RAILS TO SEEK RISE IF PROFITS DECLINE

1080 Millions Goal for 1921 Investment Yield.

PRESENT INCOME SHORT

Capital Shy When Earnings Are Low and Boost May Be Granted to Keep Up Improvements.

BY HARDEN COLFAX.

(Special correspondent of The Oregonian.)
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WASHINGTON, Jan. 16.—What the railroads must do in 1921 has just been mapped out in detail by their presidents and other high operating officials. Through their national organization, the American Railway association, they distributed among themselves memoranda of their work.

The programme calls for a net profit on their investment of $1,080,000,000. Somehow they must make that profit. Otherwise one of two things will happen when the year closes.

Thousands of shareholders and bondholders will not obtain the return to which the interstate commerce commission believed they were entitled when rates were raised last August, or the roads will have to go again to the commission and ask for another increase in rates.

Roads Falling Behind Now.

Making the billion-dollar profit is going to be, from present indications, one of the biggest jobs ever tackled in railroad history. The railroads are not doing it at the present time. They are not coming anywhere near doing it.

Instead of earning 6 per cent on their plant, they made about 4½ per cent in October and about 4 per cent in September. November earnings indicate that October's record will stand.

In other words, according to the figures of the roads, the carriers must make about half again as large a profit as they are now making to induce capital to come to their aid in making improvements regarded as absolutely necessary.

If they don't make the goal they believe that capital will remain shy of railroad offerings and that there will be insufficient funds available for more cars, more locomotives, bigger yards, increased terminal facilities and other improvements.

Improvement Only Hope.

And unless these improvements are forthcoming, there is no adequate cure for the ever-recurring car shortages and congestion that have tied the roads in knots periodically during the last four or five years.

The memorandum just issued by the American Railroad association goes into elaborate detail as to what must be done in the way of earnings to toe the mark. For instance, during the present month the railroads must earn net $67,272,000. Next month, a short one, they must earn $56,599,000. In October, their big month, they must show a profit of $112,435,000.

For the purposes of their calculations, they have divided the country into three districts, using the valuation figures of the interstate commerce commission as follows:

Eastern district, $8,400,000,000; southern district, $1,900,000,000; western district, $7,700,000,000.

Net Earnings Necessary Huge.

These figures represent the capital invested in the class one railroads. To make expenses and pay interest on that capital, the memorandum discloses, the roads are expected to earn, net, the following profits in 1921:

Eastern district, $504,000,000; southern district, $114,000,000; western district, $462,000,000.

MORRIS PAINTED AS GOAT

(Continued From First Page.)

showdown on the corporation's business condition.

"Etheridge evaded he truth, and we are prepared to prove it, to get Mr. Morris to take over affairs, and it was only when Mr. Morris went to the office of the corporation the Friday morning following Etheridge's departure from the city that he was informed by Etheridge's own private secretary that the corporation had outstanding $476,000 more in interim receipts on Edmonton bonds than Etheridge had shown in a prepared statement which he had handed to John F. Logan and T. G. Ryan, attorneys for Etheridge, and to Mr. Morris Thursday night before leaving the city.

Morris Out of It, Defense.

"Mr. Etheridge had run the corporation for a long time before he actually took it over when Mr. Morris sold it to him for $100,000 in February, 1919, but, taking this subject up on that date, it is a matter of record, absolutely, that Mr. Morris had nothing whatever to do with the corporation's affairs officially. This we will prove beyond the shadow of a doubt when the case gets into a court of law.

"Etheridge has testified in chancery proceedings that Mr. Morris proposed to him the organization of a $1,000,000 corporation, raised on the foundation of the $100,000 one, but this is false and we will prove that by Etheridge's own employes. For one thing, we will show that he had a system, followed a long time, of 'overselling' an issue of some perfectly good bond and, when the buyers called for it, he would explain how sorry he was that the issue had been 'oversold,' and say 'I have a choice Edmonton bond, though, that I recommend.' In that way we will show that he put out those famous Edmonton securities and got rid of those interim receipts.

