

Weather
Increasing cloudiness today, unsettled with showers Saturday, cooler; Max. Temp. Thursday 87, Min. 48, river -2.9 feet, north wind.

Chinese Shells Again Imperil US Vessel

City Budget Balanced, No Salaries Restored

Changes When Citizens Meet Still Possible

Income Estimate Lifted to Eliminate Paper Deficits Faced

Faction Seeking to Put in Doubtful Sum and Boost Pay, Loses

CITY BUDGET ADOPTED BY CITIZEN COMMITTEE
Total expenditure \$401,602.05
Current expenses \$264,515.60
Less non-tax receipts 35,000.00
Current expense tax \$229,515.60

Close voting and a caustic word was ended in adoption of a Salem city budget for 1938 topping the \$400,000 mark last night but the citizen-aided committee refused to grant demands for salary restorations.

An opening attempt to balance the budget, which was \$5,185.27 in the red, by Alderman David O'Hara was interrupted immediately by Alderman Edwin C. Goodenough, who led the unsuccessful drive to restore city employees' salaries to the pre-depression level.

Goodenough was defeated on a voice vote on a proposal to insert in the estimated non-tax receipts item, which offsets the current expense tax, \$10,000 representing interest and penalties on delinquent taxes which he contended were due the city from the county.

Balance Achieved in Three Motions
Three quickly adopted motions that balanced the budget followed, as proposed by O'Hara and Citizen Committeeman R. D. Slater. To achieve the balance, the committee increased recorder's estimated receipts to \$10,000, treasurer's to \$11,000, dog license fees to \$1,500 and gasoline tax refunds to \$2,000, for a total gain of \$4,000, and then deducted from the expense budget \$1250 which Committeeman T. C. Pomeroy and Committeeman W. Warren Jones said would be needed through reduced industrial accident insurance rates. The result was a budget with a \$64.73 cash balance.

The salary issue blazed again when Alderman Fred A. Williams and E. B. Perrine sought unsuccessfully to adjourn the meeting and O'Hara followed with a hotly debated motion to instruct the recorder to publish the budget and call the annual taxpayers' meeting for October 13.

Girl Paralysis Victim Dies Despite Race With Iron Lung

DENVER, Sept. 2-(AP)—Maybelle Outcalt, 15, died today despite a race by transport plane and streamlined train which brought two artificial lungs from Toronto and Chicago to aid a determined fight against infantile paralysis.

Her death, swift and sudden but not unexpected, came in an "iron lung" less than 11 hours after the first artificial lung, rushed by plane 1900 miles from Toronto, reached Steele memorial hospital.

Chicago Theatres Bar Children Due To Dread Disease

CHICAGO, Sept. 2-(AP)—Theaters barred children under 16 today in a new move to stem the spread of infantile paralysis.

Playgrounds and wading pools also were closed as the highest incidence of the current outbreak in the nation's second city.

Dr. Herman N. Bundesen, president of the board of health, announced 12 new cases had been reported today—the greatest number for one day since the onset of the malady. Two babies died.

Supt. George T. Donoghue of the Chicago park district ordered suspension of the operation of 83 playgrounds, 55 wading pools and three toy-riding libraries.

Similar precautions were adopted in Omaha, City Health Comm. Floyd Kinyoun canceled two parades—one planned to honor the national amateur golf champion, Johnny Goodman. Six new cases there raised the total to 84 since May 1. Deaths numbered 17.

Waukesha, Wis., officials decreed children under nine must avoid school and public gatherings until mid-September. A woman succumbed to the disease there.

Refugees Arrive, Tell War Thrills

San Francisco, Sept. 2-(AP)—The Dollar liner President Taft, first vessel bearing refugees from wartorn Shanghai, drew into San Francisco harbor today with a jammed passenger list of 457.

About 70 were actual refugees, who fled Shanghai August 15, two days after the bombing of the Cathay and Palace hotels.

Most vivid was the story of Dr. I. Levitas, director of education at Kansas City, Mo. His tropic helmet bore the mark of a Japanese sabre thrust, received while fighting to protect the British concession at Tientsin.

Shipping Periled By Union Quarrel

SAN FRANCISCO, Sept. 2-(AP)—The old spectre of port paralysis loitered today behind the stiffening lines of a CIO-AFL controversy here which suddenly was dumped into the lap of the national labor relations board.

Waterfront authorities began marshalling all available cargo space in the bay area to hold goods in shipment pending settlement of the dispute, in which AFL teamsters stopped trucking to and from the docks in an effort to force a showdown with the CIO over the status of 75 "locked out" warehousemen, allies of the John L. Lewis organization.

