

# China Resolve Is Reaffirmed

### Will Oppose Nipponese to Finish; Reorganization of Defense Made

By JAMES A. MILLS  
 HANKOW, Jan. 5.—China's deep resolve to fight Japan to the utmost was exemplified today by the government's decision to strengthen the national military council and by renewed activity of Madame Chiang Kai-Shek's reorganized air force.

The government announced Chinese bombs sank two Japanese gunboats in the Yangtze river near Wuhan January 3 and destroyed the airfield and six Japanese planes at Wuhan today.

In Shanghai, Japanese said six Chinese bombers were intercepted at Wuhan by a fleet of Japanese pursuit planes and forced to dump their loads of bombs in the Yangtze and flee. They reported no damage.

Chiang Full-time Warrior

In the reorganization move Generalissimo Chiang Kai-Shek, who recently resigned the presidency of the executive Yuan—corresponding to the premiership—so he could devote his entire time to prosecution of the war, remains as head of the military council. He will have six new military boards under him.

Gen. Ho Ying-Chin, present minister of war, will be chief of the general staff.

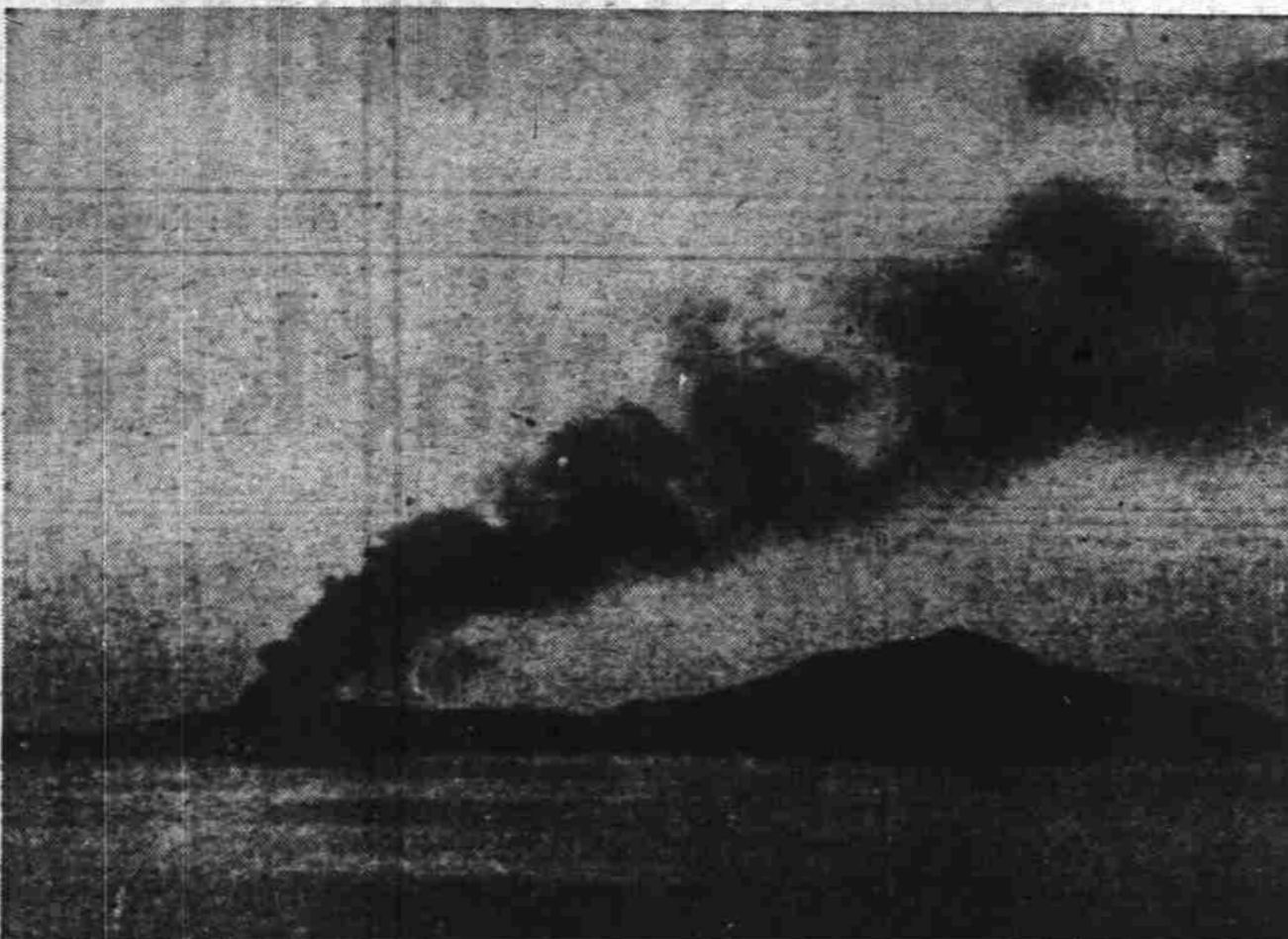
Economic affairs and heavy industries, formerly under the national military council, have been transferred to the executive Yuan, where Dr. H. H. King, the Generalissimo's brother-in-law, has succeeded to the presidency.

