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Published every evening and Sunday morning by the Guard Publishing Co.

14A EUGENE, OREGON, FRIDAY, APRIL 13, 1962

Red Ink May Blot Out Steel's New Profits

Columnist David Lawrence writes today in defense of the steel industry. Price increases announced by the industry this week are, he says, justified for sound business reasons. In any event, he implies, it is not proper for the President of the United States to question what private industry does in such matters.

Strictly from the bookkeeping point of view, Mr. Lawrence may be right about the steel industry's financial needs. However, when viewed from the standpoint of total national interest, there can be no question that President Kennedy has reason, and the duty, to be concerned that other industries may now follow steel into another round of price inflation.

Because of its bellwether status in our national economy, what steel has done—apparently without warning to the President—could easily upset the Kennedy administration's strategy for meeting an economic crisis without modern precedent. Months ago President Kennedy called upon American labor and management to face the realities of increased economic competition from abroad, to fight back by producing more, by reducing costs and by forgoing temptations to seek wage or price increases not justified by increased productivity or absolute necessity.

Enlightened self-interest has been the motive President Kennedy has tried to instill in all Americans. More dollars mean nothing in either pay envelopes or company ledgers if they are robbed of value through inflation. And, if the gaining of them leads to pricing U.S. goods out of markets at home and abroad, net results can only be recorded in red ink and increased unemployment totals.

Some economists are now saying that, actually, the \$6 a ton increase in the price of steel won't make a big difference in the overall level of U.S. prices. But the psychology of economic restraint certainly has been affected. It now will be increasingly difficult for President Kennedy to counsel big business and big labor that they must work

with his administration to protect the international position of the dollar.

What positive alternative might the able managements of steel have employed to avoid price increases at this time? Certainly they would have been wise to take their price, profits and mill modernization problems to President Kennedy for careful study and discussion. Now, by putting him in a position where he must oppose them or appear as the biggest hypocrite alive, leaders of the steel industry seem to have deliberately invited presidential wrath in preference to help and understanding.

President Kennedy was full of praise for the steel industry and the steelworkers' union when they recently negotiated a new contract, without a strike and, as it then appeared, without giving the wage-price spiral another twist. The President also has on several occasions indicated that he is quite aware of the profits squeeze affecting U.S. industries and their abilities to retool to meet foreign competition.

In this atmosphere it would not have been "knuckling under" for leaders of the steel industry to have consulted with the President about their problems. They stood to win points in any such discussions and to gain concessions which, in the long run, could have been much more meaningful than a 3.5 per cent price increase. They also had an opportunity to assist a national anti-inflation, business-spurring program which has been endorsed, at least in principle, by the U.S. Chamber of Commerce and many authorities in finance and industry.

All things considered, the steel industry's price action seems almost naive. It obviously won't do anything to promote the increased sale of American-made steel, here or abroad. And, even if it does increase the gross profits of American steel firms for a brief time, it may trigger more than enough inflation to erase the actual value of those profits. Worst of all, if such proves to be the just deserts of the steel industry, these deserts will be shared, justly or unjustly, by the entire nation.

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Assist

The aim of the post office department is laudable enough. It wants to wipe out its \$850,000,000 annual deficit. It proposes that rates for magazines and newspapers, now going second class, be raised 1 cent each. The proposal is frowned upon, of course, by magazine publishers. The public is too likely to regard the publishers' opposition as a manifestation of economic greed. Some facts ought to be laid out clearly:

This second class privilege is not particularly important to daily newspapers, including this one. It is quite important, however, to little weekly papers that distribute local news over vast reaches of sparsely populated country.

It is not a life-or-death matter to the great magazine corporations. They can raise rates themselves, and otherwise learn to live with an increase. It is vital, however, to the weaker magazines, those with limited circulations, low margins of profit and high costs.

It is not particularly important to the trashy magazines. They are sold, for the most part, on the news stands. It does mean a lot to the quality periodicals, with limited advertising and small circulation. Among the magazines that need this second-class advantage are Harper's and the Atlantic, The New Republic and the National Review, The Reporter and things of that sort. They aren't making much money now. Atlantic, with 282,000 subscribers, made a profit last year of \$12,605. If the revised postal rates go into effect, it will operate at a loss of \$79,000—unless it raises the price.

It is not in the public interest that these quality magazines should be ever more costly to the readers. This has been recognized since George Washington's day. It is in the public interest, and thus in the government's interest, that their circulation be wide. They perform an essentially educational function. The sub-

sidy they now enjoy is a subsidy that goes back to the birth years of the nation.

