



**TO DELIVER SPEECH**—The popular closing night ceremonies at the Oregon Shakespearean Festival theater in Ashland this year will welcome back an Ashland veteran from previous seasons, Richard Graham, shown above with Mrs. Graham and Producing Director Angus L. Bowmer (left), will deliver the "Our revels now are ended..." speech that annually ends the Festival season. Graham, seen previously at Ashland in such roles as King Lear and Coriolanus, is shown here prior to an evening performance of the 1962 Festival season.

## Khrushchev Faces Fateful Decision on Berlin Crises

By STEWART HENSLEY

Washington—(UPI)—Soviet Premier Nikita Khrushchev faces a fateful decision on Berlin. His next move could spell the difference between peace or war over the long-smouldering issue.

He has put himself on the spot by intensifying his threats to make a separate peace treaty with Communist East Germany and isolate the United States and its occupation allies in their exposed position in West Berlin.

But he has yet to name the date. Top American officials think he still is weighing the consequences.

Lengthy talks between Soviet and American officials in New York, Washington, Geneva and Moscow over the past 10 months have produced a complete deadlock on the central issue: Khrushchev's demand that the allies pull out of West Berlin and permit it to become a demilitarized "free city" at the mercy of the surrounding East German Communists.

President Kennedy has rejected this on toto. He stands firm on the position that the United States, Britain and France are in West Berlin on the basis of war-won occupation rights which cannot be liquidated short of an all-German settlement based on renunciation of the country.

Sporadic Soviet-American diplomatic contacts are continuing, apparently because each side is fearful of the consequences of losing touch entirely and risking war by miscalculation.

Red satellites and neutralists are beginning to ask embarrassing questions. The Soviet premier has a choice of three courses, as top American officials see it. He can:

—Conclude the long-threatened treaty with Communist East Germany and run the risk of war by giving the local Reds complete authority to interfere with and control allied access to the city. Kennedy has warned that the Americans will not tolerate Communist German control and will fight if necessary to stay in the city and keep the access routes open.

—Go through with the treaty but retain Soviet responsibility for guaranteeing the allied access rights. This is the sort of deal the western powers could "live with" if they had to. They insist Russia is bound by wartime agreements to keep the routes open and cannot hand over this authority to the East Germans.

—Back down and let the issue slide for the time being, risking increased complaints from the East German regime and loss of face throughout the world.

Most U.S. officials appear to believe Khrushchev is convinced of Kennedy's firmness on the central issue and realizes the danger of war if he follows course number one. At the same time, they doubt the

Soviet premier can adopt the third choice.

The betting here is that ultimately Khrushchev will take the second course—a treaty which would still withhold from the East Germans control of the access routes. Russia could write a protocol to this effect into the treaty.

Secretary of State Dean Rusk acknowledged during meetings last month in Geneva with Soviet Foreign Minister Andrei Gromyko that the United States had no way to block a Moscow treaty with East Germany.

However, he warned that Washington would consider it nothing but a "scrap of paper" and concede no sovereign rights to East Germany. He told Gromyko the Russians should be careful not to start or sign anything they could not control.

There are several factors which lead top officials here to believe Khrushchev will

try to save face by arranging some sort of treaty but will stop short of action which might provoke open warfare.

—The Soviet leader, plagued by economic difficulties at home and ideological troubles with his Red Chinese allies, is not in a good position to risk war.

Khrushchev told Austrian Chancellor Alfons Gorbach in Moscow in June that he was certain he could handle a treaty without forcing things to the point of military conflict with the West. He said he would let the allies retain access rights for the time being and count on "whittling" them away later.

Khrushchev's present set of Berlin demands were first made on Thanksgiving Day, 1958, in a long memorandum to the United States.

A lengthy Big Four foreign ministers' conference in Geneva in summer, 1959, failed to make the slightest progress. Western proposals for settling the whole German ques-

tion by reunifying the country under genuinely free elections were flatly rejected by the Russians.

Renewed Demands

President Kennedy inherited the deadlocked dispute. When he met Khrushchev in Vienna in June, 1961, the Soviet leader renewed the demands, setting them forth in extremely ugly and tough terms.

