

'29 Again?

By Sylvia F. Porter

From her column in the New York Post

THE smart boys aren't buying stocks these days. If they're doing anything, they're taking profits—gorgeous 100 per cent and 300 per cent and 500 per cent profits. The little fellows, though, are buying. In fact, it's their gambling that's responsible for the big boys' sensational profits.

Perhaps my conservatism is befuddling my judgment and my memory of history is a disadvantage.

But I've never seen a market in which everybody, from the complete amateur to the hard-working expert, made money indefinitely.

Perhaps this isn't "another 1929" but it's only "another 1927" or "1928" and the merry-go-round is just starting to whirl.

But I fail to understand how purchase of a stock at an already inflated value is a hedge against inflated values.

Perhaps the only man who doesn't bother analyzing values but who simply buys blind will come out on top of this market.

But I've never known blind luck to protect thousands of such innocents for any length of time.

This is just my way of reporting that during five hours recently, trading on the New York Stock Exchange alone totaled almost 3,500,000 shares, the largest volume in nearly six years.

Stock prices skyrocketed \$1 to \$6 a share and some special issues went up even more in that one session.

And on an average, the level of the market reached the highest point since 1931, or in 15 years.

The reason this time? Why obviously expectations arising out of the Ford-Chrysler wage settlements and the belief that these will set the pattern for other strike agreements.

Wage and prices are unquestionably in an inflationary spiral.

Unions strike—and the market booms because higher wages are at stake and higher wages must lead to higher prices.

Unions and corporations settle and the men get their higher wages—and the market booms because the event anticipated has become fact.

It's an inflation market, pure and simple.

It has been an inflation market since 1942, when the shrewd investors figured that what's happening would happen and bet their money on it.

But at what level will stock prices generally have "discounted" the degree of inflation in the U. S.?

At what prices will stocks be "expensive" even on the basis that America wouldn't handle the economic problems of transition and was forced to give way to inflation pressures?

Will that level come when we finally swing into high production and people can use their idle cash to buy goods instead of pieces of paper?

Will it come when that production places sufficient goods on the counters to bring supply and demand into balance and to stabilize wages and prices?

Will the time-honored Wall Street rule about "selling on good news" apply during this topsy-turvy era or is that one out-moded?

These are the key questions, of course, and I'm asking, not answering them. And since I earn a living working on a newspaper instead of gambling in stocks, I feel no compulsion to find the answer before the next fellow.

But when a broker told me early this morning that the majority of his customers yesterday were in the \$800 to \$3,500 class, I said a silent thank-you to the Federal Reserve Board for demanding that they pay 100 per cent cash for their securities.

At least, when and if they try to sell in a declining market, they'll get

back some cash. And they'll not be forced to sell unless they really need the money.

Speculators are inviting a curb they don't want and Congress now doesn't want to impose—and that's a boost in the capital gains tax rate or a lengthening in the capital gains tax holding period or both.

One of the stimulants to speculation in securities is that today the maximum tax on profits from securities held longer than six months is 25 per cent.

Naturally, if the 25 per cent rate is increased, stock speculation will become less attractive.

And naturally, if the holding period is lengthened to, say 12 months or 18 months, the inclination to trade in and out of the market will be discouraged.

Federal Reserve Board chairman Eccles has long urged tightening of the capital gains tax law but he has been shouted down by opponents in and out of Congress.

If this market continues in its present mood even Congress won't be able to ignore the dangers.

ME, TOO

• The domestic trials and tribulations of married veterans attending Dartmouth college have at last invaded the classroom.

One of the housekeeping students approached his professor and asked: "Sir, can I be excused from class for a few minutes? I've just heard that they have butter down the street."

Permission was granted.

Laughingly, the professor related the incident to a colleague, who instantly demanded: "How long ago did they have that butter?"

• Berkeley, California, had its string of accidents the other week. It all started when Arlon Tussig, 12, was hit by an automobile, suffering cuts and bruises. The driver, Harold Wallace, ran to get help and tumbled into a fish pond, dislocating a finger. Mrs. Wallace, rushing to the hospital with dry clothes for her husband, skidded off a bus stop and fractured an ankle.

• Two can live more cheaply than one wants to.

TRUSTEESHIP

Control of Our Pacific Bases

Should we entrust our Pacific bases to the United Nations Organization or retain exclusive control of them for national defense?

The United States cannot exercise a moral leadership in the United Nations until the administration has made clear its policy on trusteeship over the Pacific islands that we captured from Japan. This is, indeed, the acid test of our sense of cooperation.

A signatory of the United Nations Charter and as a nation that played a prominent role in the drawing up of the trusteeship sections of that Charter, we cannot allow any doubts to remain regarding our position. The President indicated that while we would keep the islands we deem of strategic importance in the defense of the United States, we would work out a trusteeship arrangement with the Security Council. Islands of non-strategic importance now held by us would be placed under the Trusteeship

Council which is responsible to the Assembly.

The American delegation at London is seeking a declaration from the General Assembly of colonial powers' obligation to work toward a self-government for all non-self-governing areas, such as Indonesia, Indo-China and Malaya. At present the Charter makes it possible for colonial powers to accept trusteeship for their colonies; it is not obligatory. But any influence we might otherwise exert to carry through such a program would be destroyed if, with respect to areas we deem of strategic concern, we insist on outright and unrestricted ownership. We cannot have it both ways. We cannot be apostles of freedom and pursue a course of what from San Francisco *The Post* called "security imperialism."

The strategic areas should be made a matter of arrangement among the policing powers through the Security Council and with its continuing supervision. Standards ought to be set up, and regional bodies like the Anglo-American commission created, which would be of service to dependent peoples everywhere.

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