Morris Said to Be Investor.

"Now we stand ready to prove beyond doubt to any fair person that Mr. Morris, after selling out his interests in the former corporation in February, 1919, had absolutely nothing officially to do with Morris Bros., Inc., except to make some investments himself through it. He knew nothing whatever about Mr. Etheridge's operation until he was appealed to by Mr. Etheridge himself on December 21, when it was revealed to him for the first time that Etheridge had reached the limit of his physical endurance; that he had been beaten in his mad ambition to be elected a delegate to the imperial council of the Shrine and that his prison record and other things were perhaps to be published.

"Incidentally, Mr. Morris had heard of Etheridge's campaign, managed by his confidant, Ray Fike, for election to the Shrine council and in kindness advised him against it. Etheridge, however, insisted and went the limit on it and was defeated, of course, for the truth concerning him had leaked out sufficiently to accomplish his defeat.

"After Etheridge had found himself absolutely lost, so far as continuing his business, he turned to the one man who had befriended him all along and sought advice. He also consulted his attorneys and, to show the ingratitude of the man, he caused to be prepared a statement of the financial condition of the corporation, he told his attorneys and Mr. Morris.

Report Shows Good Margin.

"This showed the affairs solvent, with a margin of perhaps $250,000 over and above liabilities, which he maintained was his equity. This statement he prepared before his effort to have himself elected by the Shrine, in order to tide him over that event and to silence, if possible, the rumors that were about the city as to Morris Bros., Inc., affairs.

"The Monday following his defeat at the Shrine, Etheridge gave that statement, since proved to have been false, to his attorney. Mr. Logan, and Mr. Logan took that, in good faith, to the newspapers of this city and asked that, in view of the firm's 'good' financial condition, publication of Etheridge's record be withheld. That was done. But the newspaper publishers and editors wanted to know the true condition by means of a complete audit by impartial people and it was sought to have this made by the Clearing House association, but to this Etheridge demurred; no, indeed, he wanted no honest audit of his books; he knew too well what they showed.

Business Offered for $100,000.

"At this juncture, things moved mighty fast. Etheridge took his false statement to his friend, Mr. Morris, told him what had happened and begged him to buy the corporation's business, which Etheridge offered him for $100,000. Mr. Morris said he could not buy the business, but that, if everything was regular and he could finance $500,000 worth of the interims, which Mr. Etheridge told him were outstanding, he would do so for a salary of $1000 a month, which Etheridge had offered him on a previous date. That, it was explained, would be only up to the time of Etheridge's return from his vacation.

"Mr. Morris made some inquiries of bankers, with whom he had transacted business, and, upon his statement that things seemed to be all right at the corporation's office, basing his belief upon the Etheridge so-called trial balance, he was informed that if he needed some money he could have it, of course, on the usual terms of the day. With this understanding and with the belief that things were as Etheridge told him, Mr. Morris bade Etheridge and Mrs. Etheridge good-bye, gave them money with which to take their vacation trip and they went on their way Thursday night, December 23.

"It might be stated right here that Mr. Morris had advised against Mrs. Etheridge accompanying Etheridge and that, out of the kindness of his heart, he invited her to remain at his own home, saying that Mrs. Morris would treat her as a daughter. But she went with her husband, at the latter's request.

Morris Tries to Save House.

"Friday morning at 8:30 A. M., Mr. Morris went to the headquarters of Morris Bros., Inc., bearing papers that had been hurriedly fixed up in Mr. Logan's office the previous evening. These included resignations of Etheridge and Mrs. Etheridge, powers of attorney, etc., and it was Mr. Morris' intention, for the sake of the corporation and Etheridge himself, who laid claim to an equity of a quarter of a million dollars there, to call a meeting of the directors and see what should be done to save the business.