Dictator Powers Enlarged

In his capacity as head of the supreme war council and commander-in-chief of the armies, Chiang will exercise plenary powers not only over military affairs but civil matters, becoming a more powerful figure than before. He stepped down as official head of the civil government.

These readjustments in the national military council and recent changes in the executive branches of the government, Chinese officials say, disprove reports that former communist leaders are now playing an important part in the national government. It is true, however, that left wing elements as well as leaders of the eighth (communist) army have been given membership in the advisory council for national defense, which recently was enlarged to 75 members.

# Nipponese Bombs Destroy Three Commercial Tankers



Three American merchant ships, convoyed by the USS Panay, were bombed and destroyed shortly after the Panay was sunk to the bottom of the Yangtze river by Japanese bombers. The vessels, the Meiping, Meishia and Meisan, were beached by their crews, who escaped to the river banks. Photo shows the ships burning up in the distance.—H.N. photo.

# Retirement Again Will Alter Court

(Continued from page 1)

cessor voted for the validation of such legislation and the others voted as before, the lineup would be five to four in favor of holding it constitutional. It is expected that Hughes and Roberts both sided with the "conservatives" in that case.

As always, when an important governmental post becomes vacant, Washington is abuzz tonight with speculation as to who would be appointed. Everyone interested had his list of possibilities and some of them were lengthy. But several names stood at or near the top of each.

These were Solicitor Gen. Stanley Reed, Sen. Sherman Minton of Indiana and Former Sen. Sam G. Bratton, now a judge of the 10th circuit court of appeals. These three were known to have been among those under consideration when Black was appointed last year.

Other names mentioned included: Robert H. Jackson, assistant attorney general; Felix Frankfurter and James M. Landis of the Harvard law school; Senator Wagner (D-N.Y.), and Ferdinand Pecora, a judge of the New York state supreme court.

# Martin Seeks to Get Flax Subsidy Ruling Reversed

Governor Charles H. Martin sent telegrams Wednesday to Oregon's delegation in congress protesting against the recent decision of the agricultural department withdrawing the flax subsidy to Oregon growers in 1938.

Representative Walter Pierce replied that he had arranged a conference with Secretary Wallace to discuss the situation.

"The decision of the agricultural department to withdraw the flax subsidy came at a most inopportune time," Governor Martin's telegram read.

"With the fine weather at the opening of the new year the farmers are beginning to make their planting arrangements and the withdrawal of the subsidy will cause a great many of them to withdraw from flax planting with most disastrous results to our retreating and scutching plants."

# New Dispute Ties Up Seattle's Port

(Continued from page 1)

tions committee chairman, said the dispute first arose in November, and that a joint labor relations committee then agreed longshoremen should handle all cargo from ships to the "first place of rest."

"The dispute was again opened December 29, when the employers denied the Seattle longshoremen the right to handle cargo from the Caspian steamer Border Prince to the first place of rest on the dock," Nelson said. He also charged the longshoremen were "locked out" by the employers in violation of the longshore agreement.

# Margot Is Billed On State's Stage

The management of the State theatre has booked for Thursday, Friday and Saturday "The Night Club Follies of 1938," featuring Margot, the dancing star of Earl Carroll's "Fifty Million Frenchmen," the stage production that ran on Broadway for two seasons. Margot is original in her dance creations and has the ability to please any type of audience.

Antoin and Antoinette, popular night club entertainers, were engaged for stage work when they became well known from their past season at "The Club Deauville" and "Royal Hawaiian" in San Francisco.

"Spec" Watkins, master of ceremonies, is noted for his gloom-chasing ability. Billy Samuels, a star of stage and night clubs, tops off the program with a musical arrangement of popular song hits. The screen fare is a new picture for Salem, featuring Conrad Veidt and Vivien Leigh in an exciting spy drama, "Dark Journey."

