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August 6, 1923. Volume III, No. 32
C. W. BARRON, Editor
HUGH BANCROFT, Publisher
Publication Offices
30 Kilby Street, Boston, Massachusetts
Editorial and Business Offices
44 Broad Street, New York City
Copyright 1923
by Hugh Bancroft, Publisher
Entered as second-class matter at Boston,
Massachusetts, under act of March 3, 1879.
Published every Monday

BARRON'S

The National Financial Weekly

BOSTON NEW YORK PHILADELPHIA

Published every Monday

C. W. BARRON, Editor

Subscription rates \$10.00 yearly; 20 cents
a copy, postpaid to any country
Subscriptions received at publication
and editorial offices; also at our offices in
Washington, 1422 F Street, N. W.
Philadelphia, 436 Sansom Street
Chicago, 208 So. La Salle Street, Room 1836
Detroit, 222 Ford Building
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What is the Matter with Alaska?

The Views of a Pioneer Inhabitant

(By JOHN RUSTGARD, Attorney General of The Territory of Alaska.)

This article was written over 18 months before it was published, and was supposed to have gone in the waste paper basket at the time it appeared.

THE visit of President Harding to Alaska turned public attention to the mystery of the failure of Alaska to grow in population and industry in proportion to its resources and area. It is estimated that Alaska is capable of sustaining 10,000,000 people; it is the one land of virgin opportunity left under the American flag, and yet it languishes and its population declines. American prosperity in the past has been largely dependent upon the exploitation of natural resources and the settlement of new regions. In the following article, which was written before it was definitely known that the President would visit Alaska, the attorney general of that territory, himself a pioneer of 23 years standing, tells why Alaska, vast and naturally rich, remains a deserted wilderness.

WERE Alaska surrounded on all sides by water she would not be an island but a continent. She has an area nearly equal to all of the United States east of the Mississippi River. She has been under the dominion of the American government for fifty-five years. During that time her natural riches have not been unknown. With her scant population she has already produced and shipped to the United States wealth amounting to \$1,100,000,000, while the whole cost of Alaska to the government during that period has been only \$200,000,000. Though her industries are languishing and her population steadily decreasing it is not because her resources are exhausted, but in spite of the fact that they are being discovered in constantly increasing quantities.

The History of Other Territories

Historically it is natural and legitimate to compare the experience of Alaska with the history of the Northwest Territory, the Louisiana Territory, the Oregon Territory and the Mexican Concession of 1849. Behold what eminence in the affairs of the nation, industrially, politically and intellectually, those territories had reached during the first fifty-five years under American rule as compared with Alaska! And the latter is as well equipped by nature for fostering as large and aggressive a population as any of the former.

Most of us who live there at the present time arrived in the North from twenty to fifty years ago. We remained because the immense possibility for future prosperity was everywhere apparent. Few of us but prophesied that within two or three decades the population of the Territory would be counted not in thousands or hundreds of thousands but in millions. Discounting some for the exuberant optimism characteristic of all pioneer populations, these expectations were, nevertheless, largely justified. But the expected did not happen. In its industrial backwardness Alaska is without parallel among the vast domains incorporated into the United States. What I mean to emphasize is that this failure is not the product of natural but of artificial causes.

Variety of Alaskan Resources

In any territory dependent upon one industry a more accentuated ebb and flow in prosperity may be looked for than in one sustained by many varied resources. If Alaska were a mining country alone she would be expected to have her violent ups and downs. If she were a farming country alone she would be expected to have her periodical setbacks from one cause or another. But Alaska has more varied natural resources upon which to build prosperous industries than any state in the Union, or any two or three states in the Union; her fishing grounds are unsurpassed and probably nowhere equalled; her timber is abundant and conveniently situated for utilization; her mineral wealth is recognized as varied and beyond calculation; her farm lands, admirably adapted for raising the very best grade of wheat and other cereals, cover an extent of some sixty thousand square miles or more, and are capable of producing as much wheat as Minnesota and Wisconsin combined, while an additional three hundred thousand square miles is excellent reindeer pasture. Coal has for more

than thirty years been known to exist in many localities, and for the last twenty years has been known in hundreds of places. For more than twenty-two years oil deposits, as indicated by seepages, have been familiar to prospectors in numerous places over a distance of some seven hundred miles along the coast, as well as at many places in the interior. What, then, is the cause of this unprecedented and unforeseen retrogression recorded in the development of Alaska?

Autocratic Government

The answer is perfectly obvious to one who has lived in the territory for any length of time and tried to accomplish something industrially.

A governmental system different from the one applied to the rest of the country has been inflicted upon Alaska—a system repudiated by the Anglo-Saxon race centuries ago and now discarded in every progressive country.

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If Alaska property right is not a matter of law but of grace.

The leading principle of the legislation dealing with Alaska's natural resources is that the government is to be a partner with the investor—a partner in the profits but not in the losses.

There are no constitutional limitations restraining Congress from discriminating against the territory in any manner.

Two avenues of escape from the present predicament suggest themselves: Statehood for Alaska, or the erection of a free state in the territory.

It is a conventional observation that at the inception of the American nation constitutions were framed in order that government by law could be substituted in place of a government by men. It certainly seems trite to assert that to be ruled by law instead of by men is the essential difference between freedom and its opposite and therefore the distinguishing feature of American institutions. Yet, Congress has seen fit not only to question the wisdom, but to abandon the precepts, of the fathers, and is now applying to Alaska a system which has been repudiated by all but the most benighted nations.

Property, to a very large extent, can be held in Alaska only at the pleasure of some official. You may invest your millions in water power plants, in saw mills or other lumber industries, in oil or coal, but you can continue as the owner only so long as you continue to make a reasonably good impression upon the officials and upon their superiors in Washington.

How the Investor Would Fare

Assume, for instance, that you have become attracted by the attractions and the pulp timber of the coast regions. If you are a business man and not a member of the "Wild Life Preservation Society" you will be shocked at permitting all this power to

flow aimlessly into the ocean and all this over-ripe timber to take its place on the ground with its progenitors during aeons past to no better purpose than to form shelter for bears. You know that every kilowatt water power unused is a kilowatt wasted, and every ripe tree left to rot is a tree lost to humanity. You soon feel called upon to help stay this waste by putting these vast forces to work supplying the nation's demand for pulp and paper at present supplied by foreign countries. You begin to formulate your plans and make your calculations feeling you are about to accomplish something good for your country and incidentally for yourself. You may even commence to imagine yourself recognized as a benefactor of the race, when suddenly you are awakened from your dream by bumping up against the concrete hostility presented to you by the laws of your government.

