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FORTIETH YEAR—NO. 30 SALEM, OREGON, SATURDAY, FEBRUARY 3, 1917 PRICE TWO CENTS ON TRAINS AND NEWS STANDS—FIVE CENTS

DIPLMATIC RELATIONS WITH GERMANY ARE SEVERED TODAY BERNSTORFF HANDED PASSPORTS--GERARD AND OTHER AMERICANS ORDERED HOME

WALL STREET BROKERS RISE TO OCCASION TO BOOST PRICES

All Leading Stocks Rise In Today's Trading and Patriotism Rules Exchange--American Flags Bedeck Streets Surrounding Financial Center--Brokers Hold Impromptu Celebration Led by the Veteran Henry Clews--German Brokers Are Checkmated

New York, Feb. 3.--In a wonderful demonstration of patriotic exhortation and concerted pool action by big interests, the stock market was turned upward and became a booming war market today.

It was reported on the best authority in the street that the big German houses which have been selling short in anticipation of a break on news of the submarine crisis were caught by the upturn.

American flags appeared in the street soon after the news of the break with Germany spread and brokers jumped upon chairs in their offices and made speeches to their customers, advising all to cover their short sales.

Henry Clews, octogenarian member of the exchange, was one of the speech makers.

"I advise everybody in this house to cover," he said. "The United States is entering a period of tremendous prosperity."

"I've been through the civil war myself and I believe the United States is unbeatable."

Similar scenes were enacted in dozens of offices. The market which had broken one to five points, turned upward with a rush, advances ranging from one to ten points, amid a whirl of patriotic enthusiasm.

The general understanding in the street was that Standard Oil and Morgan interests joined in planning a big coup, one of the greatest in Wall Street history, when it became apparent that a break would come and that German houses were selling in anticipation of cashing in on the expected decline. The interests supported the market and today there spread through the street stories predicting great railroad and industrial earnings should war come.

The German crowd has planted in the market reports of successive crisis, passports for Bernstorff and "bear stories" of various nature for months. At each successive crisis, real or imaginary, they have been short and have covered on the decline, making big profits. Wall Street rumors have connected Von Bernstorff himself with these operations.

The coup of big American interests today apparently turned the tables on the German crowd, which has been reported piling up a gigantic short interest for weeks. The object of the drive upon this group is to leave them hanging on a limb, short probably to the extent of millions, and with no chance to cover except at huge losses.

The stock market received the news of the decision to break with Germany with less excitement today than the original submarine orders caused, initial breaks being confined to 1 to 2 points.

There was a flurry of nervousness and excitement, after which shorts who sold yesterday in anticipation of a break began to buy.

This buying temporarily steadied the market and there were recoveries. Steel broke to 106 5/8, off 1 1/2 five minutes after the news reached the street. New York Central yielded but half a point; International Mercantile Marine preferred sold off 3 to 65.

A flood of hundred share sales orders from small holders of stock and concerted action by bear operators caused a second break shortly after 11 o'clock. Steel sold at 99 1/2; Baldwin locomotive made a new low at 47; Reading dropped to 88 3/4; Crucible to 50 3/4, and pointing on marine preferred sent it to 62 1/8.

Big bankers were quoted as saying they had been expecting the development for several days and were prepared to meet it.

There is now a heavy short interest in the market, where, at the time of the original peace proposal and Wilson's peace message the market was top-heavy with long accounts. Margins had been widened, long accounts closed out and big interests had come to the support of the market. Wall street was better prepared to meet a shock than at any time in months.

Many brokerage houses today got out their flags and within a few minutes



COUNT VON BERNSTORFF

IN SPEECH TO CONGRESS PRESIDENT SAYS GERMAN'S HAVE BROKEN PLEDGED FAITH

Washington, Feb. 3.--The president's speech to congress today follows:

"Gentlemen of the congress: 'The Imperial German government on the thirty first of January announced to this government and to the governments of the other neutral nations that on and after the first day of February the present month, it would adopt a policy with regard to the use of submarines against all shipping seeking to pass through certain designated areas of the high seas to which it is clearly my duty to call your attention. Negotiations Reviewed.

