

AMERICA RIGHT IN PRINCIPLE, IS REPLY

Great Britain Points Out Difficulties.

DETENTION WILL NOT STOP

Redress Promised If Fleet Unintentionally Exceeds Law.

ALLEGED FRAUDS CITED

Increased Shipments to Certain Neutrals Declared to Show Germany and Austria Have Been Receiving Contraband.

WASHINGTON, Jan. 10.—Great Britain's preliminary reply to the note from the United States Government, requesting improvement in the treatment of American commerce by the British fleet, was made public here and in London today by mutual agreement between the State Department and the British Foreign Office.

The British communication concurs in the view of the United States that commerce between the neutral nations should be interfered with only when imperatively necessary and officials of the Washington Government construed it as conceding that the principles expressed by the American note were just and upheld by the usually accepted usages of international law.

Byras Postponed Comment.

The only formal comment made tonight was contained in a brief statement issued by Secretary Bryan, who said: "This answer, being preliminary, and not being intended as a complete reply, we will postpone comment until the full answer is received."

Briefly, the British note, while conceding the principles of the American Government's contentions, points out difficulties in actual practice, refers to alleged fraudulent practices by shippers and cites statistics showing an increase, rather than decrease, in certain neutral commerce, in support of Great Britain's suspicion that Germany and Austria have been indirectly obtaining contraband through neutral countries. The note promises, however, that Great Britain "will make redress whenever the action of the British fleet may unintentionally exceed the limits of international law."

Note is Carefully Considered.

The text of the British communication is as follows: "The British Secretary of State for Foreign Affairs to the American Ambassador, Foreign Office, January 7, 1915.—Your Excellency: I have the honor to acknowledge receipt of your note of the 23rd of December.

"It is being carefully examined and the points raised in it are receiving consideration, as the result of which a reply shall be addressed to your Excellency dealing in detail with the issues raised and the points to which the United States Government has drawn attention. This consideration and the preparation of the reply will necessarily require some time, and I therefore desire to send, without further delay, some preliminary observations which will, I trust, help to clear the ground and remove some misconceptions that seem to exist.

"Let me say at once that we entirely recognize the most friendly spirit referred to by your Excellency and that we desire to reply in the same spirit and in the belief that, as your excellency states, frankness will best serve the continuance of cordial relations between the two countries.

Principle is Conceded.

"His Majesty's government cordially concurs in the principle enunciated by the Government of the United States, that a belligerent is dealing with trade between neutrals should not interfere, unless such interference is necessary to protect the belligerent's national safety, and then only to the extent to which this is necessary. We shall endeavor to keep our action within the limits of this principle on the understanding that it admits our right to interfere when such interference is not with 'bona fide' trade between the United States and another neutral country, but with trade in contraband destined for the enemy's country, and we are ready, whenever our action may unintentionally exceed this principle, to make redress.

"We think that such misconception exists as to the extent to which we have, in practice, interfered with trade. Your Excellency's note seems to hold His Majesty's government responsible for the present condition of trade with neutral countries, and it is stated that, through the action of His Majesty's government, the products of the great industries of the United States have been denied long established markets in European markets, which, though neutral, are contiguous to the seat of war.

Trade Injury Would Be Regretted.

"Such a result is far from being the intention of His Majesty's government, and they would exceedingly regret that it should be due to their action. I have been unable to obtain complete or conclusive figures showing what the state of trade with these neutral countries has been recently, and I can, therefore, only say that some further consideration should be given to the question whether United States trade with these

NOTED GUEST IS LEFT BY STORK

GREAT GRANDCHILD OF R. B. HAYES BORN IN PORTLAND.

Youthful Visitor to Be Christened Lucy Webb Hayes in Honor of Illustrious Ancestor.

The first and only great-grandchild of Rutherford B. Hayes, 15th President of the United States, was born in Portland Saturday night at 9:50 o'clock. She is the daughter of Mr. and Mrs. Sherman O. Hayes, of the Kingsbury Apartments, and this seven and a half pounds of Presidential lineage has been named Lucy Webb Hayes, after and in memory of the eminent, who as first lady of the land between 1857 and 1880, made the White House supremely "gay."

The young Lucy Webb Hayes arrived at the Portland Maternity Hospital, with Dr. Rand and Nurse Gavin in attendance.

Mrs. Hayes, who was Beatrice Baker, of Corvallis, already is planning for a photograph of their firstborn to be sent to Toledo, O., where Birchard Hayes, the grandfather and first son of the late President, lives.