The installation of the plant you contemplate will cost you from four millions to fifteen millions of dollars, all according to its size. You look about for a site and for timber with which to keep the plant supplied. You find you cannot secure title to either site or water power, but you may secure a fifty year lease under certain conditions. What are those conditions? Some few of them are abbreviated to 8500 words. The rest of them are set out in the regulations formulated by the Water Power Commission. The latter document contains a recital in some 20,000 words of what you must do and must not do to hold your lease, and what the commission and its agents and servants will do to you if you fail in any particular.

A mere reading of these regulations will soon convince you that you cannot do business for six months without being guilty of enough violations to put yourself absolutely at the mercy of the Water Power Commission or its agents.

Getting A Supply of Timber

If, nevertheless, you are satisfied to take the chance on this lease, you commence to make arrangements for sufficient supply of timber to justify you in commencing the construction. This will at first appear easy. There are forests all around you, all belonging to good old Uncle Samuel. You are told you can have all the timber your plant can consume. All you have to do is to sign a contract containing about 4500 words. On examination of this document you find it fixes the price of the timber you cut during the first five years, but that after that period the Chief Forester fixes the price from time to time at his pleasure, and you file a bond in \$50,000 to pay the price which he shall see fit to so establish. You also find 4000 words of this contract is the recital of the many and varied things which the forester may do to you and your property whenever he sees fit to do it. Again the property right is found to be not a matter of law but of grace.

I have frequently discussed these contracts, rules and regulations with officials concerned. They admit, of course, that the investor is absolutely at their mercy: "But," they say, "it is not our intention to enforce all these provisions. We simply want to put those fellows where we can always have complete control of the situation." It is this government by men instead of by law which our conservation policy has aimed at and attained with singular success. It is this bureaucratic passion for autocratic sway so typical of the spirit of the old monarchies, which in recent years has been fanned into new life on the American continent and accorded unrestrained indulgence in our conservation bureau.

What has been the result? It is confessed in the following language in Bulletin No. 950 of the Department of Agriculture:

(Continued on Page Eleven)

The Week Reviewed

Happenings in the Realm of Finance, Industry and Foreign Affairs

The President's Death

OVERSHADOWING all other developments of the week was the sudden death of President Harding, stricken by apoplexy at a moment when all believed him to be on the high road to recovery from the illness which overtook him on his Alaska journey.

Warren Gamaliel Harding was the 29th president of the United States. He was the sixth president to die in office and the third Chief Executive from Ohio to die.

The Washington arms conference and the treaties growing out of it were outstanding accomplishments of the two and one-half years of the Harding Administration.

With the death of Mr. Harding, the office of President devolved upon Calvin Coolidge, vice-president of the United States, a man of silence, but one of action in emergency, as was shown in his handling of the Boston Police strike while he was Governor of Massachusetts. Mr. Coolidge immediately took the oath of office which was administered by his father at the Coolidge paternal home in Plymouth, Vermont. He left immediately for Washington.

The New York Stock Exchange and outside exchanges were closed Friday and will be closed on the day of the funeral as an expression of the grief universally felt by a sorrowing nation.

Blames France for Europe's Plight

Premier Baldwin in a speech before the House of Commons, a duplicate of which was read by Lord Curzon, Foreign Minister, in the House of Lords, placed the responsibility of the tragedy which threatens Europe squarely on the shoulders of Poincare and the French, and made a bid for world support to avert impending German catastrophe.

Members of both houses were told that not only had many weeks been wasted in efforts to reach an agreement for evacuation and upon reparations, but that France and Belgium absolutely ignored the British draft of a reply to the German note.

Lord Curzon said: "Week after week we saw a situation becoming gloomier and Germany falling into ruin, the effect of the Ruhr occupation being felt in every cottage in this country. In this situation which we are now facing, not only had we the right to interfere, but it was a right that belonged to all of the Allies."

Those who had expected that the Government would announce a definite British European policy were disappointed when the premier, after depicting "the hand of tragedy clutching at the throat of all Great Britain's industries," a condition he described as becoming worse with the passing of time, announced that: "The government therefore, has decided to lay before

AT A GLANCE.

For the week:	High	Low	Las	Net
20 active rails	78.13	76.78	76 7/8	-.62
20 active industrials	88.20	85.91	87 1/2	-.13
20 active coppers	26.52	25.93	26 1/2	-.14
40 active bonds	86.95	86.83	86 3/4	-.08
Chicago Sept wheat	98 3/4	95 3/4	96 1/2	- 1
Chicago Sept corn	77 1/2	75	76 1/2	- 1/2
New York Oct. cotton	22.86	20.82	22.0	+ 1.48
New York call money	6%	4%	4%	- 1
New York com'l paper	5 1/4	5	5	..
Sterling exchange	4.57 3/4	4.56 1/8	4.57	-.01 1/4

Parliament with the least possible delay papers regarding its own views and endeavors, and invite the Allies to give publication to their notes and statements to explain the situation."

In reply to Lord Birkenhead, former Lord Chancellor, who in a slashing attack on the government advocated the withdrawal of British troops from Cologne, and that France be given a free hand to force Germany to pay, Premier Baldwin said that all chance of reparations was being whittled away by reason of the Ruhr occupation and that Britain had a right to interfere where her share was in jeopardy.

French and Belgian Francs at New Lows

As it became more and more apparent that here would be no early agreement between France and Great Britain the French franc fell to a new low of \$0.05704. The previous low of \$0.0571 was quoted Nov. 11, 1920. The former 1923 low of \$0.0577 was registered July 7, and compared with the high of the year of \$0.0744 reached January 2.

The Belgian franc also broke through the year's previous low to \$0.0465, compared with previous 1923 bottom of \$0.0473 1/2.

The German mark touched a new low of 1,90,476 to the dollar. The German printing presses were turning out an issue of paper totaling a trillion marks a day. During the past week the Reichsbank put into circulation 6,400,000,000 marks, making the total outstanding 31,824,820,800,000 marks. The German bank statement showed gold holdings of 616,300,000 gold marks which was 400,000,000 gold marks less than the total in the bank's coffers when the drain started last May.