Similarly, Congress has recently provided more than \$50 million with which television stations can expand their educational offerings. That's in the public interest, too. The \$50 million subsidy for television is almost the amount (\$53 million) that would be raised by the postal rate increase.

These magazines, especially the quality magazines, are in financial trouble. This is no time to abandon the government's historic policy of giving them a sorely needed assist.

The Symphony

The look of spring is on the land, and so are the smells. But don't forget the sounds of spring, that neighborhood symphony that plays into the lengthening evenings.

In the overture, birds twitter outside the bedroom window. Through the day, the orchestra plays softly. The music gains momentum about 5 o'clock. Traffic on the residential streets picks up a little. The sound of children at play is a delicate counterpoint to the distant roar of the power lawnmower. This is punctuated by the chuckle of a pheasant off in the brush.

The music changes abruptly about 6. That movement opens with the call of children to dinner. The music grows softer, with only a few barking dogs, sometimes nearby, sometimes in the distance. It picks up again, then, for the sounds of tag and kick the can, and again the roar of the ubiquitous lawnmower.

The last movement opens with banging of garbage can lids. Birds twitter, as they did in the overture. This is replaced by the croaking of frogs. And so the symphony ends—croaking frogs, crickets, an occasional dog and the romantic activities of the feeling world.

David Lawrence

JFK Poke at U.S. Steel Called His 'Worst Blunder'

WASHINGTON — President Kennedy has made perhaps the worst blunder of his political career. He has delivered a severe blow against the sound system of private capitalism in America.



The statement made to his Wednesday press conference not only impugned the integrity and patriotism of the various executives who manage one of America's biggest industries—steel—but, in effect, told other businessmen that, when their costs go up due to labor-union extortions, they must absorb such costs without increasing their prices. If they attempt to follow the simple rules of sound economics, they are to be pilloried as in "pursuit of private power and profit."

This is the most discouraging news event in many years—especially for investors. For it tells the businessmen of America that their fears of the Kennedy administration as a demagogic champion of labor unions and as the foe of business have been justified.

Without waiting to examine all the facts on both sides, Kennedy spoke impulsively and gave the impression that he had never read the statement issued on Tuesday night by the U. S. Steel Corp. in announcing its reasons for an increase in prices. Yet he called its action in raising prices "a wholly unjustifiable and irresponsible defiance of the public interest."

With bitterness unbecoming a president, he threatened reprisals through the Federal Trade Commission and the Department of Justice. No such words of intimidation have come from any American president in the last 50 years. The threat to use punitive powers will prove to be a psychological discouragement to industry leaders throughout the country.

'Suddenness'

Kennedy didn't reveal any knowledge either of just how prices are developed competitively in industry. He talked as if he didn't know that the largest company usually takes the lead and the others follow. This is the result of the antitrust laws of the day. He spoke of the "suddenness" of the decision of many companies—as if for several months now everyone in the industry hasn't known the approximate increase in labor costs to be expected from the labor-union settlement and the impact it would have upon prices.

Those present at the President's press conference did not interrogate him on the points made in its statement. The so-called "equal time" privilege on television wasn't in operation at all. How, therefore, will the American people ever get both sides of the argument and be enabled to make up their minds whether the polemic statement issued by the President really rebutted the basic reasons given by the steel companies for their action?

It's only fair to present the other side. Businessmen will understand it, even if the President himself doesn't. Here is what the U. S. Steel Corp. said in part:

"Since our last over-all adjustment in the summer of 1958, the level of steel prices has not been increased but, if anything, has declined somewhat. This situation, in the face of steadily mounting production costs which have included four increases in steelworker wages and benefits prior to the end of last year, has been due to the competitive pressures from domestic producers and from imports of foreign-made steel as well as from other materials which are used as substitutes for steel.

Pressures Undiminished

"The severity of these competitive pressures has not diminished; and to their influence may be attributed the fact that the partial catch-up adjustment announced today is substantially less than the cost increases which have already occurred since 1958, without taking into consideration the additional costs which will result from the new labor agreements which become effective next July 1."

The steel corporation emphasized that its last annual report had shown clearly "the effect of the profit squeeze," and then added:

"In the three years since the end of 1958, United States Steel has spent \$1 billion 185 million for modernization and replacement of facilities and for the development of new sources of raw materials. Internally, there were only two sources from which this money could come: depreciation and reinvested profit.

"Depreciation in these years amounted to \$610 million; and reinvested profit, \$187 million—or, together, only about two-thirds of the total sum required.

