



ON THE INSIDE- in Washington!

By KIRKE L. SIMPSON
Wide World War Analyst for The Statesman

The Russians have announced their withdrawal from Rostov, at the portal of the Caucasus, and Berlin says the Soviet's defense line is tottering all along the lower Don from the Rostov area eastward to the great bend of the river 50 miles or less from Stalingrad and the Volga.

The same communique telling of the withdrawal from Rostov, which the red army wrested back from the Germans last winter, reported abandonment of Novochoerka, 20 miles to the northeast of Rostov. Earlier, Moscow admitted at least two bridgeheads on the south bank of the Don were in enemy hands east of the Donets inflow.

Novochoerka is several miles upstream on a small river flowing into the Don from the north. Whether the nazis' claim to have captured Bataisk junction, 20 miles south of Rostov on the main rail and pipeline routes in the Caucasus, represents still another crossing of the Don or a flanking operation down the south bank of the river is not clear.

It makes little difference. In either case the plight of the whole Russian left flank is critical if Bataisk has been taken. That could represent entrapment of all Russian forces south of the Don below the Donets confluence to the Sea of Azov, and collapse of the lower Don defense line at its strongest point.

Bataisk is a point on the Rostov-Baku railroad where a highway takes off westward to the town of Azov on one of the multiple mouths of the Don. In German hands that junction not only represents an immediate threat to the Maikop oil fields, less than 200 miles farther south; but a possible new sea-borne flanking invasion route to the Caucasus from Taganrog. It is less than 30 miles from Taganrog to Azov across the narrowing northeastern arm of the Sea of Azov across the narrowing northeastern arm of the Sea of Azov below Rostov.

The whole northwestern bulge of the Caucasus to the Maikop oilfields could be quickly cut off by a further German surge southward from Bataisk. While that field itself is of minor importance compared to the great Caspian shore pools, the Germans, if they reached it, would be astride both routes to Baku. They would be in a position to strike down both the north and south flanks of the forbidding Caucasus range even if they had failed to reach the Volga beyond the Don bend.

Berlin asserted the Don had been crossed east of the Donets confluence several days before Moscow admitted bridgeheads had been established on the south bank in that region. There was no mention of the Bataisk operation from Moscow as this was written, but specific German claims of that nature rarely have proved incorrect. The probabilities are, therefore, Bataisk has been at least invested although it seems unlikely the Don line was crossed in the Rostov region to reach it.

However this new and most menacing German thrust into the Caucasus was achieved, it has only one encouraging aspect from an allied nation viewpoint. It tends to confirm the impression the whole Nazi offensive revolves around Hitler's urgent necessity of obtaining new and considerable oil sources before winter closes in again. The tremendous scope of his offensive operations in Russia is drawing heavily on his reserve stocks of natural or synthetic fuels, as is his long-distance sea blockade campaign in American waters.

It goes without saying the Maikop region wells, refineries and pipelines will be destroyed under the soviet scorched-earth policy if the threat becomes more imminent. Destruction crews are probably already assigned to do the job and do it thoroughly.

Even with pipeline or rail connections with the Caspian fields broken, Russian needs could be served by sea and Volga barges so long as red armies retained control of that transportation means. There can be small doubt, however, that very considerable Russian forces along the lower Don below the Donets inflow and in the northwestern triangle of the Caucasus which fronts on the sea of Azov are in deadly peril if the Germans are already behind them at Bataisk.

A desperate retreat southward before the trap closes completely may confront the whole southern flank of Marshal Timoshenko's line if the claimed Nazi spearhead at Bataisk cannot be pinched off without delay.

Hamilton Hit by Heart Ailment
VALLEJO, Calif., July 27-(AP) Robert A. "Bones" Hamilton, former Stanford university blocking quarterback, is in the Mare Island navy hospital under treatment for a heart ailment.

Congressmen Relax
WASHINGTON, July 27-(AP) Speaker Rayburn said after a talk with President Roosevelt Monday he expected congress—at least the house end of it—to be in informal recess five or six weeks.

Nutrition Meet Set
CORVALLIS, July 27-(AP) Dean A. B. Millam, state chairman of nutrition committees for defense, announced Monday that the state and Portland committees will meet at Portland Wednesday with national and regional directors.

Joint Return Plan Rejected

Three Other Treasury Plans Kept in Mind Include Bond Tax

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poses. Sometimes their total taxes are lower than if each had to file returns on income actually received.

The vote against federal taxation of the income from outstanding issues of state and municipal bonds also was said to have been 14 to 2. What was described as a large majority, however, favored taxation of future issues.

The treasury had estimated that taxation of outstanding issues would raise about \$200,000,000 but taxes on future issues were calculated to yield only about \$3,000,000 in the first year.