Pig Iron Production Lower in July

July statistics of pig iron production show production was sharply curtailed. On returns from all but seven out of 322 blast furnaces the estimated output for the thirty-one days of July was 3,679,810 tons, or 118,703 tons a day, against 3,668,413 or 122,280 tons a day for the thirty days of June. Prices for both iron and steel remained practically unchanged.

Reichsbank Rate Raised to 30%

In a desperate attempt to curb the Reichsbank rediscounts the rate was advanced from 18% to 30%. Previous advances in the rate had no effect in halting the demand as with the rapid drop in value borrowers could afford to pay almost any rate for loans to be paid later in still further depreciated currency.

Senator Underwood Announces Candidacy For President

Senator Oscar Underwood announced his candidacy for the democratic nomination for the presidency in an address to the Alabama legislature.

William Jennings Bryan said that the chances of Underwood obtaining the nomination would depend upon the ability of Wall Street and the "wets" to capture the convention,—an accomplishment which he thought unlikely.

Crowder Summoned for Conference on Cuban Affairs

Affairs in Cuba caused Secretary Hughes to summon Major-Gen. Crowder to Washington for a conference. Anti-American sentiment in Cuba has developed against what is termed an attempt by the United States to exercise suzerainty over the island republic. This sentiment became crystallized with the passage of a lottery bill against the wishes of the United States. The passage of this bill promises to negative all of the work accomplished by the mission headed by Gen. Crowder in its efforts to eliminate graft. It is pointed out by Washington officials that those who cry "American interference" overlook the fact that it was Cuba which sought American aid when economic and political stability hung in the balance.

Car Loadings Make New High Record

Another new high record was marked up by the American railroads in the week ended July 21. In that week 1,028,927 cars were loaded with revenue freight, exceeding by 7157 cars the previous high record, which was made in the week ended June 30 of this year when 1,021,770 cars were loaded. This was the seventh week this year when over a million cars were loaded. Loadings exceeded those of the preceding week by 9260 cars, and the same week last year by 183,379 cars.

Personalities

Calvin Coolidge

MR. COOLIDGE goes to the White House not only with the fewest dollars but the fewest words. Massachusetts stories are numerous concerning his wit and his brevity. When somebody asked him why he began the practice of law in such a small place as Northampton, he replied: "After graduation I had just that railroad fare."

When Governor it was the habit of Mrs. Coolidge—a great social favorite—to leave her telephone address in the front hall so that she might be called any moment the Governor returned home. Someone overheard this conversation on the telephone: "Is this Mrs. Coolidge?" "Yes, dear." "Hop home."

When Coolidge was chairman of a legislative committee a corporation lawyer spoke for two hours before him and paused with a request that before proceeding he should hear something from the chairman. Mr. Coolidge arose, walked around the table in deep thought, glanced out of the window, reseated himself at the head of the table and said: "Proceed." That lawyer was later heard to remark: "That man Coolidge can keep silent in more languages than any man I ever listened to."

Gary and the Long Steel Day

Proponents of the short working day have centered their attacks almost exclusively on Judge Gary and, to listen to their attacks, one might easily picture the Judge as endowed with hooves and horns, gloating over the efforts of overworked labor.

The truth is that Gary has long, if not always, been strongly in favor of reducing working hours as much as possible. In 1920 he appointed a committee, headed by William B. Schiller to consider this matter and both by word of mouth and by letter urged upon Mr. Schiller repeatedly the concern of himself and the Steel Finance Committee that working hours should be lowered "to the limit of propriety and practicability." Working hours, however, are more a matter of economics than of morals, a fact that many people fail to realize. This has been the only reason they were not reduced years ago.

Praise For The New Haven

I find that most impartial travelers using the New Haven lines have a good word instead of a knock for that system. The chairman of the board of the Southern Pacific Co., Julius Kruttschnitt, commutes every day from New Canaan, Connecticut, one of the most remote commuting points from New York, and he says New Haven did surprisingly well last winter against all odds and that in recent months the service has been as good as could be asked for.

The Coolidge Nomination

When at the Chicago convention the name of Calvin Coolidge for vice-president was first sounded from Oregon the cheers and enthusiasm were greater than any preceding demonstration.

Lodge, the presiding officer, and his Massachusetts delegation were swept off their feet.

Delegate George A. Galliver of Holyoke, Massachusetts, after he reached Chicago had summoned a friend of Mr. Coolidge to write a brief sketch of the Governor of Massachusetts, his political record and the principles for which he stood. This was quickly printed in pocket edition size with leather binding

and every delegate received a copy with his own name stamped upon the cover.

It was quick work and good work and every delegate in the hall knew what Coolidge stood for and that he was the man of the hour and for the times.

Gray Claims Railroad Championship

Carl R. Gray, president of the Union Pacific System, claims that Union Pacific holds the record for building a railroad and says the system will defend its title against all comers. He bases his claim on a 32-mile extension in Utah which was surveyed, graded and ballasted for service last spring in 87 days. The line is between Lund and Cedar City and runs through mining country. It was completed in record time to enable President Harding, on his way west, to reach Zion National Park on Jun 27 according to his schedule.

If there are any challengers, Mr. Gray says they may reach him at the Union Pacific offices in Omaha and these several other extensions are being planned which could serve in a contest to defend the title.

Some High Salaries

Vaudeville is lately vying with the movie industry in attracting by high salaries the foremost theatrical talent of the country. So-called "name" acts to supplement a routine program of vaudeville and picture almost invariably command weekly salaries running into four figures.

Fannie Brice is understood to be the highest-priced entertainer today in the variety business, receiving \$3000 a wk. And she is worth every cent of it, packing the Pacific Coast houses night after night. Ethel Barrymore is another high-ped star, usually being paid \$2500 weekly. Leon Errol works nearly as much as the President gets and there are Frank Meyer and a number of others that are highly paid.

The President's Handy Man

Among the names signed to the bulletins issued by President Harding's physicians appeared that of "Work." Few casual newspaper readers realized that this was Dr. Hubert Work, secretary of the interior. Dr. Work might well have been dubbed the President's handy man. With two years' experience in the post-office department, first as assistant postmaster general and then at the head of the department, he was equipped to arrange communications between the President and the Capitol on the Alaska trip. His more recent experience in the interior department and familiarity with the problems of the department acquired by long residence in the West made him a valuable consultant for his chief on matters of special concern to the West. Finally when illness came the President at his side an eminent physician.