The wedding of Mr. and Mrs. Sherman O. Hayes, about three years ago, was a society affair of note in the Newport beach season. Mr. Hayes is a Cornell man, and met Mrs. Hayes when he came West on a sightseeing trip. Mrs. Hayes is the daughter of H. F. Baker and a sister of Charles Baker, of Corvallis. Mr. and Mrs. Hayes have made Portland their home for about a year.

ALBERT THANKS NORSEMEN

Belgian King Deeply Touched by Message of Sympathy.

COPENHAGEN, Jan. 10, via London.—The Politiken prints today the following message from King Albert of Belgium:

"I am deeply touched by receiving your telegram in which you express the heartfelt feelings of sympathy for Belgium. The Scandinavian people have contributed greatly toward mitigating the sufferings of my people, who had faith in treaties and devoted themselves to the defense of their honor.

"I appreciate especially the great sympathy shown by the Scandinavian nations. The Scandinavians' glorious history demonstrates the high spirit of independence which animates the Scandinavian peoples.

"Please give my best thanks to all noble-minded and generous donors in Scandinavia."

STUDENTS DISCOVER GOLD

'Several Semesters' Worth Mined in Interests of Education.

BERKELEY, Cal., Jan. 10.—Three students of the mining department of the University of California have discovered a new and pleasant method of financing a college education.

They have been spending their Christmas holidays prospecting in Placer County and a letter received by the recorder of the university today sets forth that they had stumbled on a rich quartz vein and had begun to take out numerous semesters' worth of gold.

They had employed a force of men to mine the claim and were preparing to return to the university.

The trio are E. J. And and Henry Young, of Long Beach, and E. J. Power, of Berkeley.

ROYALTY EATS WAR BREAD

King of Saxony Orders Use Exclusively in His Court.

AMSTERDAM, Jan. 11, via London.—The Berliner Tageblatt says that the King of Saxony has ordered that war bread shall be used exclusively in the Dresden court.

The Vorwaerts of Berlin says that public meetings, which previously were permitted to be held in Saxony without hindrance, now must have the sanction of the military. Herr Stuecklin, socialist member of the Reichstag, organized a meeting of his constituents at which he was to deliver an address on the subject of the world war and the task of the working class. This meeting, however, was prohibited by the military authorities, who gave no reason for their action.

EMPEROR TALKS OF PEACE

Francis Joseph Says Efforts Directed to Ending War Early.

ROME, Jan. 10.—(Special.)—Dispatches from Vienna telling of an audience given yesterday to members of the Galician nobility by Emperor Francis Joseph say that the Emperor's reply to questions asked on that occasion regarding peace are considered most significant.

In speaking of an honorable and long-lasting peace, compensation for present sacrifices, he said that his efforts were being directed to ending the war at the earliest moment possible.

SEA FIGHT NOT CREDITED

Brazilian Officials Now Think Report From Rio de Janeiro Untrue.

RIO DE JANEIRO, Jan. 10.—(Special.)—The Minister of Marine, Admiral Alencar, said today that the rumor of a naval combat off Rio Grande del Norte, probably originated in the departure of the Invincible from Recife (Pernambuco), which coincided with the passing of the Argentine dreadnought Rivadavia, three miles off shore. Naval officers discredited the rumor of the battle.

TURKISH CRUISERS DAMAGED IN FIGHT

Breslau and Hamidieh Engaged by Russians.

SULTAN LOSES MANY CRAFT

Black Sea Raids by Czar's Navy Results in Destruction.

HARBORS ARE EXPLORED

Food Vessels and Numerous Barges Carrying Cargo Are Bomarded and Mine Layer Limpes Into Store Dismayed by Shot.

PETROGRAD, Jan. 10.—The following semi-official statement was given here today regarding the recent naval activity in the Black Sea: "On Christmas eve (January 6, modern calendar) our warships in the Black Sea engaged the enemy's cruisers Breslau and Hamidieh, inflicting on them considerable damage. On the day after Christmas our ships exploring the Bay of Sponoe fired on several Turkish craft loaded with cargo. The same night Russian torpedo-boats bombarded two of the enemy's sailing ships carrying flour and took 18 men prisoners.

"On the third day after Christmas our ships explored the harbors of Trebizond and Platana, where they discovered nothing to arouse suspicion. In the harbor of Surmeneh they burned a large number of Turkish barks loaded with cargo. East of Surmeneh our ships destroyed four of the enemy's merchant vessels and 11 sailing ships in the harbor of Rizeh. They bombarded the port of Khopa.

"According to information received here the Turkish mineslayer Peik-i-Sheket, on January 2, entered the harbor of Stenak in the Bosphorus, assisted by steam lifeboats. The Peik-i-Sheket had been badly damaged along the water line and in the bow, where a cannon had been disabled.

