

Letters to The Times

Costs of Production

Computing Them Called Elusive but Not Impossible

TO THE EDITOR OF THE NEW YORK TIMES:

I read with interest the letter of my townsman Scoville Hamlin in quest of "an adequate measure of cost."

It is quite right that unfair rates and unfair methods of competition inevitably lead to consideration of the cost of production, which, like the "yardstick," is one of the elusive factors in our industrial economics.

It may be that in "the absence of an adequate measure of cost there is no way of distinguishing between efficient and wasteful producers" or "between wealth, profit and income." Therefore, recognizing the desirability of some standard adequate measure of costs, as well as of the elusive character of such objectives, it must be recognized that any relatively scientific analytical and factual approach to the problem should contribute something to the understanding, if not to the ultimate solution, of the problem.

Some Factual Aspects

The "standard of capital-labor efficiency" is in itself not so elusive, and these relationships are subject to some relatively factual consideration. The cost of the product of industrial enterprise is largely made up of the fixed charges on the capital invested, cost of raw materials used, the wages of labor, and the cost of administration, including selling.

Fundamental to a classification of this problem is the relationship of the required capital investment to the gross annual return, which ratio may vary from \$.20 a dollar of annual sales for public utilities, \$1 for capital goods industries, to \$2 and up for the manufacturers of consumer goods.

Whether the annual revenue is \$.20 or \$3 for each \$1 of investment, it in the long run in large part goes for the payment of labor. The plant charges and the recovery of raw material costs are the return of prepaid labor costs, and administration costs are mostly for wages.

It may be helpful to take for illustration a representative industrial enterprise where a normal expectation of the annual value of the product is \$2 for each \$1 of the capital invested in the enterprise. A larger portion of the capital may be invested in the fixed asset necessary for production and a smaller portion will be represented by working capital.

Fixed Charges Come First

The fixed charges having first claim on the income are those made necessary by the fixed assets, including depreciation, maintenance, heating, lighting, insurance protection and property taxes. These may well represent 20 per cent per annum on the capital or 10 per cent of the annual sales value of the product.

These plant charges will be relatively fixed regardless of the variations in the volume of production; the other factors more variable with the volume of production are cost of materials, labor and administration, summarized in relation to \$1 of sales volume as follows:

Plant Charges	\$.10
Raw materials40
Wages25
Administration, incl. selling....	.20
Profit05

Total\$1.00

On the basis of \$2 of annual sales for each \$1 of capital investment, a 5 per cent profit on sales would yield 10 per cent return available for the interest on borrowed capital, income taxes, surplus and dividends.

Numerous Variables

However, actually the variables are innumerable, ranging through the changing volume of production, the number of hours or shifts of operation, labor trouble, sales administration policy and condition of raw material markets. If production and prices maintain a higher level, labor may demand a larger percentage of the return; if production volume is reduced to a lower level, costs cannot be reduced proportionately, and good management and social considerations tend to give reasonable protection to income of labor. Errors of judgment may be made in purchasing or maintaining inventories of raw materials. Plant charges for investment in equipment capacities vary greatly between enterprises having relatively heavy investment in long-lived assets requiring little maintenance and low depreciation charges, and those following the reverse policy, in investments, or of leasing real estate or part of their equipment.

These are, however, basic factors affecting the regulatory processes, whether they be applied to public utilities, natural resources or industrial enterprises. The basis that may be taken as a yardstick as a "measure of labor-capital efficiency," or the "relative return for capital and labor," remains an elusive reality but a desirable objective.

LYLE H. OLSON.

New York, July 29, 1938.

Doubling Wages

TO THE EDITOR OF THE NEW YORK TIMES:

Referring to B. H. Rapoport's letter in THE TIMES of July 29: if high wages make for better living conditions, why not double all wages mandatorily, and thus put a guinea hen in every oven and furnish every worker with a limousine, a yacht or an airplane?

ROBERT GRIMSHAW.

Leonia, N. J., July 29, 1938.

Traffic Light Needed

TO THE EDITOR OF THE NEW YORK TIMES:

There is a very dangerous crossing at Broadway, Hillside and Nagle Avenues. By the time motorists from Nagle Avenue make their left turn, Broadway lights are green again and the pedestrian hasn't a chance.

These streets lead to Fort Tryon Park, and naturally many mothers with baby carriages are trying to cross. Being one of them, I was talking to a traffic officer about this and I suggested a three-way traffic light be installed, but he claimed that would be too expensive.

