

The Oregon Statesman

"No Favor Sways Us, No Fear Shall Awe"

From First Statesman, March 28, 1851

THE STATESMAN PUBLISHING COMPANY

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Member of the Associated Press

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The Role of Profits in Our Economy

Current pressures are exerted on prices and results are noted in some widely advertised price cuts, such as that initiated by merchants at Newburyport, Mass. of a flat 10 per cent and copied by Multnomah, Ore. These have such a publicity flare that they rate more as a stunt than as a sound approach to the problem of pricing. Markets do not move in unison and blanket cuts are no more justified than blanket increases. Correct pricing follows the individual markets, up or down, though of course the tendency is for all prices to conform to broad trends.

Publication of earnings of corporations for 1946 and for the first quarter of 1947 has touched off considerable discussion of the level of business profits. Being large the assumption is made that they are too large, that wages should be increased, that prices should be reduced. Here again there is danger of generalizing, because different corporations, different business groups had different experiences. Railroads took a beating in 1946; retail stores enjoyed a harvest, using group statistics as a basis of comparison.

A factual study of the situation has been made by the Legislative Reference Service of the Library of Congress. Its conclusions are as follows:

1. Corporation profits reached an all-time high in 1946.
2. Biggest influence in this rise was favorable tax treatment of corporations by congress.
3. These tax benefits are estimated as amounting to between \$3,500,000,000 to \$4,000,000,000.
4. Many corporations could have cut prices in 1946 and still "have made good profits by any long-time standard."
5. Largest profit increases in 1946 went to textiles, garments, paper and pulp, food, rubber products, liquor, wholesale and retail trade, motion pictures. Many industries, on the other hand, made scant profits or losses.
6. Compensation of employees as a whole did not increase in 1946, while all other group recipients of shares of the national income experienced increases in 1946.
7. Compensation of employees as a whole dropped from \$114,500,000,000 in 1945 to \$109,800,000,000 in 1946, a loss of \$4,700,000,000. As contrasted to this, the net income of corporations and proprietors, including farmers, and receipts from interest and net rents increased \$8,800,000,000.
8. Prices in 1947 will depend principally on "whether mounting supplies can overtake demand." Government forecasters generally don't expect prices to decline until "sometime in the middle of the year."
9. Under existing conditions increased costs—like higher wages—"will generally be passed on into still higher prices."
10. While it is true total weekly earnings went down in 1946 compared to 1945, from approximately \$47 a week to \$45.66, average hourly earnings advanced—from about 9 cents to \$1.11.
11. Although Philip Murray, CIO head, complains of lower wages, this is actually largely due to insistence of trade unions on cutting the work week back to 40 hours after the war; workers in durable goods industries thereby lost 10 hours in pay, workers in nondurable goods industries about five hours.

This study reveals that it was the elimination of the excess profits tax which accounts for the higher profits. (This paper incidentally favored continuation of the EP tax at a 60 per cent rate.) It does not disclose however what was the most important factor, and that was the increasing volume of production which resulted in reduced unit costs and gave wholesalers and retailers a larger volume of merchandise to sell. Modern business depends on volume for profits. As the industrial machine of the nation completed its reconversion in 1946 and as strikes were ended and work resumed, production rose, unit costs fell, unit and total profits rose. The gain in profits was chiefly in the last quarter of 1946 and first quarter of this year.

But as production rises competition increases, and in the usual turn of the economic cycle reductions in prices follow. It appears that this point has now been reached.

The criticism that corporate profits are too high is usually attended by demands for higher wages or lower prices. Few realize that the higher corporate profits are seldom distributed in the form of dividends. The lone stockholder studies the annual report of his corporation. He sees that its earnings run about twice what his dividend is, and he wonders why he can't realize more nearly the full amount of earnings reported. There are two reasons: one is the desire of the managers to be well braced against periods of business decline. The other is the incessant demand for fresh investment of capital to replace obsolete machinery or to expand to meet present or expected demand. The appetite of the modern industrial machine for fresh capital investment seems insatiable. It can be financed only out of earnings, out of borrowings or out of new issues of capital stock. The higher profits of business are going chiefly into new investment, avoiding the risks of debt and the dilution of common stock equity.