"When Mr. Morris entered the corporation's offices he conferred with Miss Agler, Etheridge's private secretary, who knows all about the affairs there, and asked her if the interims represented as outstanding on the so-called trial balance, since found to be false, were all that were out. To his utter amazement Miss Agler replied that they were not; that there were at least $476,000 more out. Staggered by this disclosure and realizing for the first time the serious situation, also that he had been betrayed by Etheridge, Mr. Morris did what any other honest man would have done. He went to his attorneys, to his bankers and to District Attorney Evans with the facts.

"The bankers told him he must not continue the business, having found it insolvent; that he could not take people's money any longer. As soon as he could engage them, Mr. Morris put the accountant firm of Whitfield, Whitcomb & Co. on the books auditing them, and stopped business with the close of Friday's office hours.

Then Doors Are Closed.

"Saturday was Christmas, then followed Sunday, and with that evening came Mr. Morris' announcement that the doors would not open Monday morning and other disclosures, including the fact that he had found the corporation insolvent; that he had consulted District Attorney Evans and had sworn to a warrant against Etheridge.

"Etheridge, despite these facts, provable at any time, swore in chancery proceedings that 'Morris betrayed me and the creditors.' What happened was that Mr. Morris never told anyone Etheridge had fled, but, as Etheridge had promised Mr. Morris he would keep in touch with him and had not done so, he believed it his duty to swear out a warrant to protect the creditors. Then, when Fike came back from Tacoma and said that he had driven Etheridge to the Canadian line, it looked all the more like he had fled.

"Mr. Morris has at all times acted to protect the funds of the creditors, as is shown by the fact that when Etheridge first pleaded with him to take over the corporation's affairs, and offered him a salary of $25,000 a year to do so, Mr. Morris refused it. Mr. Morris also vetoed the elaborate bonuses Etheridge had promised his employes Christmas night, and this did not add anything to Mr. Morris' popularity, I understand, among the employes.

Etheridge Said to Falsify.

"It is pure 'bunk' that Mr. Morris or his sister have any property belonging to the corporation, and no one knows it better than Etheridge, who, to save himself, came back from Minneapolis when arrested there and told his big story about Mr. Morris, the man who had befriended him and who trusted him and who gave him his wonderful opportunity to make good in the world after his prison record.

"There has been some criticism of Mr. Morris because he allowed his name to be carried with the purely thin-air $1,000,000 corporation, which 'Jack' Etheridge created. Mr. Morris had no power to do otherwise, even had he known it was but thin air, for he had sold his interests and one of the chief assets, as has been shown, was the good name of Morris.

"But Mr. Morris believed Etheridge when he declared that, because of his rise in the business world of Portland and his business ability, he had enlisted friends who would provide the necessary money to create the new corporation. Mr. Morris thought all the time that this corporation was genuine, until the facts were revealed in the final conferences before Etheridge left Portland."

Mayflower Fire Damage $72,000.

WASHINGTON, Jan. 16.—The board of inquiry which investigated the fire aboard the president's yacht Mayflower, on December 28, found that the damage was $72,000 and that the blaze probably was caused by defective wiring. Secretary Daniels approved the findings today.

KU KLUX KLAN SAID TO AID AUTHORITIES

Law Enforcement Declared Organization's Object.

POLICE ARE ENROLLED

Religious Tolerance Asserted to Be One of Tenets of Secret Order of South.

BIRMINGHAM, Ala., Jan. 16.—(Special.)—This city recently had its "wave of crime" and the Ku Klux Klan offered its services to the city officials to help bring it to an end. The offer was accepted and the total membership of the klan here, about 700 men, in every conceivable walk of life, turned out to help the police.

Their work was done entirely in secret. The evil has been largely stamped out, and the Ku Klux Klan claims that it was one of the chief factors in this successful campaign.