A doctor in politics is rather an unusual figure but Work is not new to the field. He was a delegate to the convention which nominated Taft in 1908 and more recently has been Republican national committeeman from Colorado.

Upholding Law and Order

The head of a well-known brokerage house is regarded by his associates as being particularly strait-laced. Recently he discovered that the colored doorman of the establishment was conducting a bootlegging business on the side. For an

offense only one penalty was to be considered. Nevertheless, a check for \$1000 was handed to the culprit with his discharge in recognition of years of faithful service.

Justice having been meted out the senior partner informed one of his associates of his action, expecting proper approbation for his stern upholding of law and order. The junior gazed at his chief somewhat mournfully. "That's very noble of you, Henry," he said finally, "but I'd like to know where I'm going to get mine now."

Coolidge's Law Associate

"Calvin Coolidge, Attorney At Law" still appears in gilt letters on the window of the little office in the Masonic Building in Northampton, Mass., the little office—with the smaller back room, where political dialogues were held—and connected with the fact is a story of loyalty and devotion.

In the background of President Coolidge's career in the past 15 years or so which have witnessed his spectacular rise to the highest position in the United States has been his quiet, unassuming, very efficient law associate, Ralph Hemenway. His name has not appeared in the newspapers, many residents of Northampton (and that is by no means a city of metropolitan dimensions) are not aware of his existence, but he has pursued all these years the even tenor of his way.

As in the case of many another man who has risen to eminence in the world of affairs President Coolidge has been fortunate in having one to "keep the home fires burning," and in this particular instance it is Ralph Hemenway who has tended the grate.

Rock Island and Public Relations

The Rock Island, although for many years strongly unionized and not endowed with the big earnings of some of the countries' railroads, has gained renown as a pioneer in the field of personnel and public relations work. James E. Gorman, the road's president, displays much pleasure in boasting about his road's endeavors in this direction and says "that they have resulted in closer contact and co-operation between the management and the employees, and at the same time, created better understanding between the railroad and the communities it serves." Mr. Gorman's amiable disposition has done much in bringing about the prevalent harmonious labor situation the Rock Island enjoys. He also tells the writer that this work has broadened to such a degree the last few years that a new department will be established to care for it exclusively, and will be headed and directed by Hal S. Ray, formerly assistant to Mr. Gorman.

George K. Morrow

George K. Morrow, who has been put in charge of the affairs of the American Cotton Oil Co., by the bankers and directors, continues to slash expenses mercilessly. Well over \$1,000,000 annually has already been saved by his pruning. Every department feels the weight of his hand. I learn that he would like to lease the two floors the company has at 65 Broadway and move into less expensive quarters.

I don't believe the company will ever do much in the cotton oil business again and it would not surprise the street if the name of the company was changed later on to conform with its leading products, including the "Gold Dust Twins" and "Fairy Soap."—ADAMS.

What is the Matter with Alaska?

(Continued from Page Three)

"For years the Forest Service has tried in vain to interest capital in the development of enterprises for paper production in Alaska.

American Money in Canada

But during all this time when our Forest Service was thus striving in vain, some \$42,000,000, mostly American money, was being invested in pulp and paper plants on the coast of British Columbia where the natural conditions were not nearly so attractive as on the coast of Alaska. Most of this capital first sought investment in Alaska, but was driven away, and then, but not until then, entered Canadian territory. Within thirteen years the exportation of newsprint paper from Canada to the United States has mounted from 25,000 to nearly 1,000,000 tons.

From personal knowledge I can report that in 1913 a syndicate offered the Forestry Bureau to put in "an experimental plant" at the cost of some \$4,000,000, and stood ready to put in a great deal more should this investment prove a success. But the condition precedent was assurance of a site and assurance of timber supply at a predetermined price. Neither could be furnished and thus the matter ended. That syndicate was negotiating with Russia for a concession in Siberia at the time the world war broke out.

The national forests of Alaska, which means the coast region, are, according to Bulletin No. 950, capable of producing 2,300,000 tons of pulp annually without cutting faster than the timber grows. Failure to cut less is waste of the amount short of the maximum capacity. We cut nothing, and what was designed as conservation is a sheer waste of 2,000,000 tons of pulp a year. On the basis of the average price of pulp during the last ten years this alone represents an annual loss to the nation of close to \$100,000,000. Estimate it in terms of paper and it will be very much more. Failure to permit the pulp and paper industry to be established in Alaska has alone cost that territory a loss of from one hundred thousand to two hundred thousand in population, and has made the paper and publishing industries of the United States absolutely dependent on the grace of Canada.

Red Tape in Mineral Leases

Coal lands were early withdrawn from private appropriation or exploration in order to properly "conserve" them. This stopped development along that line. More recently a law has been passed by Congress permitting what was considered to be the least available of these lands to be leased. The lease contains 7000 words. About 5000 of these form a recital of the various obligations which the lessee assumes, and the violation of any one of which forfeits the lease in the discretion of the officials. "A successful coal miner of the East, when presented with a copy of the document for his signature, preliminary to an Alaska venture, shoved it contemptuously aside with the remark, "No thank you. I have kept out of the penitentiary so far and I don't intend to sign anything that will send me there for sure."

Prospecting for or pumping oil was forbidden for a long period, but this ban has at last been lifted. The release came by a law enacted in February, 1920. That law provides that a person may have a permit to prospect a tract of 2560 acres "not within any known geological structure of a producing oil or gas field," and, if he finds what he is looking for on that tract, will have a right to select one quarter thereof under a lease to work subject to a royalty of five per cent. and a preference right to lease the balance subject to such regulations and royalties as the Secretary shall prescribe, not, however, less than 12.5 per cent. of the output." The autocratic features which characterize the rules promulgated by the Department of Agriculture are, to be sure, absent from those promulgated by the Department of the Interior. Yet the restrictions upon the freedom of action under the law defining the rights to prospect for and extract oil, are such as to cause any prudent man to hesitate before he loosens his purse strings and makes an investment.