City District To Sue County For Taxes Due

The Marion county court will soon face a demand for payment of approximately \$17,500 in interest and penalties on delinquent taxes of the years 1933 and 1934 held due the Salem city and school district treasuries. It appeared yesterday.

Interest and Penalties Figured; Teacher Pay Issue Cleared up

About \$10,000 is owed to Salem and \$7500 to Schools, Stated

Reservoir to Be Connected Soon

Fairmount reservoir will be connected to the Salem-Stayton gravity water supply pipeline within a few days as a result yesterday of WPA crews' breaking through the last barrier in the 500-foot pipe tunnel drilled and blasted through rock under Rural avenue from Fairmount avenue westward. The barrier was removed at 11 a. m.

Six feet high and five feet wide, the tunnel passes almost entirely through rock, much of it extremely hard. Through it will run the 30-inch welded steel pipeline.

The last of the night shift crews which have been working steadily on the tunnel for nearly two months will work tonight, G. R. Boatwright, WPA resident engineer, said yesterday. At times three eight-hour shifts per day were worked on the project.

Speed Flier Dies As Plane Crashes Day Before Races

CLEVELAND, Sept. 2-(AP)—Lee Miles, Fort Worth, Tex., speed flier, was killed late today on the eve of the opening of the national air races tomorrow when he tore off a wing and crashed his special racer on a test flight at Cleveland airport.

His ship crashed from an altitude of 200 feet, it was announced at the administration building of the Cleveland airport.

Miles' body was pulled from the wreckage of his ship about a half hour after the crash. His plane did not burn, airport officials said. They believed the flier had the foresight to pull the switches when he found he was in trouble on the project.

Natives Control Church in China

PORTLAND, Sept. 2-(AP)—The Rev. E. B. Ward, recently returned from China, today told delegates to the 34th annual Oregon session of the United Brethren church that Chinese people now practically control the country's churches.

The missionary declared Chinese were, not long ago, "so illiterate and helpless that they were unable to take charge of the churches the missionaries established, but that has changed in the past few years and the natives themselves run their own churches without too much outside assistance from the missionaries."

Astoria Labor Split; Charter Lost, Regained

AFL Recognition Taken Away Because CIO Members Vote

ASTORIA, Sept. 2-(AP)—The Astoria central labor council lost its AFL charter tonight and received it again after CIO sympathizers, including President Roy Kizer and nearly half the total membership, walked out.

Ben Osborne, secretary of the Oregon State Federation of Labor, acting on authority granted in a telegram from President William M. Green of the AFL, revoked the charter, charging that the council's transacted business, including affiliation with the Oregon Commonwealth Federation, was illegal because of the participation of CIO delegates.

About 40 CIO council members hooted Osborne and left the meeting, stating their intention of forming a separate organization. Kizer, head of the powerful Warrenton local of the sawmill and timber workers' union, resigned his post as council president and joined the bolting group. The Warrenton local is affiliated with the AFL.

Following the walkout, Osborne complied with the request of the remaining members that the charter be returned.

Signal Operation Delay Is Planned

Salem's traffic signal system will probably be ready for use next Monday but present plans of city officials are not to place them in operation until after the state fair.

Work of installing the master control box at police headquarters was begun yesterday. Harley L. Bosler, local contractor in charge, said testing of the system might start Saturday.

Musically-Named Soong Sisters Play Important Roles in China



Girl Wounded as Liner Is Bombed



Jean Cowen, 17, San Francisco girl and Pomona college student, struck on the arm by shrapnel when the liner President Hoover was bombed recently during the Shanghai battle.

Autumn Heralded; Auctions Popular

Fall was ushered in last night by Salem residents in downtown streets as the Ad club's annual fall opening took place as scheduled.

Promptly at 7 p. m., "Sch store window" was unveiled, revealing bright new merchandise in the autumn mode. Every brilliantly lit showcase was a center of admiring throngs as the window dressers, working for the past two days behind curtains, put forth their finest fall wares.

At the same time two street auctions at which "phony money" was honored, began, attracting approximately 4000 bidders and onlookers. Competition was keen among bidders and prices ran so high that the person holding less than a sizeable wad of "phonies" soon dropped out.

First article sold was a hunting knife, at the starting place at Chemeketa and Commercial streets, for 6000 "bucks." Highest prices paid were 52,000 "phonies" for a club chair, and a radio sold for 42,000 "bucks." A sack of flour brought as high as 10,000 "phonies." Ben Stettell of Albany and traffic congestion is past.

Mystery Subs Are Sought by English Ships

Reinforcements Sent to Mediterranean With France in Accord

LONDON, Sept. 2-(AP)—British naval reinforcements sped into the western Mediterranean tonight with guns ready to thunder Great Britain's answer to mysterious submarine and airplane attacks on British ships.