I also suggested they might have a policeman on duty there, but that, too, is expensive.

On Park Avenue and other wealthy neighborhoods there are traffic lights on every block. Just because this is a poorer section is that any reason why our lives should be endangered?

CAROLYN C. CENSER.

New York, July 25, 1938.

Situation in Palestine

Position of the Revisionists and the Zionists Explained

TO THE EDITOR OF THE NEW YORK TIMES:

Nationalist Arab propagandists assert that Zionism means the exclusion of Arabs from Palestine. The erroneous statement to that effect released by you as an authentic description of Revisionist Zionism has helped to justify for many the hanging of Ben Yosef, the British Government's policies in Palestine, and the many acts of Arab violence there during the past two years.

Palestine's "grave problem" arose from an overwhelming Arab immigration in 1936 and earlier, when three or four times as many Arabs as Jews were permitted to enter the country. But the responsibility imposed upon the Jewish community of providing employment for Jewish immigrants was not correspondingly imposed upon the Arab community or in any way assumed by the government for the employment of alien Arabs. The riots were inevitable.

Your recent description of Revisionists as "members of a Jewish organization demanding all of Palestine for Jews" also has an unhappy connotation. Revisionist Zionists want the right of Jewish settlement in all of Palestine, without displacement of Arabs already there. But this is the ultimate purpose of all Zionist groups, regardless of difference of opinion on the question of partition.

Partition is favored by many "old guard" Zionists as a matter of strategy—but many oppose it. Revisionist Zionists are unanimously opposed to partition.

The main difference is that Revisionists insist that in the Jewish Agency Jewish representation should be based upon the universal suffrage principle, while the "old guard" Zionist organization bases it on a fee called the shekel, a paid franchise.

As to difference in approach, the Revisionists claim that the "old guard" Zionists have no plan for colonizing Palestine or carrying out the Zionist program; that the first attempt to translate Zionism into concrete plans for settlement and colonization of Jews in Palestine, including certain demands upon the mandatory to facilitate such colonization has been the Revisionist program.

Being militantly and honestly Zionist, Revisionists are first to be blamed for disorders in which individual Jews participate as a natural consequence of Arab acts of violence and Great Britain's unsympathetic attitude toward the free development of a Jewish homeland.

ISADORE SOLKOFF.

New York, July 29, 1938.

Jamaica Bay as a Park

TO THE EDITOR OF THE NEW YORK TIMES:

For years I have wondered why nothing was done to utilize the great possibilities of Jamaica Bay for a park and playground which could be made second to none in the world. And now Commissioner Moses, with his practical realism, calls on us to awake and work.

Never have I crossed this beautiful bay without thinking of Chicago and what was done off the shore front of Lake Michigan. The great South Park system was five miles from the center of the city with its Grant Park. Why not connect them? But the water in the lake there was twenty-five feet deep. What odds? Chicago did not waste words, but went to work.

I have not seen this development recently, but I saw it when it was well started, and examined the plans which were worthy of the great idea.

Can any one question the ability of Commissioner Moses to make real the ideal? Once before we had a great idealist and realist as Park Commissioner. His name was Andrew H. Green. It was he who gave us greater New York—his worthy successor is giving us a still greater New York.

W. B. VAN INGEN.

New York, July 27, 1938.

Children's Theatre Urged

TO THE EDITOR OF THE NEW YORK TIMES:

On July 24 THE TIMES published an interesting and timely article about the plans for the Children's World at the fair.

For some time I have been waiting to hear about a children's theatre where boys and girls can get the best juvenile dramatics.

A children's theatre would be not only entertaining but educational. Daily programs could be given for the younger children and evening plays for the older ones.

Last Summer I offered a plan for a model kindergarten building which would include a children's theatre and daily lectures for the children that will visit the fair. No doubt the children's theatre is as important as any now being built or planned, and let us hope it will be realized. FLORA SPIEGELBERG.

New York, July 27, 1938.

Prince or Pauper Business

TO THE EDITOR OF THE NEW YORK TIMES:

Reading THE TIMES's editorial "Steel Earnings" recalled what an iron founder told me some thirty or forty years ago; when small business flourished, at times.

This old family friend said: "If you should start a foundry with, say, a quarter of a million dollars and hit the right time at the end of a year, you could take out the quarter million in cash and still have the foundry. But if you hit the wrong time at the end of a year, the quarter million would be lost and you would have no foundry." He said: "The iron business was always a prince or a pauper."

CHARLES LE BARTILLER.

Washington, Conn., July 28, 1938.