The group was said to have voted 9 to 6 to hold open for future study the question of changing oil and mining depletion calculation methods.

A huge increase in taxation, so that half the government's expenditures would be met out of current revenue instead of borrowing, was advocated by Senator Wiley (R-Wis.).

"We should not consider for one moment passing on to the following generation more than 50 per cent of the cost of this war," he said in a senate speech. "If we do we are lickers."

The pending \$6,271,000,000 would bring total federal revenues to a total of only \$22,000,000,000, he said, as against prospective war expenditures of \$72,000,000,000 during the next 12 months.

Wiley suggested "timid, mincing steps" be abandoned; that congress raise \$36,000,000,000 by taxation and insist Americans buy \$38,000,000,000 in war bonds.

All senators voting for this plan, he said, could demonstrate leadership by pledging one-third of their net income to the purchase of government bonds.

The senate finance committee heard a proposal for "advancing the clock" on income tax collections by collecting a treasury bookkeeping operation which would credit this year's payments on 1942 instead of 1941 taxes, making collections current thereafter.

Beardsley Ruml, of R. H. Macy & Co., New York, advanced this suggestion. The plan, he said, would cancel every individual's 1941 income tax liability but would cost the treasury little if anything in revenues now.

He said this could be accomplished by considering the payments made this year by individuals as collections on 1942, instead of 1941, income. For purposes of these payments, the individual would calculate his 1942 revenue at the exact amount of his actual revenue in 1941. By the end of this year, the witness said, all individuals then would have paid their current tax bill.

Only in the Caucasus rich in oil and grain, but it is the gateway for allied supplies from the middle east. Its severance from the Russian hinterland would be an extremely heavy jolt to the red military machine.

The Germans also have the advantage of several months of good fighting weather ahead.

Only in the Voronezh area 300 miles north of Rostov were the Russians claiming any distinct success. There the red army was reported to have made another crossing of the Don to the western bank after wiping out thousands of Nazi troops.

The Russian successes in the Voronezh area thus far have not endangered the left Nazi flank enough to stem the southeastward German tide which threatens the Caucasus and Stalingrad on the Volga communications route.

Russian dispatches said the lower Don river between Rostov and Tsimlyansk was breached only at terrific cost to the Germans—but the Germans did cross.

Thousands of dead Germans littered the banks of the river or slipped downstream in the swift current along the smashed pontoons, these dispatches said. But long coils of German reserves all ways were there to take the place of the fallen, the Russians admitted.

This new, surging enemy tide and bracing central resistance by the red armies, coupled with aerial warfare of a scope and intensity hitherto unexceeded turned this encounter of tangling masses into one of the greatest battles of history.

It was obviously the most important battle fought on Russian soil since the Germans first crunched into Russia's western buffer front on June 22 last year. The oil, mineral and agricultural riches of the Caucasus are at stake and with them Russia's southern lifeline from her allies in the middle east.

Both the Germans and the Russians put on a terrific show in the skies, according to advices reaching Moscow.

Day and night the heavens were filled with fighters and bombers, the Russians drawing heavily on planes from the United States. The roar and whine of planes in twisting combat, the blasting of aerial cannon and thunderous burst of bombs at times blanketed the tumult of battle around.

The whole Steppes land inside the Don bend and the river slopes in places were spotted by the wildfire of battle. Fires spread through the ripening grainfields which provided ideal terrain for tanks maneuvering by the hundreds.

With typical restraint, the early morning Russian communique said fighting continued through Sunday night at Voronezh, 300 miles north of Rostov, on the harassed northern flank of Germany's broad southern drive, and in addition in the areas of Rostov, Novochoerka and Tsimlyansk.

(The Germans said their east-

FBI Hunts Nazi Saboteur Throughout Nation's Borders



Soundphotos show (left to right) Walter Kappe, alias Walter Kappel, 37-year-old lieutenant in the intelligence section of the German army; Rhelnhold Rudolf Barth, railroad draftsman and saboteur, and Joseph Schmidt, alias Paul Schmidt, who fled from Canada to Mexico, then to Germany, at the outbreak of war. The department of justice issued wanted circulars identifying the men as Nazi saboteurs ordered to the United States by the German high command to destroy vital war industries. Information concerning the men was believed to have been obtained from the eight Nazi saboteurs landed on the Atlantic coast by a German U-boat.

Germans Across Don River In Giant Battle for Oil

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terminus for Caucasian oil and foods, and a shipbuilding center near the corner of the sea of Azov.

Tuesday's war bulletin said of the Tsimlyansk area: "The enemy repeatedly attempted to cross the river. Fighting is going on with fluctuating successes."

"In one sector the Germans succeeded in pushing forward but were stemmed by a counter-attack of soviet troops and lost during this engagement 350 officers and men killed."