Birmingham is one of the strongholds of the klan and the center of its activities throughout Alabama. Its efforts were directed against criminals and undesirable citizens of both the white and black races. It is one of the arguments of the executive officers of the klan, and it should not be regarded as simply an anti-negro organization because it happens that up to this time its active operations have been confined to the southern states, where the criminal undesirables are for the most part negroes. It would be different in the north, they assert, where any person, regardless of color, who opposed the constituted authorities, so sought by any means to flaunt or undermine the governmental institutions of the United States, would feel the heavy hand of the klansmen.

Membership Includes Police.

Here, as in other cities of the south, it has been impressed that no operations of the klan, authorized by its executive officers, have been without the full sanction of the law-enforcement officers of the community. It is the first aim of the organizers of the klan to get the local-law-enforcement officers into the organization, and in the south they have been largely successful. Mayors, sheriffs, captains of police and the rank and file of the police force are members in a great many localities.

It appears that one of the rules of the order is that any member of any local branch that violates the law in any way, or runs contrary to the wishes of the regularly constituted law officers of the community, shall be banished from the klan. This apparently is done without a trial and merely upon the order of Colonel William J. Simmons, the imperial wizard, in Atlanta, upon information presented to him and after an independent investigation. There have been some banishments of this kind—many in fact, although few in proportion to the klan membership—within the last two or three years. A "weeding process" is going on all the time.

"Just as in the reconstruction period," said a klan officer, in discussing this phase of the subject, "there were unscrupulous men who made use of the disguise and name of the Ku Klux to cover their lawless acts, and there are attempts to do this today. Northern people should discriminate and remember first of all that the real Ku Klux Klan stands for pure Americanism, which means respect for law and order."

Law and Order Sought.

A few weeks ago there was a parade of the Klan in Jacksonville, Fla. It occurred at night and the men were masked and clad in the long white robes or sheets which were worn by the members of the original klan when they sought to intimidate the recently liberated and ignorant negroes and renegrade carpetbaggers who made life in certain communities of the south unsafe in the late 60s. The parade was accompanied by no disturbance of any kind. The several hundred white-sheeted figures rode like ghosts through the darkness. Back of this "parade," which was the term applied to it by the officers of the klan themselves, there is an interesting story which serves to throw light on methods of the organization just as the recent happenings in this city have done.

When it became known to some of the local authorities of Jacksonville, including the mayor, that the klan purposed to parade through the streets of the city some of the city officials immediately became alarmed. They did not want anything to occur that might lead to a public disturbance, a possible race riot.

The local members of the klan called Colonel Simmons on the long-distance telephone at Atlanta and explained the situation to him. At once instructions were given to countermand the orders for the parade. At the same time a high official of the order was sent to Jacksonville to confer with the mayor and explain to him that the organization believed in the preservation of law and order and that it would do nothing to disturb the peace of the city.

As it happened, certain of the high officials of Jacksonville and a very large proportion of the members of the police force were Klansmen. The mayor was finally convinced that the purpose of the organization was to act as a voluntary auxiliary to the law enforcement officers only on their request or with their full acquiescence. He agreed that the parade should be held. Silently through the streets of Jacksonville several hundred of the masked white robed figures rode, scattering their circulars, which read:

"Warning—Undesirables, both white and black, we know you. This loafing, thieving and prowling round must stop. (Signed)

"Knights of the Ku Klux Klan."

The klan is made up of men in every conceivable walk of life—judges, members of congress, ministers of the gospel, lawyers, bankers, business men, editors, superintendents of manufacturing plants, doctors, sheriffs, chief of police, policemen, city officials of every rank, skilled and unskilled working men—in fact, there is no station in life not represented in the order. But every man must be "100 per cent white American," native born.

All Native Born Americans.

The following is question 20, asked in the application for membership, which must be answered in the affirmative upon the most solemn oath before an applicant is admitted:

"Do we owe any kind of allegiance to any foreign nation, government, institution, sect, people, ruler or person?"

This is broad enough to rule out Irishmen or Irish-Americans who profess to owe allegiance to the so-called Irish republic, persons who owe allegiance to any church the head of which is not an American and, of course, bolshevists and foreigners who would bring foreign political nostrums into this country and substitute them for the government established by the men who framed the American constitution.