"Let me remind the congress that on the eighteenth of April last, in view of the sinking on the twenty fourth of March of the cross channel passenger steamer Sussex by a German submarine, without summons or warning, and the subsequent loss of the lives of several citizens of the United States who were passengers aboard her, this government addressed a note to the Imperial German government in which it made the following declaration:

"If it is still the purpose of the Imperial government to prosecute ruthless and indiscriminate warfare against vessels of commerce by the use of submarines without regard to what the government of the United States must consider the sacred and indisputable rules of international law and the universally recognized dictates of humanity, the government of the United States is at last forced to the conclusion that there is but one course it can pursue. Unless the German government should now immediately declare and effect an abandonment of its present methods of submarine warfare against passenger and freight carrying vessels the government of the United States can have no choice but to sever diplomatic relations with the German empire altogether."

The German Reply

"In reply to this declaration the German government gave this government the following assurance: 'The German government is prepared to do its utmost to confine the operations of war for the rest of its duration to the fighting forces of its belligerents, thereby insuring the freedom of the seas, a principle upon which the German government believes itself, now as before, to be in agreement with the government of the United States.'

"The German government, guided by this idea, notifies the government of the United States that the German naval forces have received the following orders:

"In accordance with the general principles of visit and search and destruction of merchant vessels recognized by international law, such ves-



PRESIDENT WILSON

sels, both within and without the area declared as a naval war zone, shall not be sunk without warning and without having human lives, unless these ships attempt to escape, or offer resistance. 'But,' it added, 'neutrals cannot expect that Germany, forced to fight for her existence, shall for the sake of the neutral interests, restrict the use of an effective weapon if her enemy is permitted to continue to apply at will methods of warfare violating the rules of international law. Such a demand would be incompatible with the character of neutrality and the German government is convinced that the government of the United States does not think of making such a demand, knowing that the government of the United States has repeatedly declared that it is determined to restore the principle of the freedom of the seas, from whatever quarter it has been violated.'

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PLANS ARE PERFECTED IN CASE WAR COMES WITH GERMAN EMPIRE

Steps Taken At Once To Protect Ports and Naval Stations

ARMY AND NAVY SOON TO BE ON WAR FOOTING

American Munitions Factories Will Be Put To Work On Army Supplies

Washington, Feb. 3.--Four plans of immediate action in case of war with Germany, have been worked out by the general staff of the army, it was learned today.

They involve: Using the regular army and national guard as a nucleus to train an army of two million a year, sending no troops to Europe during that period.

Obtaining immediate passage of a universal military service law and calling out the first three classes under it. 'Extensive establishment of training camps in every state.

Putting American munitions plants and other factories to work furnishing supplies and munitions for an army of two million men and converting other factories for this work.

It would be futile, army men say, to send any of the present army to Europe. Russia lost eighty thousand officers in the first 10 months of the war, they said--more than the total strength of the United States.

General staff plans call for one hundred army divisions of 20,000 each. Fifty thousand officers would be needed. At present there are 6,000 officers available.

Youths reaching the years of 18, 19 and 20 the first year would be called. Each year one million boys reach each of these ages. One-third of them it is estimated, are unfit physically for military service--leaving about 666,000 in each class. This would be available at once, and staff experts believe they would insure an army of two million in a year and four million in two years.

The plan suggested is that of Japan, which has sent no troops to Europe but has defended its own waters and has prepared steadily for any possible trouble. This, it is declared, is the logical plan for the United States.

To Protect New York. New York, Feb. 3.--Acting Police Commissioner Leon G. Godley, in the absence of Commissioner Arthur Woods, took immediate steps to protect property in New York, following the announcement that the United States had severed relations with Germany.

Special guards were sent to all bridges and to the aqueduct which brings the city's water supply from the Catskill mountains.

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PRESIDENT STATES POSITION OF GOVERNMENT TO CONGRESS

German Ambassador Received His Passports at 1:57 This Afternoon--Later President Wilson Appeared Before Congress to State His Reasons for the Action Taken--Country Realizes at Last Situation Is Serious and Responds with Wave of Patriotism and Pledges of Support

By Robert J. Bender, (United Press Staff Correspondent.)

Washington, Feb. 3.--Diplomatic relations between the United States and Germany are severed.