The phrase "fluctuating successes" bore out press dispatches which acknowledged the Germans were flowing across the Don despite the wrecking of numerous Nazi pontoons by soviet airmen and artillery.

The retreat south of Rostov further endangered the soviets because it increased the possibilities of a Nazi attack on the red flank from the German-held Crimea.

The outlook for the Russians was admittedly darker than ever now because the soviet people had hoped the Don barrier would be held at any cost. But all Russian dispatches repeatedly emphasized the numerical superiority of the attacking Nazi army.

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600 Bombers Hit Hamburg

Great Explosions and Fires Made by RAF In Renewed Attack

(Continued from Page 1)

istry said relatively little damage was caused.

The big Blohm and Voss shipyards, said to be capable of building 25 submarines at a time, were believed to have been one of the RAF's principal targets at Hamburg.

Other objectives were the sea-plane factory, oil refineries, explosive works and miles of docks which have been battered six times this year and 91 since the start of the war. The last attack on the port was the night of May 3.

The air ministry news service said the wave of bombers dropped all the explosives they could carry in one concentrated blast at the city.

The second wave swept over within 35 minutes, showering down high explosives and incendiaries.

"Much of the old town was on fire," the news service reported. "There were fires all around Aussen-Alster lake, and there were many in the dock area."

Pillars of black smoke were rising but as yet they were not drifting over the town. The target was clearly exposed for the attack of the last wave of bombers, and these were fully loaded with high explosives, including many 4,000-pound bombs."

Appearance of US army fighter pilots in weekend RAF forays over the continent further tipped the scales in favor of the allies in the long struggle for mastery of the air.

The pilots are flying British Spitfires, but later they are expected to have their own latest US models.

Jap Raiders Hit Darwin

GENERAL MacARTHUR'S HEADQUARTERS, Australia, Tuesday, July 28-(AP)—Japanese raiders attacked Darwin in northern Australia twice Monday night and attempted to attack Townsville on the northeastern coast, a communique said Tuesday.

No damage or casualties occurred at Darwin, where from three to five planes flew over the city, the communique said.

Meanwhile, allied bombers and fighters continued their attacks on the new Japanese bases in New Guinea, a group of dive bombers blowing up an ammunition dump, the communique said.

Other allied airmen ranged far to the northwest to score direct hits on an airbase and barracks at Japanese-held Joepang in Dutch Timor. Fires were left in their wake.

Cheese Is Victory Special for Week

WASHINGTON, July 27-(AP) The agriculture department Monday designated cheese as the victory food special from August 17 to 29.

As a part of a program for widening distribution of abundant commodities, the nation's retail stores will be expected to focus consumer attention on cheese during the two-week period.

Chuck Youngblood, the skipper, and his crewmen, taken aboard another fishing boat before the sinking, said salvaging would be attempted if the boat was found to have drifted into shallow water.

Sunk Fishing Boat May Be Salvaged

DEPOE BAY, July 27-(AP) Salvage operations on a fishing boat which foudered Sunday off the north Lincoln county coast awaited Monday on a location of the craft.

Continuous From 1 P. M.

A. M. Eby Dies in Fire

Origin Unknown of Blaze in Upstairs Studio Business

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Carrie May Eby, who was not at the apartment when the fire occurred; daughters, Mrs. Ernest Garrett of 981 North 15th street, Salem, and Mrs. Chester B. Doerr of Portland; sons, A. Edwin Eby of Bremerton, Wash., Willis E. Eby of Hood River, and Donald M. Eby of Portland, and one brother, D. M. Eby of Salem. Members of the family said no funeral arrangements would be made before today.

Damage to the building and the business firms it housed could not be ascertained Monday night, although Otto Klett, owner of the more-than-60-year-old structure, said it was insured for \$15,000, "more than enough to cover my loss."

Water damage to the Quella restaurant below would run between \$4000 and \$5000, Frank Chataas, owner, believed. The fixtures had been insured for \$2000, it was understood. Today the restaurant would normally be closed under Salem restaurant men's agreement.

Smoke and water damage to Joe's Upstairs Clothiers was unestimated. There, too, insurance was said to be for \$2000.

Loss to the Morris Optical company, downstairs and just east of the Quella, was believed to be limited to minor water and smoke damage.

In the studio apartment of the Ebys, the kitchen and bathroom at the rear were blackened by smoke; the bedroom was gutted, part of the partition leading into the living room blown away by what firemen termed a "back-draught" explosion caused by fire-made gases; the living room was somewhat burned, smoke darkened and thoroughly wet, and damage to the studio reception room was believed limited to smoke, water and broken windows.

7 Saboteurs Seek Writs
(Continued from Page 1)

as if they had never gone before the commission.