Only Powerful Interests Can Take A Chance

The oil seepages and other geological indications of the presence of oil in merchantable quantities are more attractive in Alaska than anywhere in the United States or perhaps in the world today. For that reason two competent concerns have at last been found willing to risk their money in prospecting outside of those few tracts to which title was acquired under the mining laws prior to the withdrawal order in 1906. It is currently reported, however, that before they could be induced to enter this field they were promised liberal treatment by the department and feel strong enough and influential enough to secure some new legislation which will enable them to pursue the business unhampered by further restrictions.

Harking Back to the Russian System

The people at Washington seem to have lost faith in the doctrine of the fathers. They are harking back to the old days when the nations were governed by men only and not by law, and are bringing back to the one territory over which they have the power the old Romanoff system which flourished when Captain Baranoff ruled at Sitka and Catherine's descendants ruled at Moscow. Of course, they have given the system a new name. They call it conservation. The trick is simple: They hoist the American flag, and while the soldiers stand at attention and the public sings about the land of the free and the home of the brave, the President signs a proclamation declaring both land and ocean a reserve. After that no one has any legal right to tread on the one or swim in the other except by special permission of some official. Upon a reservation you may live or transact business only with the permission of that official, but not otherwise. You may invest your money in industries if he sees fit to let you. But you have no rights there which the law recognizes, and you may be ordered off and your property confiscated at any time. The only title to property and the products of your own industry upon a reserve is the official's good will.

Recently Alaska peninsula and the ocean surrounding it and the nearby islands, including the Shumagin group, were proclaimed a fish reserve. The coast line of this reserve is probably over fifteen hundred miles in length and very rich fishing ground. For many generations these waters have been fished extensively. For several decades they have produced for the market several million dollars worth of fish annually.

When this reserve was established the Secretary of commerce became automatically the law giver, the court and the sheriff. Only as long as a person retains the good will of the

autocrat in charge will he be permitted to fish unmolested, and then only to the extent the autocrat may please.

Profit-Sharing Without Risk

The leading principle of the legislation dealing with our natural resources is that the government is to be a partner with the investor—a partner in the profits but not in the losses. Capital is invited to risk its savings hunting for oil and other natural resources that will add to the nation's wealth. The government hazards nothing and takes no hand in the game except to sit by and feed on the "kitty."

Vicious Discrimination

The big idea behind the conservation theory is to keep the natural resources out of the hands of the great business syndicates. The effect is the very opposite.

So long as a title to property depends upon the good-will of officials, no one can afford to invest unless he is in a position always to keep the officials good-natured. He knows that as soon as somebody with more influence shows up at headquarters his possessions are jeopardized. Briefly stated, no man can afford to subject himself and his property to the mercy of Washington unless he be in a position at all times to maintain an active, alert, and effective lobby at the capital, and in addition is in position, independent of the Washington lobby, to command the respect and attention of the members of Congress from several of the states of the Union. The result is a natural tendency for Alaska to drop into the lap of the big syndicate without any effort whatever on the part of the latter. None else can afford to take the chances of staking savings upon the constancy of official affections.

I have in my possession a letter written by one of the great "captains of industry" in the country. It is addressed to clients of mine who had secured a permit for a water power. The writer of that letter coveted the power and demanded that they turn it over to him. When they hesitated he reminded them very explicitly that whenever any big concern with more political influence than the owners possessed should want the water power in question the present owners would not be able to hold it and might as well let go now as later. That man simply proclaimed aloud what others only whisper.

Unnatural Geography

One of the vital, active causes of Alaska's retrogression is the vicious monopolization of the water transportation connecting the territory with the markets of the world. The submission of a few concrete facts will furnish the briefest argument in support of this proposition. The distance from Seattle to Anchorage—the ocean terminus of the Alaska Railroad—is approximately 1400 nautical miles. The basic rate for freight on that route is \$17 a ton in carload lots. The ocean rate from Seattle to New York, a distance of 6000 miles or more, is \$10 a ton, out of which the ship pays a toll of \$1.20 a "net vessel ton" at the canal. The rate from Seattle to Hongkong, a distance of some 8000 miles, is on flour and wheat, \$6 per ton. From Seattle to the United Kingdom or the Continent, a distance of some 8500 miles or more, the rate is about \$7 per ton, and to Baltic ports, a distance of close to 10,000 miles, about \$12 per ton—the ship always paying the toll at the canal. It will be observed that from the southern end of the Alaska Railroad to the nearest United States port, Seattle, the rate is 70% higher than on the Seattle-New York route; 183% higher than on the Seattle-Hongkong route; 143% higher than on the Seattle-Liverpool or Bremen route, and 42% above the rate on the Seattle-Baltic route. If on these routes we compute the ton-mile rate,—at times advocated by the steamship companies and as often accepted by the United States Shipping Board as proper standard of measurement, it is found that the ton-mile rate on the Alaska route is more than 840% greater than the Seattle-New York route; more than 1200% greater than the Oriental route, and more than 1700% greater than on the Liverpool or Bremen routes.

By the water routes thus established by our officials in Washington the ocean end of the Alaska Railroad is placed 70% farther from the nearest American port than is the latter by water from New York; three times as far as from Hongkong and about twice as far from New Zealand, while the Baltic is placed nearly 50% closer to Puget Sound than is the Cook Inlet metropolis. With customary bungling, Washington has built us a 467-mile railway, at cost of \$56,000,000, to develop Alaska and has left its ocean terminus in the air!

An Instance of Costly Transport

Not long ago a small consignment of merchandise was shipped from New York to Ketchikan, Alaska, via Panama Canal and Seattle. The freight bill from New York to Seattle (6000 statute miles including wharfage, was \$40.77. From Seattle to Ketchikan (700 statute miles) it was \$68.80. The consignee, believing there was an error committed by the steamship company, wrote the latter calling for an explanation, and received an answer pointing out the fact that the rates charged were those established by the United States Shipping Board, and that no error had been committed.

It is immaterial for the present purpose to determine whether the above cited Alaska rates are the result of greed or mismanagement or both. The significant fact about the rates is that they are established by government officials at Washington and it emphasizes the helplessness of the people of Alaska under the present bureaucratic system.