German Ambassador Von Bernstorff was handed his passports at 1:57 this afternoon.

A few moments later President Wilson appeared before a joint session from the house and senate, informed congress of the action that had been taken and, looking toward the future, said:

"If American ships and American lives should in fact be sacrificed in heedless contravention of the just and reasonable understanding of international law and the obvious dictates of humanity, I shall take the liberty of coming again before congress to ask that authority be given me to use any means that may be necessary for the protection of our seamen and our people in the prosecution of their peaceful and legitimate errands on the high seas. I can do nothing less. I take for granted that all neutral governments will take the same course."

When the president closed he was met with a tremendous outbreak of cheers and applause from both sides of the chamber and from the galleries--republicans and democrats alike.

The president arrived at the southeast door of the capitol three minutes before he was scheduled to begin speaking.

An elevator was hurriedly emptied of its cargo of congressmen. As it ascended, a cheer from those on the street floor--the first time such a demonstration has been heard, rang through the corridors.

President Wilson, first off the elevator, strode into the speaker's room, immediately adjoining, after secret service men had cleared a path from the elevator to the door.

Several additions to the usual quota of secret service men accompanied him.

The galleries had filled rapidly and at 1:45 there was not a vacant seat. Even the diplomats and executive galleries were jammed with diplomats and attaches crowding even the steps.

At 1:50 the members of the supreme court filed into the chamber in a body and took seats in the first row at the left along with the senators.

It was the first time in memory that they have dignified the house with their presence.

Chief Justice White was the center of the group.

At 1:55 members of the senate entered the house chamber.

Chairman Stone and members of the foreign relations committee were given places in the front row.

Every face showed deepest anxiety. There was none of the customary greetings and handshaking. Every senator and every representative sat tense and expectant, many with heads bowed.

When the president was announced, there was an outburst of applause, punctuated with cheers from the democratic side, principally, and also from the galleries, but the demonstration was shorter than several occasioned by previous presidential addresses during the European war.

As the president entered, all members of his cabinet also filed in and took seats adjoining those occupied by members of the supreme court.

The president greeted Speaker Clark and Vice-President Marshall with drawn face and turned to the house. There was just a trace of a smile as he acknowledged the welcome of congress when Speaker Clark announced: 'Gentlemen of the Sixty-fourth congress, I present the president of the United States.'



Ambassador JAMES W. GERARD

that he had already severed diplomatic relations with the German empire.

Thunderous cheers and handclapping--even a chauntiqua salute of handkerchiefs from the galleries--followed.

Senator Lodge, ranking republican member of the foreign relations committee--who does not attend White House functions because of his feeling on the president's international attitude--led it heartily. There was commendation in every movement he made.

From that point, every emphasized statement was applauded.

The president's voice at times seemed strained, rising thinly above the murmur from the galleries that would not be suppressed. Generally the president's delivery is perfection.

He was interrupted for the biggest demonstration when he said slowly and solemnly:

"I shall take the liberty of coming again before the congress, to ask that authority be given me to use any means that may be necessary for the protection of our seamen and our people in the prosecution of their peaceful and legitimate errands on the high seas."

He paused a moment to let that sink in.

There was a moment of silence. Then from all sides of the house there broke a storm of cheers. It was the biggest moment of the day.

As the president finished, the cheers were renewed.

The house and galleries arose, standing silently, with bowed heads, as he passed from the chamber back to the speaker's room and the White House.

Then the house, as if nothing had happened, re-set, resolved itself into a committee of the whole on the state of the union and resumed debate on the navy bill with the usual snattering of members on the floor.

For the first time since Germany's startling declaration, the people of Washington--at congress and in other government circles--appear today to begin to realize the possibilities growing out of the new crisis. With this realization came a practically undivided support of Wilson in the senate in any step he takes.

The country, too, apparently glow to arouse, appeared today for the first time, fully awake to the danger ahead. Hundreds of telegrams reached the white house assuring the president of a wide sentiment of support for a break, though mingled with many peaceful messages.

Whether or not there is an actual declaration of war following upon the president's action depends upon Germany. This country has made all preparations for an eventuality. The preparations have been going on for weeks it was learned today. Announcement of the president's decision, reached yesterday morning, was held up in order

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