The question arises: might the profits have been better employed by increasing wages, by increasing dividends or by lowering prices. The group response will be according to group interest. Yet the longer view can justify the decision of management. For the investment of profits in plant provides employment, uses materials furnished by other industries. In fact economists recognize that prosperity depends in large degree on this plowing back of money into construction or purchase of durable goods.

It may be said that the wage-earner or the stockholder would spend the money if he got it. True, but his expenditure would presumably be largely for consumer goods. Investment in plant, however, adds to the equipment which goes on producing goods for human consumption, the benefits eventually flow to the masses of the people.

There must be a balance of course. Profits must not be extortionate or be devoted too largely for new investment. State capitalism (Russia) has been depriving its people of needed goods for years to devote its profits to capital investment and its defense establishment. But here the standard of living for workers is high. The only ones in distress are those on fixed incomes (which includes those trying to live on interest and dividends) or of no incomes. It is quite impossible to stipulate by fixed rule or ratio the distribution of the earnings of a business. In the long run the free market evolves adjustments, though sometimes the "run" seems too long for those clamoring for amelioration.

This fact does need emphasis: that there is both economic and moral justification for "profits," properly employed; and that retention and investment of profits yields both immediate and long-term gains which are shared by workers, by investors and by consumers.

Another member of the state police paid with his life in the performance of his duty, Edward Rondeau, 32. Shot in the chest by a man caught attempting robbery Rondeau becomes another whose name goes on the list, already too long, of members of the state police killed in line of duty. Citizens buy their safety and security at a high price, in terms of the blood of law enforcement officers.

IT SEEMS TO ME

(Continued from Page 1)

this should enable us to absorb certain truths of value when we study the events of today.

Thus Nicoloson points out one of the great facts of a military alliance:

"The basis of any alliance or coalition is an agreement between two or more sovereign states to subordinate their separate interests to a single purpose. In 1813, as in 1914 and 1939, that purpose was the defeat of a common enemy. So soon, however, as ultimate victory seems assured, the consciousness of separate interests tends to overshadow the sense of common purpose. The citizens of the several victorious countries seek rewards for their own sacrifices and compensations for their own sufferings."

Thus we see separatism emerging in discussions of the peace settlement after the late war. Even the United States whose president (Roosevelt) was co-author of the Atlantic charter, whose president (Truman) disclaimed ambition to acquire an acre of new territory, neatly folds into its government the Pacific islands. Russia's aggrandizement is well known, and Britain has returned none of the Italian colonies.

Another point which Nicoloson makes is the necessity in a coalition of deferring highly controversial matters while fighting is in progress. As he says:

"The problem of preserving the unity of a mixed coalition, the problem of adjusting national interests to international needs, are constantly recurring problems which at times transcend the capacity of human intelligence. It was inevitable that the statements of 1813-1814 should have constituted to imperil a loose alliance by raising prematurely ultimate issues of a highly controversial character."

That is true, but also the necessities of holding a coalition intact often lead to commitments which later are embarrassing. Thus in 1914 Britain and France made secret treaties to attract Italy to the triple alliance and join the triple entente. In the late war President Roosevelt and Prime Minister Churchill made concessions to Russia to stave off a separate peace, to secure Russia's promise to enter the war against Japan and to get Russia to join the United Nations.

Still another lesson which Nicoloson teaches, and that is the importance of human factors in affairs of state, and the further fact that human nature remains pretty much the same. To quote: "If moreover we are to receive any instruction from the European crisis which was inaugurated by the French revolution and which culminated in the defeat of Bonapartism, it is useful to dismiss from our minds the assumption that the diplomats who framed the final settlement at Vienna were more selfish, stupid or reactionary than the ordinary run of men. Such an assumption might tempt us to believe that future negotiators will be more enlightened, progressive, unselfish and alert."