# Hearing for WPA Workers Granted

The WPA labor relations hearing for which the Salem Workers Alliance unit applied last October 14 will be held at the old high school building at 1 p. m. Friday, according to W. J. Caisse, alliance secretary. Caisse announced last night the alliance had been notified of the hearing date by T. J. Sheridan, labor relations official of the WPA.

The alliance's request was brought to the attention of E. J. Griffith, state WPA administrator, at a meeting of the Salem Trades and Labor council here December 21. The hearing was applied for to ascertain methods by which selections of WPA workers for discharge under quota reductions were governed.

# Record Fund for Defenses Urged

(Continued from Page 1)

which would swell the defense total to \$991,300,000. This total was 98 per cent higher than that of the budget five years removed—1934.

The budget provided for a start during the fiscal year opening July 1 on the construction of two battleships, two light cruisers, eight destroyers, six submarines and four auxiliary vessels in addition to 70 craft, including two battleships, already building or contracted for.

# Ford Petition For Rehearing Denied

DETROIT, Jan. 5.—(AP)—The Ford Motor company, assailed findings of the national labor relations board as "unjustified by the facts and unsupported by the evidence," announced tonight it would not comply with certain orders of the board which held it guilty of violating the Wagner act.

The company's statement, in the form of a reply to the board's order that it "cease and desist" from certain practices, reinstated 29 discharged employes and post notices of compliance in its Dearborn and Highland Park, Mich., plants, was issued immediately after its petition for rehearing of the NLRB complaint was denied in Washington by the board today.

NLRB officials said they would ask a federal circuit of appeals for an order to enforce the board's ruling, but that they were undecided when or where the action would be instituted.

# Civil War Vet Is Buried in Honor

TOLEDO, Jan. 5.—(AP)—Fulfilling a wish expressed shortly before his death Jan. 1, Francis M. Wadsworth, 101, Civil war veteran and one of Oregon's oldest pioneers, was buried with military honors Tuesday at North Plains.

Lincoln County Judge J. J. Galtzer, a life-long friend, officiated at graveside services.

Born in Ohio Dec. 14, 1836, he came to Oregon in 1865. He represented Benton county in the 1880 legislature, and later was connected with the Indian service and internal revenue service.

# Geraniums Bloom In 8-Inch Snow, Niagara Reports

In spite of eight inches of snow at Niagara on Monday recently, geraniums are blooming outdoors, and snapdragons, roses and lilies are also in bloom, says U. S. Rider, retired Salem postal employe who was in town yesterday from that section. Rider says there is still some snow on the peaks above Niagara, but that the 8-inch fall disappeared in one day.

He said the area from Niagara to Mehana presented a spring-like appearance as he drove down yesterday morning, and that there was no sign of fog until he reached Mehana and even there it was not as heavy as in the valley.

# Jews Are Investigated

BUCHAREST, Jan. 5.—(AP)—The cabinet of Premier Octavian Goga today appointed a committee to start investigation of all citizenships granted Jews during and after the World war.

# Japan Takes Notice of Roosevelt Defense Talk

TOKYO, Jan. 5.—(Thursday)—(AP)—The Japanese press today gave prominent display to President Roosevelt's budget message recommending outlay of nearly a billion dollars for national defense.

# To Decide on Union

ASTORIA, Ore., Jan. 5.—(AP)—Forty-two Pacific Coast Fishermen's union delegates, representing 4,000 gillnetters, trawlers and crab fishermen from Alaska to Mexico, discussed a proposed AFL-CIO election here today.

# Kerosene Causes Blaze

ASTORIA, Jan. 5.—(AP)—Kerosene, used to speed a kitchen fire, caused a blaze which destroyed the \$5000 George Carter home today. Mrs. Carter was injured while removing belongings.

# Suit Launched On Retirement

### Constitutional Issue Is Raised as Temporary Injunction Asked

(Continued from page 1)

after any teacher shall be retired at the close of the semester or term in which he or she reached said age, and notwithstanding any provisions of this act."

The act affects Salem teachers more vitally than those of the Portland system because the local district offers no retirement benefits under a pension system. A study of possible pension plans for the Salem district was conducted about three years ago but the matter was dropped because of the difficulty of financing it.

Would Take Rights Illegally, Alleged

The retirement act would take the Miller complaint charges wrongfully take from him rights he holds under a life teaching certificate and under contractual rights arising from long years' service and his standing under the tenure law. The act is alleged to be in violation of section 21, article 1, of the state constitution, which forbids the legislature's enacting ex post facto laws or impairing the obligation of contracts; of section 10, article 1 of the federal constitution, similar to the state section cited, and of "due process of law" and "equal protection of the laws" clause of the 14th amendment.