He apparently sought to stampede the new president into concessions.

Kennedy reacted by ordering an increase in overall American military strength and sending more troops to join the six U.S. divisions already in West Germany. Then began the long series of Soviet-American negotiations

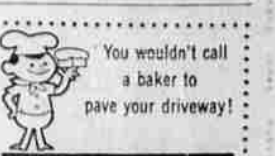
which have failed to make any dent on the central issue.

American officials believe their first word that Khrushchev is preparing to actually sign an East German treaty—if he so decides—probably will come through neutral nations.

They believe Khrushchev would be anxious to rally as much neutralist support as possible, hoping to persuade his lead in recognizing the sovereignty of the East German regime. Presumably he would want to explain in advance his reasons for the move. And the neutrals are notoriously poor secret-keepers.

Thus, as summer simmers away along the humid banks of the Potomac, U.S. officials

keep a wary eye on the Communists across the grim Berlin wall. And they also are listening to reports and rumors in the neutralist camp which may tip off Khrushchev's eventual intentions.



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## Your Money's Worth

By SYLVIA PORTER  
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**TAX OVERHAUL IS KEY TO STRONGER GROWTH**  
Editor's note: This is the second of two columns on Business Outlook.

William F. Butler, the nationally respected economist vice president of the Chase Manhattan Bank of New York, believes, as I reported Thursday, that we'll be into the fifth recession of post-World War II within a few months. While he expects it to be mild, he also thinks we'll not get out of our recent pattern of slow, sluggish growth and incomplete recoveries unless we do something to stimulate our economy.

Thursday's column ended with Butler emphasizing that the lag in business investment in plant and equipment explains our failure to achieve full prosperity. Here is a continuation of his views as he gave them to me at a luncheon at the Chase bank this week.

Q. Why is business investment lagged?  
A. Because of the disappointing performance of profits—which have been placed in a squeeze in recent years. While industrial prices on average have remained stable, costs have continued to rise and "this has squeezed profits to a level where business cannot afford to lift investments in new plants and equipment high enough to support general prosperity."

Q. What can we do about the profits squeeze?  
A. There are no pat, simple remedies but we must tackle all the forces causing it if we are to get the U.S. back into a vigorous advance. Business must work to keep costs under control and to develop and market new products which will keep sales expanding. Labor unions must curb wage demands, for excessive wage increases lead only to inflation or unemployment. The federal government must pursue responsible money policies. And we need "a basic revision of our tax structure."

Q. What kind of tax revision is necessary?  
A. The corporate income tax must be cut—from 52 per cent to, say, 45 per cent. The steep progression in personal income tax rates must be reduced to encourage investment in non-corporate businesses. A general reduction in personal income taxes will head off recession. Butler is thinking in terms of a total tax cut of \$8 billion or so, says. "The Federal deficit need not be increased by anything like this amount, if at all."

Q. Why is tax revision so necessary?  
A. First, it would check the on-coming recession. Second, it could make the next advance a powerful one, for it would restore profit margins, lead to higher business spending for more efficient plants and this, in turn, would stimulate all business activity to the point where business spending for expansion of plants again would be essential.

Third, it would reduce the deflationary impact our federal tax system now has on the general economy. Taxes today take so big a total of funds from paychecks and profits when business is rising that the withdrawals themselves tend to choke off the rise after a year or so.

Q. But can we afford to cut taxes?  
A. Butler acknowledges that the chief objection to a tax revision program is that it would swell the budget deficit, but he argues, "Actually the surprising thing is that a program of tax revision which effectively stimulated economic activity might not increase the deficit in the short run and it could produce a balanced budget in a brief period, if federal spending is controlled." If we do not cut taxes and we have a recession in 1963, we'll automatically have a big deficit. If we do cut taxes and really stimulate the economy, the deficit next year would be no larger than that which would be created by a recession. Tax revision "is the only way we can get out of the pattern of slow growth and repeated deficits."

Q. What would be the effect on our dollar's reputation?  
A. It won't add to stresses on the dollar if we make it clear we're setting out to restore basic incentives to growth in our economy, are prepared to balance the budget when prosperity has been attained and if we pursue money policies to defend the dollar in the interim.