Mineslayer Goes Ashore.

"The mineslayer ran ashore, immediately began to leak badly, and perhaps can be considered out of service for a long time.

An official communication issued at Constantinople January 8 said that two Turkish cruisers had been engaged by a Russian squadron of 17 units, but that the Turkish warships were not damaged.

The Breslau, a cruiser of 4473 tons displacement, is one of the two German warships which were turned over to Turkey early in the war. The Hamidieh is a small Turkish cruiser of 8539 tons displacement and carrying a crew of 362 men.

Artillery Battles Heavy.

VIENNA, Jan. 10, via Amsterdam and London, Jan. 11.—The following (Continued on Page 2.)

INDEX OF TODAY'S NEWS

The Weather. YESTERDAY'S—Maximum temperature, 47.1 degrees; minimum temperature, 40.3 degrees. TODAY'S—Occasional rain; southeast winds.

War.

Thrilling story told of tiny French warship's futile attack on Emden. Page 2. Germans forming inland navy of motorboats to police Belgian waterways. Page 2. War trying to artilleymen under orders not to return fire. Page 2. Turkish cruiser Breslau and Hamidieh damaged by Russian fleet. Page 2. Germans evacuate Lille, British controlling city. Page 2.

Foreign.

British editors support Earl Grey. Page 3. National. Gigantic philanthropies to be probed by Federal Commission. Page 3. Salmon by-product plants advised by Government. Page 3. Great Britain admits basic contentment of United States is correct; points out practical difficulties; promises reparation if navy exceeds law. Page 3.

Domestic.

Oregon's building at San Francisco declared to surpass all others. Page 5. Senate wants to retain patronage; is not expressed by Mr. Bourne's plan to elect local Federal officers. Page 5. Washington will not concede Britain's right to take various laws into port for examination. Page 5. Signs of reviving industry multiply. Page 1.

Sports.

Vernon may not take Coast League team back. Page 6. Albion football team wins lightweight title, and Westover Juniors beat South Portland. Page 6. Several Portland League basketball teams to be strengthened. Page 6. Idaho Legislature provides for salaries, then takes it easy. Page 10. Legislature convenes at 10 o'clock today. Page 1. Legislators on eve of session reiterate economy pledges. Page 4. Washington Bull Moose look longingly at Republican fold. Page 5.

Pacific Northwest.

First great-grandchild of Rutherford B. Hayes born in Portland. Page 1. Movie theaters draw capacity houses with exceptional films. Page 7. "Officer 666" scores big hit at Baker. Page 7. Nearly 4000 near Evangelist Bulgis at each of two meetings. Page 16. Captain of British ship seeks aid for people on Pitcairn Island. Page 4. Legislative session to be noted by passage of fewer laws than usual. Page 4. Rev. J. E. Snyder announces acceptance of Pendleton call. Page 16. Dr. Frank L. Loveland makes editors and newspapers theme for sermon. Page 16. Superintendent of Penitentiary, and party travelers part of route described by Sierks in murder confession. Page 16.

Portland and Vicinity.

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BELGIANS RIOT FOR BREAD

Food Is Given After Crowd Breaks Windows in Marcinelle Hall.

AMSTERDAM, Jan. 11, via London.—A dispatch to the Telegraaf from Brussels says: "A bread riot has occurred at Marcinelle, Province of Hainaut, Belgium. A crowd collected around the Town Hall and smashed its windows. The police restored order with some difficulty and later bread was supplied to the population.

The German Army is Suffering Considerably from Typhus and Pneumonia.

"The German army is suffering considerably from typhus and pneumonia."

GERMAN FLEET IS READY

All Best Ships Are Massed to Sally Forth and Meet Britons.

COPENHAGEN, Jan. 10.—(Special.)—The entire German high seas fleet is massed at Wilhelmshaven and Cuxhaven, ready to sally forth to meet the British dreadnoughts.

The Port of Kiel has not a single first-class ship, only a few obsolete vessels remaining.

PRELIMINARY PLANS MADE TO ORGANIZE

Legislators Will Try to Finish Work Quickly.

SELLING'S VOTE MAY INCREASE

Senate Democrats Join in Republican Conference.

W. LAIR THOMPSON CHOSEN

Governor's Inaugural and Reception Set for Tuesday—Crowds of Candidates, Newspaper Men and Others Flock to Salem.

SALEM, Or., Jan. 10.—(Special.)—People of Salem began to realize tonight that their city in reality is the capital of Oregon.

Every train and electric car arriving this afternoon and tonight brought in its burden of state officials, members of the Legislature, candidates for office, lobbyists, newspaper correspondents and sightseers in anticipation of the opening of the 28th legislative session tomorrow.