Competition with the States

A further cause of Alaska's plight is the fact that the territory as yet is at the mercy of its competitors. The Constitution provides that "The citizens of each state shall be entitled to all the privileges and immunities of the citizens in the several states." It also provides that "no preference shall be given by any regulation of commerce or revenue to the ports of one state over those of another; nor shall vessels bound to or from one state be obliged to enter, clear or pay duty in another." These clauses were designed to protect one part of the country against the avarice of another part and to insure for all equal rights and opportunities in the pursuit of happiness. It was primarily commercial equality that was aimed at by the above quoted clauses. But the Supreme Court has held that these guarantees of equality do not apply to Alaska. They may not enter the markets of the states or the markets of the world on the same conditions and by the same

means accorded citizens in the various states unless Congress should happen to see fit to grant us such rights. There are no constitutional limitations restraining Congress from discriminating against the Territory in any manner even to the extent of closing every port, if they see fit to do so.

Despotic Power Used Against Alaska

The argument will, of course, be put forth that such power has always been possessed by Congress but never used against the other territories, and it must, therefore, be concluded it will not be used against Alaska.

But it has been used against Alaska. What is worse, this territory is so situated that this power will for certain be invoked by our competitors in the future. At any rate, the chances of its use are such that many prospective investors do not feel that they can afford to assume the risk—unless their influence be of national dimensions and they feel they can control or materially influence legislation.

Let me illustrate.

Congress treated the older territories with scrupulous equality for three reasons: First, it considered it morally right to put territories on an equal commercial footing. Second, there were no special interests demanding any discriminations. Third, until recently it was generally considered that the territories had a constitutional right to commercial equality.

It is important in this connection to bear in mind that we produce nothing in Alaska that is not a duplication of what is produced in and exported from the Pacific Coast states. Our fish is in competition with their fish; our lumber with their lumber; our wheat with their wheat; our pulp with their pulp. We produce nothing in Alaska that is needed for consumption on the Pacific Coast except gold.

The two steamship lines, which operate practically as one, have large financial and business connections on the Pacific Coast in Utah, Arizona, New York, New Jersey and other states. Whenever these companies or any others of influence on the Pacific Coast have heretofore thought their interests required the restriction of commercial equality of Alaska, Congress has ever stood ready to respond to the call for help from those interests, irrespective of how the requested legislation might injure the pioneers of the north.

Discrimination Even in Wartime

In October, 1917, a war measure passed Congress providing that the United States Shipping Board should have power to permit, in their discretion, freight to be carried between American ports in foreign vessels at any time during the war and for six months thereafter. But here is the significant feature of that law: It provided that it should not apply to Alaska or to trade between Alaska and the states. At that time the entire country—the entire world was begging for more food. Our success in arms depended largely upon our ability to furnish food. A campaign of food conservation was on throughout the country, and at that very time, to my knowledge, fresh fish was rotting on our wharves for lack of transportation, though Canadian ships called at our ports every week ready, willing and able to carry it. At no place in the country was permission of foreign vessels to carry freight between American ports more urgently needed than on the Alaska routes. Yet, the new law was applicable to every place in the country except Alaska. Why was Alaska excepted? The American steamship lines of Seattle believed they might possibly lose a few dollars by extending the privilege of equality to that territory, and the delegation to Congress from Washington was at their disposal.

The above described example of the ease with which Congress can be induced to employ its constitutional power to discriminate against Alaska commercially is not an isolated instance by any means. The new merchant marine act contains a clause as viciously discriminatory as anything contained in the emergency act of 1917 above referred to.

An Example in the Merchant Marine Act

Section 37 of the merchant marine act of 1920 provides that it shall be lawful to ship merchandise from one American point to another American point, except Alaska, over Canadian railway lines and over the water part of the route by foreign vessel. Under this act freight may be shipped from, say, Chicago to Seattle via the C. P. R. to Vancouver and thence by Canadian vessel to Seattle, but that same vessel is not allowed to carry the shipment or another shipment (originating in the United States) to Alaska. Nor can any shipment be made from Alaska via a Canadian ship to a Canadian port and thence by rail to an American point, although such routing from Seattle is permissible and common. This law is still in force. Its purpose is to compel Alaska to transact all its business through the Port of Seattle. In this respect it has proven one hundred per cent. perfect, but it has been a severe blow not only to the present business in Alaska, but to the confidence in the generosity and fairness of Congress in the exercise of its unlimited power over the commerce of the territory in the future. The natural route for our fresh fish, and much of our other products, shipped to the States, is through Prince Rupert, B. C., and the Grand Trunk Pacific Railway of Canada. It is the cheapest and the quickest route, and, in the shipment of fresh fish in particular, time is of the essence. Canadian boats run in regular schedule between Prince Rupert and Alaska ports in order to reach, over American territory, the Canadian Yukon. They are no longer allowed to carry our freight. The American lines refuse to touch at Canadian points. Why? The answer can easily be surmised.

Natural Markets

Our natural market for our forest products, as well as for our wheat, is the Orient. There, however, we come in direct conflict with the lumber and pulp manufacturers and wheat merchants of Washington, Oregon and California. What assurance is there that we will enjoy the same advantage as they of shipping in foreign vessels? Our export salmon packs ought to go direct to Europe instead of, as now, to Seattle, thence by rail to New York and thence by steamship across the Atlantic. But will the country permit the direct routing without extracting some tribute from Alaska not equally exacted from the others?

It is probable that mineral ores such as copper lead and silver, when sufficiently high grade, would yield much better returns to the miner, who has no smelter of his own, could they

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The German Railways

Their Condition, Their Finance and Their Possibilities

(From a Berlin Correspondent)

THE most solid asset possessed by the German government, one which has both a value in itself and the capacity within a reasonable time of returning a net revenue to the State, is represented by the railways. Both the revenue producing capacity and the intrinsic value however necessarily depend on the continuance of a reasonable degree of public order.

Before 1920 the railways belonged to the separate states of the German Union but in April of that year the national government purchased them and today owns practically all the railways within its territory.

Financial Details Of Government Purchase

The financial details of this purchase are shown in the following table:

	Original cost	Valuation 1920	Price paid	State debt
Prussia-Hesse	25,543	35,703	30,623	26,390
Bavaria	3,618	4,490	4,054	554
Saxony	2,014	2,326	2,170	3,644
Wurttemberg	1,398	1,329	1,398	1,654
Baden	1,547	1,679	1,613	911
Mecklenburg	225	218	225	1,038
Oldenburg	200	225	213	274
	34,545	45,970	40,296	156
				34,621

By the purchase the nation assumed the state debts as a part of the price, the 5,600,000,000 marks difference being paid in cash. The result, as a consequence of the fall in value of the mark, is that the nation got the roads for practically nothing, the gold value of the debt assumed, being today only something like \$226,481. In other words ten billion dollars worth of railways cost the nation less than one and a half. It is worthy of note too that this price included everything, all the line and all the equipment; the ownership is complete and full, a fact important to bear in mind in considering how large a mortgage could safely be placed on the property.

