

APPROVAL OF MUTUALIZATION PLAN

Policyholders of Equitable Life Assurance Society Voted on Proposal Yesterday

Decisions of the United States District Court and the Circuit Court of Appeals having removed all legal barriers to the holding of a special meeting of the policyholders of the Equitable Life Assurance Society for the purpose of deciding for themselves whether they approve the present proposed plan of mutualization, the special meeting was held yesterday. Policyholders entitled to vote on the question are only those insured in at least \$1,000, whose insurance shall then be in force and shall have been in force for at least one year prior to the date of the special meeting. The society has decided that policyholders may vote in person, by proxy, or by mail, and that all votes shall be cast by ballot.

It was expected that the vote would be unanimously in favor of the plan of mutualization. This plan involves the purchase of the entire capital stock of the society, by the society, on the following terms: Payment of \$5,400 a share for 501 shares, being a majority of the 1,000 shares capital stock; and \$1,500 a share for the remaining 499 shares of the capitalization. The majority shares belong at present to T. Coleman du Pont, together with 63 shares of the minority remainder. The terms upon which Mr. du Pont has offered his entire holdings to the society for mutualization purposes do not require the immediate payment of any sum and will not at any time involve a diminution of the surplus of the society. Payment is to be made by the Equitable to du Pont by credit to him semi-annually of a certain amount on interest charge to be paid by him to the society on a mortgage loan on security of the Equitable building, so that of the \$2,799,900 to be allowed him for his 564 shares of stock, no payments will be made out of the surplus or funds of the society.

Superintendent's Sanction Necessary.

Should the vote of the policyholders favor the present plan of mutualization, the last step toward the perfecting of that plan will be at once taken, namely, that of obtaining the sanction of the state superintendent of insurance. Then the Equitable mutualization will be practically accomplished, as arrangements have already been made for the acquisition of nearly three-fourths of the entire capital stock.

Whether the suit of the Royal Trust Company, of Montreal, and other minority stockholders against the Equitable Life Assurance Society, to prevent mutualization under the proposed plan, will be carried to the Supreme Court of the United States on appeal from the decision of the Circuit Court of Appeals, depends upon the decision of the Royal Trust Company, of Montreal, acting as trustee for the estate of the late Sir William C. Van Horne. Counsel in New York are awaiting the decision on the question. Mr. Greer, of Pierce and Greer, counsel for the Royal Trust Company, said to Dow, Jones and Company: "The question of beneficial ownership of the surplus of the society has been squarely decided as belonging to the policyholders. This has always been a mooted question, and lies at the foundation of this proceeding. While we have held differently, four judges have decided that the Equitable is a corporation in a class by itself, different from every other stock corporation, in that its stockholders do not own the surplus and have no right in its distribution. The constitutionality of the legislative acts under which the society mutualization is to be worked out has been attacked on the ground that you cannot take away from a man something that belongs to him. The policyholders might claim that the surplus belongs to them, but here we come right back to the question, 'Did the court decide rightly when it decided that the surplus belongs to the policyholders?'"

Did Not Oppose Plan.

In reference to the attitude of the plaintiffs toward mutualization, Mr. Greer said: "We do not oppose mutualization. We do not want to take the position of obstructionists. If mutualization is the order of the day, as it seems to be, we want to co-operate as far as we can to bring about the mutualization of the Equitable Society. The court has held that mutualization can be accomplished under the present plan." Counsel for the plaintiffs stated that as the courts

have decided the question of ownership of the surplus, and have practically admitted the constitutionality of the law authorizing the mutualization of the society, they will advise their clients accordingly, and in all probability further litigation will be avoided.

CONSCRIPTION OF CAPITAL

It Is Destructive of Production—Government Should Not Tax Beyond Ability to Pay from Current Earnings

"A good deal is said about the 'conscription' of capital," says the National City Bank in its December circular, "and it is well to have a clear idea of what is meant, and of just what it is practicable for the government to do in this respect. The phrase is often used as though the authority of the government to take property as it takes men was disputed, and with the implication that capital is spared through influence or favoritism.

"This idea is due largely to a mistaken conception of capital, and of the service which capital renders, whether in public or private hands. The capital of the country does not exist in forms that permit of its being seized and turned into the treasury. Capital exists for the most part in productive property, i.e., in farms, mills, railways, machinery and all the equipment for carrying on industry. The greatest service to the country from these properties is obtained by having them operated with the highest possible efficiency. The government doesn't want property in these forms, but the products that come from them. It would be a great boon to have production increased and a disaster to have it generally decreased.

It Is Impracticable.

"The seizure, or conscription, of these properties in the sense of taking them out of the hands of the present owners is utterly impracticable. The government could not assume their management. It has no staff competent to operate them. If it took them over it could do no better than arrange with the present owners to go on operating them. It would have to make terms which would enable the management to satisfy wage-earners, provide working capital to buy materials and supplies, and make repairs, replacements, improvements and enlargements, as these were necessary to keep the industries up to the highest efficiency.

"In short, the 'conscription of capital,' when reduced to practical terms, means the fixing by governmental authority of the terms under which private property and private managerial ability will be devoted to public work. This is being generally done. In some cases fixed prices are agreed upon; in others, the government pays cost, plus a percentage for the services of plant and organization. In some instances the latter is the only practicable plan, but its weaknesses are well known. Experience has always shown that, as a general rule, the best results are obtainable under the private management of industry. It gives an incentive to individual effort, stimulates efficiency and promotes progress.

Would Reduce Production.

"The seizure of properties by the government would not put money in the treasury, or increase the supply of what the government wants. A levy of taxes so heavy that it could not be paid out of current earnings would reduce the working capital of industries at a time when they need it all, compel them to borrow while impairing their credit, and in many instances force the sale of properties on a market without buyers. In short, it would bring ruin and panic upon the country, demoralize industry when the country's salvation depends upon the industrial output, and destroy values at a time when of all times it is important to sustain confidence. It would be literally killing the goose that lays golden eggs. Nothing can take the place of men in the armies, and rich and poor alike are conscripted for that service, but capital in the form of productive property must be used as it exists and must be handled by people who know how to produce results from it. 'Conscription' cannot be applied to it in any other sense than as applied to current earnings, and enough of current earnings must be left to finance the business adequately; otherwise efficiency will decline, production will fall off; the ability to pay taxes will diminish, and the war power of the country will be lowered."