Announcement of the special supreme court term, rare in recent history, was issued by Charles Elmore Cropley, clerk of the court. It did not say how many of the prisoners were petitioning, but other sources said seven.

There was unofficial speculation the man who did not petition is George John Dasch. He is reported to have given the FBI valuable information and is represented by separate defense counsel.

If the court refuses to entertain the petitions, the military commission will hear final arguments from both sides starting Thursday, and proceed to consider a verdict.

To convene the special term, the nine supreme court justices had to be summoned from their homes and vacation retreats throughout the country. Farthest away was Justice Douglas in Oregon and he already is on the train.

Kaiser Offers Paid Training

PORTLAND, Ore., July 27-(AP) Learn to Weld—and get 95 cents an hour while you're training.

That's the opportunity offered to 14,000 persons in Oregon and Washington by the Kaiser shipyards in the Portland-Vancouver, Wash., area to meet a "very serious shortage of workers."

Plans to pay learning welders at the same rate as men now on the job have been approved, the company said, and the program will start Monday.

Trainees will be taken from state and federal vocational training schools in the two states and assigned to classes in the company's yards. After 60 hours they will go on production work.

Atlantic Ship Loss Is 401

(Continued from Page 1)

the war began and allied losses "have greatly exceeded new construction" despite its tremendous volume.

On the other side of the ledger the government has extended its convoy system, opened anti-submarine schools, added escort vessels and increased air patrols in an all-out effort to smash the underwater menace. Into production it has thrown the facilities of the world's greatest shipyards.

GRAND TODAY

Henry ★ Don
Fonds ★ Ameche
Lynn Bari
"THE MAGNIFICENT DOPE"
AND
"A Desperate Chance for Ellery Queen"

22c Plus Tax
Dope 1:28-1:43
Tax 1:43-1:58
Queen 1:58-4:00
8:35

New STATE TODAY

"BLOSSOMS IN THE DUST"
Greer ★ Walter
Garson ★ Pidgeon
AND
Wm. Powell Myrna
Loyne
"I Love You Again"

18c Plus Tax
Anytime 6:45

Jernstadt Said Better Monday

McMINNVILLE, July 27-(AP) Condition of AVG Flight Leader Kenneth Jernstadt was declared improved Monday by Dr. E. H. Barendrick, who said the Flying Tiger's illness had been diagnosed as Dengue fever contracted while he was on duty in Burma and China.

Barendrick said that the ace's temperature, which was 104 degrees when he was rushed to a hospital here last Thursday, was back to normal Monday.

Flier Urges More Planes

DeSeversky and Lee Propose Diversion Of Shipbuilding

(Continued from Page 1)

a second front in Europe is unfeasible as the United Nations haven't enough planes to prevent disastrous attacks on transports crossing the channel.

The major fact he didn't see "the ghost of a chance of a Japanese invasion of the west coast."

"An attack from a carrier is unthinkable," he said, "unless we are completely asleep."

WASHINGTON, July 27-(AP) A fleet of giant cargo and troop-carrying planes was proposed in the senate Monday as the only answer to the submarine menace.

Youthful Senator Lee (D-Okla) solemnly told his colleagues air-borne transportation offered the "only possible chance we have of winning this war." It is folly, he said, to continue trying to "build ships faster than Hitler can sink them."

His resolution, calling for a special board to start immediate construction, was referred to the military affairs committee.

Lee said it had been estimated 10 per cent of Hitler's airplane production was devoted to giant flying boats, but that percentage was too small for United States needs.

"Our communication lines are many times longer than Hitler's and therefore the percentage of production devoted to transportation must be greater than that required for Hitler's needs."

Under Lee's resolution, the percentage of shipbuilding capacity that would be diverted to building flying boats would be left to the supply board composed of the secretaries of war and navy, the administrator of war shipping administration and the chairman of the war production board.

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"I Love You Again"

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Buy War Stamps and Bonds

ELGINORE

NOW SHOWING - TWO HITS
Bette Davis
Olivia de Havilland
Geo. Brent - Dennis Morgan
"In This Our Life"
Plus Super Man
Time 7:40 - 9:11
PLUS - "YOKEL BOY" 8:51

CAPITOL

Last Day - Two Hits
GARY COOPER
"THE REAL GLORY"
Time: 1:55-3:30-10:40

COMPANION FEATURE
CAROLE LOMBARD
JACK BENNY
"To Be or Not to Be"
Time: 1:14 - 5:01 - 9:03
Plus Dead End Kids in
"G-MEN OF THE AIR"

Starts Wednesday - Two Hits

SONS OF THE PIONEERS

ROY ROGERS
COMPANION FEATURE
They need no excuse for a fight—but look out when they have a reason!
Dead End Kids
in
"Smart Alecks"