Principal Miller is in his 31st year of service, all of the time as a principal in the Salem school system. Other faculty members believed subject to the retirement act next month are Mrs. LaMoine R. Clark, principal, Leslie Junior high school; Miss Anna Fischer, principal, Richmond grade school; Miss Adona Cochran, third grade, Richmond; Miss M. Ellen Curran, primary, Grant, and U. S. Tolson, commercial subjects, Salem high school.

# Budget not to Attain Balance

### Debt to Increase a Billion at Least Even if Aid Item Controlled

(Continued from page 1)

ments and use of \$110,000,000 of other funds for this purpose, Senator McGill (D-Kas), co-author with Senator Pope (D-Iowa) of the senate farm bill, commented: "The sum is entirely inadequate. It has been our understanding all along that we could count on \$500,000,000. Surely the congress will insist on it."

Representative Fish (R-N.Y.): "It doesn't make any difference any longer what the president says in his budget messages. Why should anyone believe in them?"

# Clashes Feature Plylock Hearing

PORTLAND, Jan. 5.—(AP)—Clashes between rival attorneys marked the hearing today before national labor relations board examiner Jesse Jacobson on charges against the Plylock corporation of discriminating against CIO employes.

The company claimed to be bound by contract to employ only members of the AFL.

G. L. Patterson, NLRB attorney, said he expected to prove that no contract was in existence between September 12, when employes gave up their AFL charter, and September 27, when it was received.

Robert L. Sabin, Jr., representing the company, countered that the wording of the charter provided it could not be abandoned as long as 10 members remained in the union. He said the vote for CIO affiliation was 210 to 203, with 39 not voting.

Charles W. Robison, AFL attorney, clashed with Patterson when the latter's objection to a question was quickly sustained by the examiner.

# Coast Tragedy to Boost Auto Toll

December traffic deaths were increased to a possible 36 as the result of a recent tragedy at Rose Lodge, Lincoln county, in which five persons were known to have perished, Secretary of State Snell reported Wednesday.

The automobile, occupied by the five persons, apparently skidded from the highway and fell into a stream, officers said.

Although the accident occurred December 26 the bodies were not recovered until yesterday.

Thirteen pedestrians were included in the December traffic toll.

# Columbia Loggers To Seek Revision

PORTLAND, Jan. 5.—(AP)—The Columbia Basin Loggers association will seek revision of work-

# Tug Wargo First, Negotiate Locks

CASCADE LOCKS, Jan. 5.—(AP)—Towing two barges for the Columbia Construction company, the tug Warco in command of Captain Karl Rosenback made the initial passage through the Bonneville dam locks at 10:30 a. m. today.

The WARCO was also the last boat to pass over Cascade rapids, now submerged by backwater from the dam, in 1935.

The steamer The Dalles, with a barge in tow, was scheduled to pass through bound up stream at 9 a. m. tomorrow.

agreements expiring March 1, the Columbia River District Council of Lumber Workers, a CIO affiliate, was advised today.

Lewis H. Mills, representing 26 logging operators said the association had "nothing very definite in mind," the move being "one to keep our foot in the door in case there are revisions needed."

**IT'S WORTH GOING MILES TO SEE!**

**ON OUR STAGE NIGHT CLUB FOLLIES OF 1938**

Featuring **MARGOT**

The Star of Earl Carroll's Latest Success, in a Sun-burst of Dazzling Dance Routines that started all New York talking about "50 Million Frenchmen"

**Antoin and Antoinette**  
 Direct from Royal Hawaiian in San Francisco

**BILLY SAMUELS**  
 Musical Maniac

**"SPEC" WATKINS**  
 Joy-Boy of the Bright Lights

**MATINEE DAILY 15c**

**No Advance In Prices!**

—ON THE SCREEN—  
 Her Madonna-Like Look Sent a Thousand Men to a Watery Grave

**DARK JOURNEY**

—CONRAD VEIDT  
 VIVIEN LEIGH

**STATE THEATRE**

# The Call Board

- CAPITOL**
- Today—Double bill, Joe E. Brown in "Fit for a King" and Gary Cooper in "Lives of a Bengal Lancer."
- STATE**
- Today—Eastern Circuit, Vanderbill and Conrad Veidt and Vivien Leigh in "Dark Journey."
- Saturday morning Kiddies Matinee and Saturday mid-night preview show "Big City."
- HOLLYWOOD**
- Today—"It's All Yours" with Madeline Carroll and Frances Lederer.
- Friday—Double bill, "Sea Racketeers" with Weldon Heyburn and Jean Madden and Buck Jones in "Boss of Lonely Valley."
- GRAND**
- Today—Claire Trevor in "Big Town Girl."
- Saturday—Jackie Cooper in "Boy of the Streets."
- ELSINORE**
- Today—Double bill, Irene Dunn and Randolph Scott in "High Wide and Handsome" and Wallace Ford in "Exiled in Shanghai."