It is not an anti-Catholic organization, but at present it is not accepting members who belong to that religious faith. It is understood the time may soon come when it may do so under certain conditions.

The question seems to be not so much the religious faith of the applicant for membership as whether or not he owes allegiance of "any kind" to any "institution, sect, people, ruler or person" outside of the United States.

Religious intolerance such as has been bringing Protestant bodies together in certain communities to aid in the propaganda for Sunday blue laws is absolutely contrary to the tenets of the order. It has no sympathy with the lobbies that have been established in Washington and state capitols to further this sort of thing. It believes the whole movement un-American. A high official of the klan who stands next to Colonel Simmons, said:

Religious Intolerance Banned.

"We believe in the fundamental ideas upon which the American constitution is based. Religious intolerance is not one of them. The church, as such, or its representatives as such—no matter whether Catholic or Protestant—have no business to mix into American political or governmental affairs. They are doing it everywhere—a great deal more than most people believe—and it is a bad sign of the times.

"The Ku Klux stands for law enforcement. The prohibition amendment and the Volstead enforcement act are part of the law of the land. The klan may be counted upon at all times to help the officers of the law enforce them.

"But let us not run mad. Let the religious and semi-religious moral reformers beware, who would carry this thing so far as to destroy the sanctity of the home of an American citizen by permitting law officers to enter it and pry into the most private affairs of the American citizen.

"The home of an American citizen used to be his castle. The Ku Klux Klan wants to keep it so."

IRISH TRAGEDY GOES ON

DUBLIN WITNESSES CLASHES DAILY; MANY KILLED.

People Becoming Afraid to Venture Out of Doors; De Valera's Manifesto Is Due Soon.

DUBLIN, Jan. 16.—(By the Associated Press.)—The period of comparative quiet which began in Dublin at Christmas proved short-lived. During the last week there was a continuous succession of tragedies in which crown forces and persons identified with the Sinn Fein movement appeared to have suffered about equally.

The atmosphere now is similar to that in Cork before martial law was declared. The people are becoming afraid to venture out owing to the fatalities among innocent civilians. The city is alive with rumors.

According to one report ambuscades against crown forces, which have been staged chiefly after the curfew hour, will take place in daylight, regardless of the risk of such attacks to pedestrians, to force an extension of martial law.

That martial law will be instituted generally is credited. The belief prevails that it will be put into effect in the next few days and be accompanied by the changing of the curfew hour from 10 to 8 P. M.

The military authorities were never more active in the streets than now; there is not only a marked increase in the number of raids on houses, but people walking in the streets are undergoing in increased numbers the ordeal of sudden challenge and search.

Notwithstanding the renewed peace talk appearing in the English press, the Irish people seem to have abandoned hope of an early settlement.

Eamonn de Valera is said to have passed a busy week conferring with his associates and attending at least one cabinet meeting. It is said that the republican government will continue to function without interruption.

Regarding De Valera's delayed manifesto, it is said that it may not be issued until the end of next week. It is understood that it will contain a review of the situation as De Valera found it and perhaps deal with the result of attempts to bring about peace negotiations.

FAMINE TOLL BEATS WAR

45,000,000 in 100,000 Square Miles Starving in China.

NEW YORK, Jan. 16.—Famine in China will claim more lives in the next six months than were lost in all the armies during the world war, unless other nations come to the rescue on a tremendous scale, it was predicted yesterday by the Rev. W. A. Mather, physician missionary, on his return from Pao Ting Fu.

"More than 15,000,000 persons face immediate prospect of starvation," he said, "and 45,000,000 others are affected in the famine zone of 100,000 square miles."

Ex-Minister Passes Away.

LITTLE ROCK, Ark., Jan. 16.—George William Caruth, 79, who was minister to Portugal during the second administration of President Cleveland, died late yesterday.