Preliminary preparations for the formal organizations are complete. Both the Senate and the House will convene at 10 o'clock and efforts will be made to complete the permanent organizations at the morning session.

Ceremony Stops Canvas.

In an effort to expedite the business of the session, members of both the houses tried today to proceed with the canvass of the vote for Governor so that Dr. James Withycombe might be inaugurated tomorrow. But when the leaders of this movement arrived in Salem tonight, they learned that the people of this city had made all their plans for the inauguration of the Governor on Tuesday, so that formality will not take place until then.

The people of Corvallis, where Dr. Withycombe for so long has been connected with the Agricultural College, are coming over in a special train to do him honor.

The Supreme Court will adjourn for the day, so that its members can be present.

Reception Planned by City.

Meanwhile, the Senate and the House will proceed with their business, so that all the preliminaries may be out of the way for the inaugural. The ceremony will take place in the House chamber. The people of Salem, under the auspices of the Republican Club, have planned a reception for the new Governor and the other newly-inaugurated state officials to take place in the Capitol Tuesday night.

At a conference of Senators tonight it was arranged that Dr. W. D. Wood, of Hillsboro, one of the holdover members, formally will call that body to order. Senator Day, of Portland, will be named Senator Day, of Portland, will be named

Sunday's War Moves

British reply to the American occupies the attention of the press and public, in the absence of important news from the battlefields. The German and French official reports of the most recent fighting in the western field are almost a repetition of those issued on preceding days.

"The British eye witness, who has been the official historian of events at the front, lays stress on the important part played by the artillery and high explosives in modern warfare, and claims superiority for the allies in artillery, which is being used to its full strength.

From the coast to the River Oise, where the country is under water, and the rivers are flooded, the big guns have been engaged continuously, but the water and mud prevent the infantry from coming into action. Along the Alsace Valley, however, and through the Champagne district, as far as Western Argonne, the French are pushing their offensive and organizing the ground which they have gained. These gains have been made at heavy cost.

In the Western Argonne, the Germans also say they have made gains and to have repulsed an attempt by the French to carry their trenches in the Woevre and in Alsace.

The only news from the east is the German report that the Russian offensive toward Miawa has met with no success, their force having been driven back.

In the Caucasus, the Turks have made a stand on the frontier near Kara-Urgan, and are fiercely attacking the Russian lines.

Seemingly the Russians believe the report that the Turkish cruiser Goeben, formerly of the German navy has been damaged, for their Black Sea fleet, which is superior to the Turkish fleet without the Goeben, has been attacking Turkish ports and destroying their shipping.

There is no development in the near east, beyond the report from Sofia that M. Gueudieff, the former Bulgarian Minister of Foreign Affairs, is leaving for Rome on a semi-official mission, the object of which is to ascertain the attitude of Italy toward the possible future co-ordination of Italo-Bulgarian interests in the European war.

BELGIAN GETS LIFE IN CELL

General Then Tells Court Kaiser Wilhelm Is Rascal.

AMSTERDAM, Jan. 10, via London, Jan. 11.—A dispatch to the Telegraaf from Brussels says a court-martial at Liege has sentenced the retired Belgian General, Gustave Lefebvre, and Lieutenant Colonel, to life imprisonment on a charge of assisting 250 young Belgians to reach Holland and join the Belgian army in France.

"The General at the trial," the correspondent adds, "asked for a death sentence, saying he disliked imprisonment. He told the court that Emperor Wilhelm was a life imprisonment on a charge of assisting 250 young Belgians to reach Holland and join the Belgian army in France.

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SLIDES IN ALPS ARE FATAL

Several Persons in Switzerland Perish in Avalanches.

BERNE, Switzerland, Jan. 10, via Paris, Jan. 11.—Several persons have perished in the avalanches following the heavy snowfall during the past few days. Twenty-two students who were skiing near Navos were overwhelmed and three were killed.

A gang of workmen who were clearing the snow from a blocked road near Sannaman and Engadine were surprised by a huge avalanche from the mountain above. A young woman, Alpinist, Lydia Aftoritz, perished in a slide near St. Moritz.

WOMEN MAY GET MORE PAY

Legislator Proposes They Should Get Equal Sums With Men.

ALBANY, Or., Jan. 10.—(Special.)—Oregon school boards will be required to pay equal sums to women teachers as much as men if a bill to be introduced in the Legislature by D. H. Allen, Representative from Marion County, passes.

Under the present system it is asserted where men and women teachers are doing exactly the same class of work the women receive from \$5 to \$25 less each month than the men. Women teachers insist this is not fair.