Public Borrowing

"So after using all the income available from operations, we had to make up the difference of \$388 million out of borrowings from the public. In fact, during the period 1958-1961, we have actually borrowed a total of \$800 million to provide for present and future needs. And this must be repaid out of profits that have not yet been earned, and will not be earned for some years to come.

"During these three years, moreover, U. S. Steel's profits have dropped to the lowest levels since 1952; while reinvested profit which is all the profit there is to be plowed back in the business after payment of dividends—has declined from \$115 million in 1958 to less than \$3 million last year."

Small wonder that steel shares in the stock market have been dropping in value recently, particularly since it became apparent that the new labor settlement would cost the industry an estimated \$100 million a year.

Only a modest rise in prices is coming. It means 65 cents extra in the cost of a washing machine, or 51 cents more on a refrigerator, or an extra \$8 to \$10 on an automobile that is priced at \$1,500 or more.

Yet this, under the Kennedy administration, is regarded as a sin.

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So They Say—

I don't think the country can stand another three years of the Kennedy administration. —Sen. Barry Goldwater, D-Ariz.

Congressional Quiz

Questions Concerning Constitution

From Congressional Quarterly

The Senate recently approved a constitutional amendment barring a poll tax as a qualification for voting in federal elections and primaries. This amendment, if approved by the House and ratified by the individual states, would become the 24th Amendment to the Constitution. This quiz tests your knowledge of constitutional amendments and the amending process. Try for four correct answers.

Q—The "Bill of Rights" is the term applied to one of the most important parts of the Constitution preserving our personal freedoms. The "Bill of Rights" is actually (a) the 5th Amendment; (b) the first 10 amendments; (c) the 13th, 14th and 15th Amendments.

A—(b). The first 10 amendments were ratified between 1789 and 1791, when the Constitution itself was being approved by the states.

Q—In many cases, witnesses in court cases and congressional investigations have invoked the 5th Amendment to the Constitution. What right are they invoking?

A—The guarantee that a person shall not be required to testify against himself in a criminal case. The courts have interpreted this to include testimony before congressional committees.

Q—The most recent amendment to the Constitution is the 23rd. It provides that (a) the President shall be limited to two terms; (b) women shall be allowed to vote; (c) residents of the District of Columbia can vote for president.

A—(c). The D.C. vote amendment was ratified March 29, 1961.

Q—Only one amendment to the Constitution has ever been repealed. What did it involve?

A—Prohibition. The 18th Amendment prohibited the manufacture and sale of intoxicating liquors. It was repealed by the 21st Amendment.

Q—A constitutional amendment must be approved by a vote of each chamber of Congress and _____ of the states. Fill in the blanks from the following possibilities: (a) a majority; (b) two-thirds; (c) three-fourths; (d) all.

A—In Congress a two-thirds vote is required and three-fourths of the states must ratify.

Q—True or false: After an amendment is approved by three-fourths of the states it must be signed by the President?

A—False. An amendment becomes part of the Constitution at the moment of ratification by the 38th of the 50 states.

Q—The Constitution specifies that Congress can direct that the states use either their legislatures or call special conventions to ratify amendments. Can you name the only constitutional amendment for which Congress required special state conventions for ratification?

A—The 21st Amendment. Congress used this method to avoid the entrenched influence in many state legislatures at that time of the Anti-Saloon League.



In the Editor's Mailbag

Selection of Queen

EUGENE (To the Editor)—Although I have nothing against the University of Oregon, or its coeds, I am of the opinion that the queen and court of the White Water Boat Parade should not be selected from this source. After all, whose show is it? It is sponsored by the McKenzie River Guides, not the university.

In previous years, the queen and her court have been selected from McKenzie River High School or from one of the towns along the river. The people in the McKenzie River area work very hard to make this event a success, and it seems unfair that one of their girls did not have the opportunity to become queen.

A U. of O. alumna.
SUSAN E. ANDERSON
(Mrs. James H. Anderson)
1790 15th Ave. W.

DST and Politics

EUGENE (To the Editor)—Why is it so important to the economy of this state to adopt DST? Is it really worth nullifying the vote of the people? The governor and the Legislature nullified our votes this time, but will the next governor and Legislature nullify theirs? Where does it stop? Does when I get up and go to bed justify throwing our votes in the waste-basket?

Mr. Montgomery, who has advocated DST for years, voted against this confusion bill last session. Does this make him a man who respects the voter, or was he just playing politics? I'd rather believe he respects the voter. He is undoubtedly a member of the chamber of commerce, who push this to the hill, but still he respected our vote. For this he should be commended, and he has earned my vote next November. (I can't help him in the primary because I'm a registered Democrat.)