Again he notes the human factor: "Nobody who has not actually watched statesmen dealing with each other can have any real idea of the immense part played in human affairs by such unavowable and often unrecognizable causes as lassitude, vanity, social engagements, interruptions and momentary health. Nobody who has not watched 'policy' expressing itself in day to day action can realize how seldom is the course of events determined by deliberately planned purpose or how often what appears in retrospect to have been a fully conscious intention was at the time governed and directed by that most potent of all factors, 'the chain of circumstances.'"

The Congress of Vienna has been condemned as a model of intrigue in diplomacy and a well-spring of reaction. Yet its resolutions were even more pious than the charter of the United Nations; and the settlement it prescribed kept Europe from general war for virtually a century. If the repeated peace conferences now in progress conclude as good a job for the peoples of the world should be abundantly satisfied.

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Public Records

MARRIAGE LICENSE APPLICATIONS

Robert H. Morgan, 44, lumberman, and Florence Ruth Kerr, 41, saleslady, both of Bend.

Alvin C. Stein, 21, telephone employe, Astoria, and Lorraine H. Johnson, 22, key punch operator, Salem.

Percy A. Pearson, 27, mechanic, and Minnie M. Onnen, 28, domestic, both of Salem.

Thomas David Driscoll, 30, landscape gardener, The Dalles, and Flora Boucher, 18, domestic, Vancouver, Wash.

Donald B. Eshleman, 25, student, 494 S. Winter st., and Muriel E. Lindstrom, 24, secretary, 2905 Cherry ave., both of Salem.

Lloyd A. Godkin, 27, mill worker, and Elinor Taw, 28, stenographer, both of Salem.

Orrel H. Ballantyne, 26, food technician, Corvallis, and Melba Kelley, 23, Salem.

CIRCUIT COURT

Leota Ricks vs Albert R. Ricks: Order of dismissal.

Allen C. Jones vs Marguerite F. Jones: Order of dismissal.

Robert Hill vs Gertrude Hill: Defendant awarded custody of minor child, with plaintiff having right of visitation; original decree

GRIN AND BEAR IT By Lichty



"Don't worry, Slag—we'll appeal this verdict on the grounds the jury was temporarily insane!"

modified as to support money for minor children.

PROBATE COURT

Estate of Gottfried Schutz: Property appraised at value of \$13,368; order for sale of personal property.

Estate of A. B. Horner: Final order.

Guardian estate of Alvina B. Goodin: Annual account; order allowing extraordinary fees and costs.

MUNICIPAL COURT

Mrs. E. D. Hanneman, 640 N. Commercial st., no operator's license, fined \$2.50.

Richard Allen Yocum, 685 Court st., violation of stop sign, posted \$2.50 bail.

Benton K. Walker, West Salem, charged with violation of basic rule, pleaded innocent, released after posting \$15 bail.

Virgil D. Miller, Newberg, no muffler, posted \$5 bail.

Mervin E. Rock, 1895 S. 12th st., reckless driving, fined \$75.

Salvador Casaba, Los Angeles, Calif., violation of basic rule, posted \$7.50 bail.

J. J. Winters, Portland, violation of basic rule, posted \$5 bail.

J. C. Lamsler, Portland, violation of basic rule, posted \$5 bail.

ROTARY TO ELECT

The Salem Rotary club will hold elections for 1947-48 at its Wednesday meeting. Gardner Knapp has been nominated for president.

LODGE HEARS STURGESS

Park Sturges, recently returned from a trip in the southwest, spoke of his adventures at a meeting last week of the Central Lodge No. 18, Knights of Pythias. Sturges illustrated his talk with color slide pictures.

EVANS FUNERAL SET

The funeral of Louis Evans, 84, who died Friday at his home, 2643 Lee st., will be held Tuesday at the Holman-Hankins-Rilance chapel in Oregon City, with interment at Lincoln Memorial park, Portland.