STATE SUES SANTA CLAUS

Violation of 8-Hour Law Alleged in Christmas Feast for Poor.

NORTH YAKIMA, Wash., Jan. 10.—(Special.)—Lucia A. Craggie, of Olympia, Assistant State Labor Commissioner, last night filed a complaint charging Mrs. Henshaw, proprietor of the Michigan Cafe, with violating the eight-hour law for women, in connection with the serving of a Christmas dinner to poor children Christmas day.

A patron of the hotel paid for the dinner.

12 AIRMEN ATTACK TOWN

Thirty Bombs Are Dropped by Germans on Dunkirk.

PARIS, Jan. 10.—A dispatch to the Havas Agency from Dunkirk says that a dozen German aeroplanes bombed Dunkirk and environs Sunday.

Thirty bombs were thrown by the airmen, but owing to the precautions that had been taken, there were few victims. The material damage was unimportant.

SIGNS OF REVIVING INDUSTRY MULTIPLY

Railroads Large Buyers of Equipment.

40,000 MORE MEN FIND WORK

Bond Offerings Indicate Programme of Construction.

MONEY SEEKS INVESTMENT

Lumber and Cotton Prospects Begin to Look Up—West Gets Big Export Order, South Solves Own Financial Problem.

CHICAGO, Jan. 10.—(Special.)—Material progress of industrial activity in the United States was emphasized last week by carrying out of many plans of expanded operations.

Railroads placed orders for rolling stock, steel rails and track supplies aggregating \$5,670,000. Inquiry for more than \$10,000,000 more of these necessities are pending among the larger systems.

Miscellaneous Employment Given. Reports from day to day indicate that railroad shops, the steel and kindred lines and a large number of miscellaneous industries throughout the country have re-employed upward of 40,000 men since the new year began.

The United States Steel Corporation's increase of \$12,051 tons in unfinished orders in December, the first monthly gain in business since last August, shows the favorable effect of the Eastern freight-rate decision. Orders placed since January 1 constitute additional tonnage, so it is fair to assume that the increasing volume of steel demand will lead to steady enlargement of mill operations.

New Enterprises Resumed. New projects aggregating between \$5,000,000 and \$6,000,000, involving plant additions at some of the Eastern steel mills, new steamships and the resumption of enterprises retarded by the war, were announced last week.

Far more than a straw of financial encouragement is found in the announcement that the Pennsylvania Railroad Company has arranged to bring out a \$100,000,000 bond issue in March. While a large part of the issue will be used for refunding purposes, in meeting physical requirements of the system. The St. Paul Railroad offering of \$29,141,350 bonds reflects a substantial program of new construction.

Steel Bonds Find Ready Market. Pittsburgh Steel found no difficulty in selling \$5,000,000 bonds, which is another indication of easier finances and the quick sale of the Argentine nation's \$15,000,000 notes is a strong indication of the receptive character of the investment market.

These tangible developments of industrial activity and financial confidence are of greater importance than they have been at any time since the change in business for the better became evident the latter part of November.

Lumber and cotton, the two industries which suffered severely during the depression, also have shown marked improvement. Sales of lumber for export amounting to more than \$2,000,000 are reported in Kansas City. Exports of cotton are increasing, and the fact that the \$100,000,000 loan fund has been called on to do duty only the utmost insignificant proportions indicates that the South is rapidly solving its own financial problems.

War Supplies in Demand. Exportations of grain and other food-stuffs keep up to the recent high levels and the call for war supplies continues large, despite the fact that many things have been added to the list of contraband. Industries of the country are now beginning to feel the influence of the wealth that has accrued to the credit of the United States in recent months.

The trade balance with Europe is growing rapidly in favor of the United States, all pressing foreign indebtedness has been liquidated and gold is to be had in commercial circles for the asking. This is the offset against fear of foreign liquidation of American securities.

Throughout the West where farmers have derived high returns from bountiful crops and high prices, there is unprecedented cheerfulness, and this sentiment is beginning to permeate the spots where less optimism has prevailed.

POPE TO ACT IF WAR GAINS

Italy's Entry Would Lead Vatican to Ask Enemy Diplomats to Go.

ROME, Jan. 10.—(Special.)—Information was obtained here today that in case of Italy's intervention in the war, the Pope has agreed to recommend that diplomatic representatives of enemy countries accredited to the Holy See leave Rome, while the Italian government, on its part, undertakes to guarantee a continuance of the Pope's telegraphic and epistolary correspondence with the entire world.

The agreement is the result of confidential negotiations between the Vatican and the government, in which Cardinal Agliardi, bishop of Albano, acted as intermediary.