The cabinet decision for more warships in the trouble zone off the coast of Spain was made with the full concurrence of France.

Public opinion in both nations, inflamed by newspaper reports and official intimations that Italy is responsible for the increasingly frequent raids on neutral merchantmen and warships, was believed to be nearing the limit of its patience.

Molestation of shipping on Britain's empire "life line," and especially off the east coast of Spain, was capped by mysterious submarine attacks on the British tanker Woodford.

The Woodford, fired on in nearby waters a few hours later, was sunk. Her second engineer was killed. The rest of her crew of 82 brought ashore in a lifeboat.

Prime Minister Neville Chamberlain, stung into action by the dangerous situation, was understood to have ordered a full cabinet meeting Sept. 2. Authoritative sources said Britain's Mediterranean fleet was "overhauled" and "China must be chastised."

4H County Stock Show Will Start

The largest 4H club livestock show ever to be held by Marion county is under way today at the state fairgrounds for a two-day stand, Wayne Harding, county club leader, announces.

Two hundred head of sheep, hogs, dairy and beef cattle owned by members will be on display. Winning entries are to remain for the fair next week to enter contests being held then.

Byers Injured as Cycle Hits Ditch

Wayne Byers, Silverton, received lacerations and bruises where he rode his motorcycle into a ditch to avoid hitting a train at the McNary crossing near Brunk's Corners last night.

Late Sports

PORTLAND, Sept. 2-(AP)—Portland baseball fans saw their coast league entry win its first victory in 11 home games tonight when the Beavers landed on Don Osborn of the Seattle Indians for 13 hits and won, 11 to 3.

Fall Near Augusta As Nippon Cruiser Nearby Bombed

Air Raid Upon Kagoshima on Japanese Island Is Reported but Denied; 72 Russian Planes Arrive

SHANGHAI, Sept. 3-(Friday)—(AP)—Chinese shells fell dangerously near the cruiser Augusta, flagship of the United States Asiatic fleet, today in a heavy bombardment directed at the Japanese cruiser Izumo.

Giant howitzers in Pootung, industrial section across the Whangpoo river from the international settlement, burst into action at 10:48 a. m. today (6:48 p. m., PST Thursday) against the battle-scarred Izumo.

Many of the shells fell in the Whangpoo between the American and Japanese flagships. Widespread fires blazed on land points struck by the bursting missiles.

The barrage followed the opening of a guerrilla campaign by Chinese snipers concealed along the Pootung shore, opposite the Augusta, against Japanese warships and war planes which have been harrying the area.

Other sharpshooters peppered away at Japanese destroyers farther down the Whangpoo off the Woosung shore and along the Yangtze river, near Paoshan, causing little material damage but keeping their enemy discomfited and on the alert.

Chinese circles earlier were electrified by unconfirmed reports that Chinese bombing planes had flown to Japan and bombed Kagoshima on the southern island of Kyushu.

Hirota's call for destruction of the Nanking government was echoed by the major political parties, minto and seiyukai, which in a national mass meeting adopted a resolution declaring that General Chiang's regime must be overthrown and "China must be chastised."

The parties, on the eve of the emergency session of parliament which will convene tomorrow to vote more funds for the war in China, also voted unanimous support for the wartime policies the government will ask parliament to approve.

These include rigid government control over almost the entire economic fabric of the nation, including use of private capital.

WASHINGTON, Sept. 1-(AP)—Six peace organizations acting in concert renewed their demand to (Turn to page 9, col. 6)

First Bendix Race Plane Gets Start

LOS ANGELES, Sept. 3-(AP)—Jacqueline Cochran, New York aviatrix, soared into the air at 12:04 p. m. (PST) today, the first of nine speed pilots to get away in the \$24,000 Bendix transcontinental race.

Thousands of cheering aviation enthusiasts, jamming Union air terminal and massed in automobiles on roads for several miles around, saw "Jackie," wife of multi-millionaire Floyd B. Odom of Wall Street, lead her eight male rivals at the start.

E. C. Sundorff, of Cleveland, flying a plane of his own design, through congested Chinese quarters of Hongkong, trapping many in their homes.

Hongkong Typhoon Toll Over 500, May Run in Thousands

HONGKONG, Sept. 2-(AP)—A 125-mile-an-hour typhoon roared across Hongkong and the nearby teeming Chinese coastal communities today, exacting a death toll which officials believed to be at least 500 and feared might run into the thousands.

Huge ocean liners were hurled aground, fires spread by the gales swept through congested Chinese quarters of Hongkong, trapping many in their homes.

There was heavy loss of life among thousands of Chinese who live on small boats when their floating homes were dashed against the Hongkong seawall or Orcky coasts and smashed to bits.