Physical Condition Of Lines And Equipment

The total length of the lines thus taken over was in 1920, 53,157 kilometers. Since then however several hundred kilometers have been permanently lost, owing to cessations, and today the length of the lines is about 52,500. But this is ninety percent double track or better and is built on the average more substantially than any other like extent of railway in the world. The number of locomotives taken over was 31,528 but of these many were practically useless. In 1913 the average percentage of locomotives undergoing repairs was 19, but in 1919 this had risen to 44. By the middle of 1922 this had fallen to 38 and is now in the middle of 1923 about 35. During this time too a very considerable number of new locomotives have been put in service and an equal number of chronic invalids sent to the junk heap. The number of cars of all kinds taken over cannot be stated with any accuracy, as even to this day the accounting in this particular is incomplete, but during the past three years a fairly large number of new cars, mostly steel, have been put in service. The roadbed is also showing progressive improvement in condition.

August 6, 1923

What is the Matter with Alaska?

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be gathered in eight thousand ton cargoes and shipped via the Canal to English, German or Swedish smelters; but if such trade should develop or even only threaten, how long would it take the American smelters to put a bill through Congress interdicting such trade by discriminatory legislation which none would think of applying to the states?

Some people who have had under consideration investments in Alaska believe they have found these questions answered not only in the discriminatory legislation already referred to, but in the policy of the Department of Agriculture in the control which it demands and exercises over shipments of forest products to foreign countries, as well as in legislation at present pending and threatening still further discrimination. It is true that at the present time the Forest Service will grant leave for shipment of some forest products abroad. It should also be conceded that up to the present the Bureau has in its activities been on that subject governed by the rule of reason.

If any other Alaska products such as wheat, flour, fish, copper, should find the direct route abroad and come in active competition with similar products from the states without yielding any direct tribute to the latter, as now is the case, is it likely that parties who think themselves injured by such direct trade between Alaska and foreign ports will not demand discriminatory legislation against the Territory?

Our reverence for the fairness of the American people is such that these questions would unhesitatingly be answered in the negative were it not for the fear engendered not only by the stalking ghosts of past experiences but by present actually prevailing conditions, as well as by pending agitation for further commercial discrimination, all of which suggest, if not impel, an affirmative response.

Freedom the Remedy

The question "what is to be done" seems under the circumstances a most natural one to ask.

Two avenues of escape from the present predicament suggest themselves: One is statehood for Alaska, the other is the erection of a free state in the Territory.

Statehood will give us a constitutional assurance of commercial equality with two important votes in the Senate, but the bureau would still be in control of the public domain. The creation of a free state would yield us complete dominion over all our internal affairs and leave only our international relations subject to federal supervision. The choice is up to the American people.

of a profit, as long as the government is the operator.

No matter what amelioration may take place in the economic or financial situation to the benefit of the railways, the employees will absorb all the results by increases in wages which the government will not dare to refuse.

Possibilities For Private Control

Opinion is divided as to what form such an administration should take. Some think a sale of its railway properties by the government to one or more private companies, with or without a fixed guaranty would solve the problem. Others incline to a mortgage on the whole railway system, the mortgagees being charged with the management, but these are divided as to whether foreigners should be allowed to participate or not. Others again think that a completely foreign corporation should purchase the roads and administer them as the coldest of business propositions considering that the foreign form would facilitate the application of sound business rules, etc. But whatever form may be adopted it is certain that the proportion of the expenses represented by the labor costs is far too high and must be reduced, if the German taxpayer is ever to have any benefit from his ownership of the roads.

Any of these plans will meet with the strongest opposition from the employees and their friends, as they well know that the government must, willy nilly, be an "easy boss." But as Mussolini has tersely said: "There are other things than horny hands which are sacred."

Absurdly Low Rates

2. A way must be found to increase the real income of the road. By real income is meant a gold income or the equivalent thereof. How farcical the present income is may be shown by a couple of examples. In 1913 the trip from Berlin to Hamburg, a distance of 290 kilometers, cost third class 10 marks or \$2.50. Since July 1 this trip costs 52,500 marks, which, at the present exchange (July 15), is just under 33 cents, 290 kilometers equals about 193 miles so the rate per mile is 17-100 of a cent, a rate which would possibly meet the approval of certain wild men in our own West, but which is so far below cost as to be absurd. Again a third class monthly commutation ticket from Potsdam to Berlin costs 45,000 marks or between 28 and 29 cents. As the distance is 27 kilometers, the rate per mile is 27-1000 of a cent!

Even with these rates traffic of all kinds is steadily declining and has been for some time. For nearly a year industrial production has been falling off for various reasons; this is particularly true as regards goods destined for export. As regards passengers it must be appreciated that as absurd as these rates may appear to us, they are high as regards incomes of the general German travelling public. Pleasure traveling for instance has practically stopped for the very simple reason that they cannot afford it. Business traveling has also been very considerably cut down.

Every month or so the government increases the rates. On July 1, for instance, passenger fares were increased 300% for the first and second classes and 250 for the third, but as the mark fell simultaneously and prices and wages went up, these represented nothing but more or less paper. A like trended prior increases.

al Betterment Waits On Financia Problem

e third problem is the putting of the railways and tenances into good order. The possibility of doing s to a great degree on the solution f the second less indeed a sufficient sum could be borrowed on of the roads as they are. But the possibility of ow is at best a very slim one, since wle the capital e roads is ample, yet there is no incoe from them to pay the interest and provide a sinking fund. Nor in help the roads to reach a paying asis, as long rates, currency and labor conditions prevail. On betterments to permanent way, rolli stock, etc., pent in 1913 about one-third of the tota in 1922 only

the government sent its last note to the Allies railway finances from abroad examine the railways and point of a bond issue and came to the conclusion ital value justified a charge of seven hundred thousand per kilometer. Such an issue would, of course, only the lines themselves, but also all terminals, l other buildings and lands as well as rolling stock.