Q. If the administration, Congress and the public get behind this sort of program now, then what?  
A. If we can muster the discipline and sense of national purpose to make these adjustments, "I foresee a truly phenomenal period of economic growth in the decade ahead."

This has been Butler speaking. Of course you've guessed that the reason I've so painstakingly recorded our conversation is that I fervently agree with him.

**Albany To Revert To Standard Time**  
Albany—(UPI)—Oregon's check-board time pattern starts changing again Monday.

Albany civic and business leaders, who used informal fast time during the summer, decided to turn their clocks back Monday so that schools could open on standard time.

Most of the state, and the country, will wait until Sept. 30 to make the switch.

**County Assessors Elect Eugene Man**  
Klamath Falls—(UPI)—Kenneth Omild of Eugene has been named president of the Oregon State Association of County Assessors.

He succeeds Clyde Caldwell, Klamath County assessor.

Other officers elected were Robert Lyons, Bend, first vice-president; and Don Hatan, Oregon City, second vice-president. Glenn Horn, Madras, was reelected secretary-treasurer.

The 50th annual convention will end today.

## Negotiators on Lumber Issue Will Meet Again

Ottawa—(UPI)—United States and Canadian negotiators ended two days of talks Wednesday on the U.S. softwood lumber problem and agreed to meet again soon.

A brief statement said both sides had discussed the impact of Canadian lumber exports on the U.S. west coast industry and the long-term lumber situation for both countries.

"The delegations will report back to their respective governments and consult with their industries," the statement said.

The talks were initiated at the suggestion of President Kennedy following pressure by Congressmen from lumber states in the U.S. northwest.

**Solution Expected**  
Kennedy made the request a month ago, asking for negotiations on possible voluntary quotas by Canada on its lumber exports.

Sen. Warren G. Magnuson (D-Wash.) said he was confident the two nations could work out an equitable solution.

A spokesman for the Lumber Manufacturers association in Washington said it was hard to judge at this point how the talks were going. He said the association might have a comment when more information was available on details of the Ottawa discussions.

"I think all of us are very pleased that they (Canada) would sit down and talk about the problem," he said.

## Three Accidents Reported in Area

Three accidents were reported to state police Wednesday. No injuries were reported.

About 12:30 p.m. Wednesday a car operated by Elsie Odessa Pratt, 35, of Dunsuir, Calif., struck a parked car belonging to Betty Ann Ritchie, of 431 Hospital dr., Ashland, on Highway 99 between Phoenix and Talent.

State police said the "itchie" vehicle was parked along the highway while the operator was obtaining gasoline when it was struck by the Pratt vehicle.

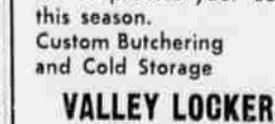
A rear-end collision was reported on Highway 62 near Prospect Wednesday, but no injuries were reported. Vehicles operated by Roy Charles Thomason, 31, of Susanville, Calif., and Amos Anderson Smith, 66, of 209 Gibson st., Talent, were involved.

About 1:40 p.m., a vehicle operated by Grace Hope Orr, 69, of 5969 Table Rock rd., was sideswiped by a pickup driven by Robert Lee Oday, 53, of 1353 East McAndrews rd., police said.

**ELECTED PRESIDENT**  
Corvallis, Ore.—(UPI)—Dr. Horace L. Barnett, West Virginia University, Thursday was elected president of the Mycological Society of America.

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## Magnuson Sees Lumber Solution

Washington—(UPI)—Sen. Warren G. Magnuson (D-Wash.), one of the leaders of the congressional lumber bloc, says he is confident the United States and Canada could work out an equitable solution to the softwood lumber issue.

Magnuson said he still was hoping Canada would voluntarily cut back its softwood lumber exports to the United States "until we can work out these things on a technical basis."

The first phase of U.S.-Canadian negotiations on the lumber issue ended Wednesday in Ottawa. A statement issued in Ottawa said the talks would be resumed in the near future.

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