

Lincoln Electric Suit First Court Test of Renegotiation

Three-Judge Federal Tribunal to Hear Litigation Within Next Few Months

By PETER EDSON,

World-Telegram Washington Correspondent.

WASHINGTON, Feb. 4.—First test case on this matter of renegotiation of profits on government war contracts will in all probability be the Lincoln Electric Co. suit, coming to trial within the next couple of months before a three-judge court in the District of Columbia, from which the case can be appealed directly to the Supreme Court.

The Lincoln Electric Co. is a Cleveland (Ohio) firm manufacturing electric welders and electrodes. Head of the firm is James F. Lincoln.

His company always has done a good business. From 1936 to 1940 it averaged annual gross sales of about \$10,500,000, on which it had profits before taxes of about \$2,500,000, or 24 per cent a year. In 1942 its sales were \$33,500,000, with profits before taxes of \$9,500,000, or about 27 per cent.

Dispute Over \$600,000.

Six per cent of this 1942 business was direct with the government, 58 per cent with government prime and subcontractors. The Navy Price Adjustment Board has suggested that on all war business Lincoln Electric refund to the government some \$3,250,000 of its 1942 profits before taxes, equal to between \$500,000 and \$600,000 after taxes. Even so, according to the navy, this would leave the company with a net profit of over \$2,000,000 on its 1942 business, or about 6 per cent on sales of \$33,500,000 in that year.

But with J. F. Lincoln, it's the principle of this system that bothers him, and hence his lawsuit. In it he makes three principal claims:

1. That the Renegotiation Act is unconstitutional and therefore the government should be enjoined from enforcing it.

2. That even though the act were constitutional it is now arbitrarily administered by Secretary of the Navy Frank Knox and Undersecretary James Forrestal, and that the statute, properly construed, doesn't apply to all the Lincoln Electric Co. business included in the renegotiation.

3. That Lincoln Electric hasn't made excessive profits.

Government Defenses.

The government may contend that Lincoln could go into the Federal Court of Claims and bring suit on the basis of his contracts.

Second, although government officers are named as defendants, rather than the United States, the government may contend that in

substance this is a suit against the United States. The United States can be sued only if it gives its consent to be sued, and it has not given its consent in this case.

Lincoln Electric's charge that the act is unconstitutional is based on the assertion that it takes away a man's property without due process of law.

Lincoln Electric Soon To Pay Another Bonus

By JOHN W. LOVE,

Scripps-Howard Staff Writer.

The fame of the Lincoln Electric Co. of Cleveland and the wages it pays has spread the world over. Before long it will again be in the news.

In a couple of weeks the wires will carry the word that Lincoln has paid another of its spectacular annual bonuses. Nobody but James F. Lincoln, president, knows what any employee will receive, but last year the total bonus payment was about \$4,000,000 and the average worker got more than \$7000 for the year, in wages and bonus combined.

The statement has sometimes been made, and never challenged so far as I know, that Lincoln is the factory which pays its employees the largest amount per capita in this or any other country. A year ago it had a few over 1000 on the payroll. (There's always a waiting list of applicants.)

The Lincoln philosophy has been wrapped up in a book, James F.'s "Incentive Management," published recently.

The publisher is Lincoln Electric, itself a publisher of books on arc welding as well as a maker of electric welders and welding rods.

In somewhat rambling fashion, the author pulls together what he's been saying for 20 years on industrial management. If his ideas Employees are made aware that

the customers deserve part of the could be boiled into one sentence, it would run like this: Convince the worker that his interests lie in making not only his own sincerest efforts but in helping every other employee do the same thing.

This is the team spirit of which Lincoln makes so much. He was a football player while studying electrical engineering at Ohio State University. What he learned on the varsity appears to have been worth more than anything else he brought away from Ohio State.

The team spirit is built up at the plant in many ways. It starts with the recognition, at the top and all through, of the value of every worker. It includes the conviction that the managers know their jobs thoroughly.

benefit of high production in the shape of lower prices, and that this in turn widens the market, brings in more business, makes possible higher wages and further cuts in prices.

Much of the Lincoln method can be used in other shops, indeed has been—piecemeal and time study, for example, and profit sharing in a few. But most other large concerns have been built up in part by outside money from time to time, and they have outside stockholders who expect dividends. Lincoln is less troubled this