also result in additional services for
Union members. Such things as free legal aid, income tax assistance, hospital visitations by paid members of the union staff, radio banks, and small gifts for hospitalized union members could be supplied through the use of additional income secured from wise investments.

Union assistance in welfare programs and community needs are also commendable outlets for surplus funds. Grants to universities could be given consideration. Scholarships could be set up for the children of union members who are unable to afford a college education for their children. Workshops could be established for union representatives and union stewards in order that union members could be represented more competently and intelligently.

The ever-increasing wealth of unions does not present the threat which some opponents of labor have ascribed to it. Union assets still represent only a fraction of the wealth of industry. But unions have not matured as rapidly as they have enriched themselves. The enlightened union official should recognize the benefits labor could accomplish by channeling union funds into some of the areas described above.

Unions have come a long way since the day when their treasuries were insufficient to meet electric light payments and provide basic union necessities. But they still have a considerable way to go in filling their responsibilities to their members, to their employers, and to their community.
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