The DST issue is relatively unimportant, but I would like to have the people who were responsible for this mess justify it publicly. (I doubt that they will.) I think we have the right to know, because I believe the people of Oregon have the mental capacity to express a relatively intelligent opinion. I don't think those in the Legislature or the governor have the right to nullify our vote because they think we are stupid. We may be, but I'm sure that most of us are literate people. If those people have something to sell that has merit, people will buy it. Sell us your idea, but don't try to slip it in by the back door or don't literally force it on us. All you have accomplished this time is make us doubt you and create a time mess. May primaries are not far off.

WALDO E. HILL
Rt. 4, Box 108.

Leisure and War

COBURG (To the Editor)—Today man is working to make this a push-button world, not taking into consideration what God says about it. Today things in this world are changing fast. Man has more time, and what is he doing with that time? Does he spend more time in the House of God? No. Does he help the needy? A few do, but too many keep their minds busy on devising ways and means to invent useless things.

I'll admit it would be nice to see our loved ones on the other end of the telephone line when we get a call, but for goodness sake get the women to get rid of the Jackie Kennedy hair-do. They are bad enough to see in real life and pictures in the newspapers; don't punish us over the telephone, too.

The magazine Changing Times has an article on the push-button world of tomorrow, stating leisure time will be abundant. But what will people do with it? It now is a problem.

We are just a bunch of mis-

Carmichael



guided human beings here on Earth who have listened to the Russians brag about what they are going to do, and we try to keep up with the Joneses. The third World War is surely going on right now, started by the Russians right after the close of World War II. But it is a war of psychological warfare of propaganda, infiltration, subversion, demoralization. It is warfare that has attacked our minds, our moral and spiritual values, rather than our bodies and our earthly possessions.

What our leaders fail to grasp in our struggle with Russia is this: We are not fighting a single nation in a military war, but a gigantic world-wide plain clothes army, masquerading as a political party, seeking to conquer the world with an entirely new kind of warfare. It is the kind of warfare either the heads of our government don't understand, or else don't want to understand. Russian leaders use every kind of propaganda they can think of to weaken our morals; sabotaging our educational system, wrecking our social structure, destroying our spiritual and religious life, wrecking our industrial and economic power, demoralizing our armed forces. They intend to overthrow our government by force and violence. All this is being done under one word, communism. Man does not seem to make any effort to stop them. I wonder if God will before it is too late.

We need somebody in our State Department who knows how, and has the nerve to say "No."

ALBERTA HULSEBUS
Box 92.

'Uniformity'

EUGENE (To the Editor)—More power on articles like you had in last Sunday's edition... "Uniformity" and How to Approach It."

I've been battling this issue for years now, every time the heat is on... Seems like one stands alone, though. But, just to satisfy myself, I try and get the last word...

I don't dare let myself start expounding (in writing), what I keep saying verbally... Again, I keep it up...

MRS. JOHN WENDEL
3366 Donald St.

Millrace

EUGENE (To the Editor)—In reference to your editorial in relation to the architects' proposed rehabilitation of the Millrace, apparently you were not at the luncheon Friday when the architects clearly stated that what was proposed was primarily an idea and direction. None of the details nor refinements have been incorporated as yet. They are more interested in feeling out public support and opinion.

Certainly your suggestion of adequate lighting, at least to the level of any normal public street, will be incorporated. I am also sure that if the police department considers this area a "back alley" they will perhaps assign a patrolman, on foot, whom I am sure the exercise would not harm.

I was not a resident of Eugene when the romantic Millrace, without lighting, police protection or controlled banks, was in operation. If you are concerned about the moral aspects of the proposed strip park, I am also sure you overestimate the morals and social conduct of the generation involving your youth in relation to the romantic canoe-filled moonlit nights on the old Millrace.

Rather than your "great idea," but creating another back alley" observation, why not be a little more visionary as to how wonderful an element of this type really could be in relation to all the inhabitants of Eugene and also as a reflection upon a progressive and enlightened community.

At this point we should not be too overly concerned with easily solved details; it is your reaction to the total scheme of things which is more important.

OTTO POTICHA
350 Ful-vue Dr.

Library Schedule

EUGENE (To the Editor)—Eugene has a beautiful library, and we are very proud of this fine building. But I feel, along with many others, that it could be of more service to the people of the community by being open to the public on Sunday afternoon and on holidays.

For many, this is about the only time available to them to visit the library for a little research or reading.

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