**Arl Certificate No 70**

This Certificate entitles you to one week's Set of Four Pictures upon payment of only 39c (46c if by mail).

**IMPORTANT**

Be sure to order Set No. 1—if you have that or subsequent sets, order the next numbered Set of Four.

**HOLLYWOOD 15c**

Two Features  
 Buck Jones "Sea Racketeers"  
 "Boss of Lonely Valley"  
 Also—3 Stooges Comedy News & Cartoon Comedy

**HOME OWNED HOLLYWOOD 15c STARTS SUNDAY**

Norman Alley's Universal PANAY BOMBING PICTURES

**ELSINORE**

Starts Today

2 MAJOR FEATURES

A Thrilling Musical Adventure!

**HIGH, WIDE AND HANDSOME**

And Hit No. 2

**EXILED TO SHANGHAI**

WALLACE FORD

**It's All Yours**

**MISCHA AUER**  
**GRACE BRADLEY**

**Two Features**  
 Buck Jones "Sea Racketeers"  
 "Boss of Lonely Valley"  
 Also—3 Stooges Comedy News & Cartoon Comedy

**HOME OWNED HOLLYWOOD 15c STARTS SUNDAY**

Norman Alley's Universal PANAY BOMBING PICTURES

**ELSINORE**

Starts Today

2 MAJOR FEATURES

A Thrilling Musical Adventure!

**HIGH, WIDE AND HANDSOME**

And Hit No. 2

**EXILED TO SHANGHAI**

WALLACE FORD

**CAPITOL**

Tonight - Fri. - Sat. 2 BIG FEATURES

**JOE E. BROWN**

**FIT FOR A KING**

—AND—

**The Lives of a Bengal Lancer**

GARY COOPER

**REPORT OF CONDITION of LADD & BUSH Bankers at Salem, County of Marion, Oregon AT THE CLOSE OF BUSINESS DECEMBER 31, 1937**

RESOURCES	
Loans and discounts	\$ 5,288,285.20
Overdrafts	2,548.52
United States Government obligations, direct and/or fully guaranteed	3,815,430.00
Other bonds, stocks and securities	557,343.56
Banking house \$203,750; furniture and fixtures	237,389.60
Real estate other than banking house	136,190.43
Cash and due from banks	1,668,875.65
Other resources, including cash items	322,532.66
<b>TOTAL RESOURCES</b>	<b>\$12,028,595.67</b>
LIABILITIES	
<b>Demand Deposits:</b>	
(a) Of individuals, co-partnerships, corporations, etc.	\$4,374,031.45
(b) Of state, county, municipalities, etc.	1,798,719.33
(c) Due to banks, including cash-ier's and certified checks	335,975.12
(d) United States Government	112,666.00
Total demand deposits	\$ 6,621,391.90
<b>Time Deposits:</b>	
(a) Of individuals, co-partnerships, corporations, etc.	\$4,362,837.52
(b) Of state, county, municipalities, etc.	68,648.07
(c) Due to banks	10,000.00
Total time deposits	4,441,505.59
Other liabilities	4,417,705.59
<b>Capital Account:</b>	
Capital	\$ 500,000.00
Surplus	350,000.00
Undivided profits, net	77,236.18
Reserves	33,571.75
Total capital account (includes \$247,500.00 capital securities)	960,807.93
<b>TOTAL LIABILITIES</b>	<b>\$12,028,595.67</b>
<b>MEMORANDUM: Loans and investments pledged:</b>	
U. S. Government obligations, direct and/or fully guaranteed	\$ 2,312,000.00
Other bonds, stock and securities	80,000.00
Loans and discounts	None
Total pledged excluding rediscounts	\$ 2,392,000.00
Total liabilities secured by the pledge of loans and/or investments	\$ 1,830,337.94

STATE OF OREGON, County of Marion, ss:  
 I, GEO. H. RICHES, cashier of the above-named bank, do solemnly swear that the above statement is true to the best of my knowledge and belief.

Subscribed and sworn to before me this 5th day of January, 1938.  
 Nellie E. Schwab, Notary Public for Oregon.  
 My commission expires January 11, 1938.

Correct—Attest: A. N. BUSH, WM. S. WALTON, GEO. H. RICHES,  
 (SEAL)

Directors:  
 A. N. BUSH  
 WM. S. WALTON  
 GEO. H. RICHES