KIWANIS SLATES BENNETT

School attendance problems will be discussed by Frank Bennett, superintendent of Salem schools, at the Salem Kiwanis club luncheon meeting Tuesday at the Marion hotel. Dr. Ray Waltz will preside.

Births

ELLIOTT — To Mr. and Mrs. Norman Elliott, Silverton, a daughter, Saturday, April 26, at Salem General hospital.

FRANKLIN — To Mr. and Mrs. Benjamin Franklin, Gates, a daughter, Saturday, April 26, at Salem Deaconess hospital.

SEMPSON — To Mr. and Mrs. Glen Simpson, 3380 Triangle dr., a son, Saturday, April 26, at Salem Deaconess hospital.

FARNSWORTH — To Mr. and Mrs. Robert Farnsworth, Mt. Angel, a daughter, Saturday, April 26, at Salem Deaconess hospital.

SING GROUP TO MEET

The Salem chapter of the Society for the Preservation of Barber Shop Quartet Singing in America, Inc., will hold a regular meeting and sing at the chamber of commerce Monday night at 7:45. A report on the charter presentation to the Portland chapter Saturday night will be given. Anyone interested in quartet singing is invited to the meeting.

FARRELL REPLACED

Secretary of State Robert S. Farrell, Jr., has been replaced as chairman of the governor's traffic safety committee, by the election of Robert Glenn, professor of highway engineering at Oregon State college, at a meeting Friday night. Farrell resigned as chairman due to press of official duties.

MACY WU "PENNY KING"

Winner of the "Penny King" title on the Willamette university campus was John Macy, Salem senior, who was crowned at the all-school dance Friday night. Macy led five other contestants in the penny-ballooting, during the week of the World Student Service fund drive, to raise funds for needy foreign students.

SERVES ON CARRIER

Gene W. Gregory, seaman second class, USN, of Salem is serving aboard the aircraft carrier USS Midway with the 8th fleet in the Atlantic ocean, according to a navy news release. Gregory is the son of Mr. and Mrs. Julian Gregory of Salem.

TEST DISCHARGED

Richard Test, son of Frank W. Test, 1915 Saginaw st., was recently discharged from the navy separation center in San Diego, Calif. Test enlisted March 24, 1944 and served as a pharmacist mate in Guam and Okinawa.

FINAL SESSION SET

A special session of the Salem YMCA junior board of directors Tuesday night at 7:30 will be the last one of the year, according to Bob Seamster, president. Program plans will be made for the remainder of the spring.

HEADS U OF O CLUB

Hazel Peterson of Salem was recently elected president of the University of Oregon Outing club. The daughter of Mr. and Mrs. Leonard Peterson, Salem road 6, she is a sophomore in physical education.

VISITOR HERE

Walter G. Arnett, Prineville rancher, is visiting here over the weekend and will return home Monday.

RASMUSSEN TRAINS

T. Sgt. Karl B. Rasmussen, son of Mr. and Mrs. Gordon S. Rasmussen, 2365 Maple ave., is on temporary duty for a period of two weeks at Rasmberg, Germany, to train RAF pilots in the use of American fighter aircraft. Following this Sgt. Rasmussen will resume duty as technical inspector with the 523rd fighter squadron at Fritzier air base, Fritzier, Germany, a report from there said Saturday.

LICENSE MEN MEET

Driver's license examiners from the Portland examining department will be in Salem May 2 and 3 to meet with Secretary of State Robert S. Farrell, jr. Discussion will be on the new staggered license renewal law enacted by the recent legislature.

ELVIN AT KC MEET

A. L. Elvin, supreme council field representative of the Knights of Columbus from Salem, attended a state meeting of knight officials at Sublimity last week and will be in that area this week on official council business.

KNIGHTS MEET

Communion Sunday for the Salem council Knights of Columbus is to be held this morning at St. Vincent de Paul church at the 7 o'clock service.

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