Du Ponts

Months—Business Income Gains

gs in the six months applicable to the 6,609 shares common were \$8,116,261, equivalent to \$8.54 a share, with net of \$5,342,319 or \$8.42 on t shares outst year before payment of the 50% sto dividend at the year. On the basis of present outstanding capital, 2 was equivalent to \$5.62 a share. les to June 30 were \$49,326,000, an increase of 37% ear. Total sales in 1922 were \$71,956,8. Increase the first six months of this year is duargely to re- vity in the mining industry and coal fis, as the ex- siness of the company which was intered with last coal strike accounts for 40% of total ss. Dyes and atering into the manufacture of automdes have also dy growth.

urison of the consolidated balance sheet at June 30, of Dec. 31, shows cash and market securities of 3, compared with \$22,116,840, an increaf more than Current assets were \$67,354,961, apared with), an increase of nearly \$4,500,000. Cunt liabilities),131, compared with \$9,225,748, a decree of \$1,300,- pany's strong financial position is refled in working \$59,414,830, compared with \$53,767,2, a gain of d debt in the six months was reduced,000,000 by the 7 1/2% bonds of the parent company and the total g on June 30 was \$32,559,500. s on June 30 was \$42,917,559, an increase since \$5,265,349. Reserves for depreciation, etc., stand at

Replacing the One-Hoss Shay

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Special Cases

Furthermore, there will naturally be considerable difference in the depreciation rates which different companies should charge. A company like the Buffalo General Electric Co. which buys substantially all its current not only does a larger gross business in proportion to plant value than it could do if it generated its own current but its distribution system has a longer life than a steam plant. Hence such a company may very properly charge to depreciation considerably less than 8% of gross. A hydro-electric plant, particularly a low-head development, is also a long-lived affair and a proper allowance for depreciation for such a company is less than for a company generating its current by steam. The fact that gross earnings of a hydro-electric company are substantially less in relation to plant value, however, than those of a steam company somewhat modifies this conclusion.

Of Interest to Shareholders

Financing of the average public utility company is sound enough so that failure to allow for depreciation cannot endanger the position of bondholders. Hence shareholders are chiefly interested in the proper treatment of the matter. Only more widespread appreciation of its importance will prevent many from falling into the error of assuming that the whole of a "balance available for dividends, depreciation and surplus" can really be considered as earnings available for dividends. In some cases public utility companies so report their earnings in published statements despite the fact that clauses in the indenture of their bond issues very definitely require specified allowances for depreciation. Thus such a company is in effect keeping one set of books for its bondholders and another for the general public. Admitting the strength of the arguments in favor of making depreciation a deduction from surplus as part of a flexible policy, it would surely seem that shareholders might expect that a corporation which has definitely agreed to make a given allowance for depreciation will inform them as to the balance actually available for dividends after that allowance has been made. The present tendency toward more complete and detailed financial statements by public service corporations and the growth of popular understanding of financial subjects will doubtless evolve in time a standardized form of public utility accounting which will give the investing public all the information regarding depreciation in a given case which can possibly be of use.

Equipment Earnings Large

Dividends Earned by Wide Margin

Practically every railroad equipment company earned its full dividends in first half of 1923. Some made from two to three years dividends on common stock in the six months.

Practically all have orders on hand assuring that the second half's operating results will be good, probably as good or better than those of the first.

The six months ended June 30 were best in history of the equipment industry. Some companies reported larger profits during the war, but these accrued from the manufacture of munitions.

Locomotive companies are enjoying the greatest prosperity. American Locomotive in the six months earned about \$12 a share on its 500,000 shares of new stock (\$24 a share on the old stock). It increased its working capital from \$39,692,245 on Dec. 31, last, to \$44,000,000 on June 30. It is understood to have ended the half year with more than \$20,000,000 in cash and securities. Orders on hand run into 1924.

Baldwin was not far behind American Locomotive. Its net for common is estimated at \$3,800,000 for the half-year or \$19 a share on 200,000 common shares. Baldwin also is booked up practically solid throughout 1923 and into 1924.

Lima Locomotive's earnings are estimated at \$11 a share on 211,000 shares of capital stock. Lima is as well booked as its two larger competitors.

Smaller Items of Equipment

Concerns making miscellaneous railroad supplies also showed large profits. American Brake Shoe & Foundry earned its full year's dividend of \$5 a share with a small balance in the six months. It increased its working capital from \$8,089,934 on December 31, last, to \$8,600,000.

New York Air Brake reported earnings for the half year of \$1,487,206 equivalent to \$4.96 a share on 100,000 preferred shares and 200,000 common combined. Both issues share equally in earnings over \$4 a share on common. Working capital increased from \$5,588,166 December 31, to \$6,732,416 May 31.

Railway Steel Spring, which reported \$10.23 a share earned on its 135,000 common shares last year, has been earning at a higher rate so far in 1923, although no definite estimate of net for stock is obtainable. Working capital has been increased from \$13,204,010 December 31 to about \$13,500,000, or \$100 a share on common.

Information regarding earnings of the car companies is less definite, though they are known to be doing well. Pressed Steel Car, reporting a deficit before preferred dividends in 1922 is understood to have recovered and is now making well above sum required for payments on senior stock. American Car & Foundry's fiscal year started May 1.

Following table shows reported or estimated earnings a share on common of a number of equipment companies in the first half, with net for full year 1922, number of common shares outstanding and present annual dividend rate thereon:

Company:	1923, 1st half	All 1922	No. com. shares	Dividend
American Bk Shoe	\$5.50	\$9.60	151,238	\$5
American Locomotive	12.00	def.	500,000	*5
Baldwin Locomotive	19.00	4.90	200,000	7
Lima Locomotive	11.00	0.25	211,057	4
N. Y. Air Brake	14.96	3.10	130,000	1

*No dividend has actually been declared on the new stock. Last quarterly payment on 250,000 shares old stock was \$2.50 a share, equivalent to a \$5 annual rate on the new.

†Actual earnings calculated on total capital of 100,000 shares preferred and 200,000 shares common, which share equally in earnings over \$4 a share on both.

‡Preferred stock pays \$4 a year. Dividend of \$1 a share on common was declared in June but whether this is a quarterly payment or not is indefinite.