

OVER 4,400 SUBSCRIBERS
(22,000 READERS) DAILY.

Only Circulation in Salem guaranteed by the Audit Bureau of Circulations.

The Daily Capital Journal

FULL LEASED WIRE
DISPATCHES

SPECIAL WILLAMETTE VALLEY NEWS SERVICE

FORTIETH YEAR—NO. 166 SALEM, OREGON, THURSDAY, JULY 12, 1917 PRICE TWO CENTS ON TRAINS AND NEWS STANDS—FIVE CENTS

RUSSIA WILL FIGHT UNTIL GERMANY IS UTTERLY BEATEN

This Is the Message From General Scott One of Commissioners to Russia

RUSSELL'S WAR SPEECH CHEERED BY SOCA

Continuing Victories Heer Populace and Greatly Increase War Spirit

By William G. Shepherd
(United Press staff correspondent)

Petrograd, July 12.—"Tell Americans we have found the heart of Russia sound, we have found the army's heart sound at the core. I believe in new Russia. She will fight desperately to help us to rout the Germans."

The words are those of Major General Hugh L. Scott of the American commission to Russia. He spoke them to the United Press today as a message to be sent "back home," now that the American mission has concluded its visit to the newest republic.

General Scott was the happiest member of the American commission today with the announcement of the Russian victory at Halicz. He felt he had proved a good mascot to the Russian troops. Exhibiting his pleasure in every gesture and word, the army chief of staff explained today how Minister of Foreign Affairs Tereshchenko in bidding him farewell, had notified Scott that the Russian troops on the Halicz front had selected him their mascot.

"The drive started by General Brusiloff substantiated by prediction that the Russians would fight valiantly," Scott asserted. "In ten days they have taken as prisoners a third as many as the British and French have taken in three months. Also they have broken the enemy's lines. Remember this is the first enemy line broken in a long time."

"The Russians have repeatedly gotten behind the Austrians' cavalry. They are now advancing rapidly."

"The whole thing now depends on how strongly and effectively the great Russian offensive breaks the enemy's heavy pressure on the breach. It must be constant and increasing."

"Former Senator Root's final word from Petrograd to his fellow citizens in the United States was: 'Americans, whoop 'er up for Russia!'"

Rewards for Soldiers

All of Petrograd was celebrating capture of Halicz today. The city decorated and crowds in the Nevski Prospekt paraded and cheered the army. Hundreds of citizens are sending their jewels and money to the "battalions of July 1"—the troops specially awarded that name by Minister of War Kerensky because they began Brusiloff's great offensive. Nor are other troops now in action being forgotten.

Minister Kerensky is receiving medals and precious metal to be melted up for the soldiers from all over Russia.

The public is delight at the communique. One which caused laughter and cheers for a whole day related how the wind blew back on the German trenches asphyxiating gas released against the Russians. The public slogan nowadays is "Luck is with us."

Charles Erward Russell, concluding speech was before a group of intellectual socialists headed by Plehanoff. He vigorously urged unremitting war activity and was roundly cheered. The only man not applauding being a certain American pacifist socialist now here.

All opposition to the war has subsided here and apparently throughout Russia.

Eugene Municipal Plant Pays for Itself

Eugene, Ore., July 12.—The city of Eugene, by a payment of \$31,250 today, almost completed the purchase of the Oregon Power company's distributing system under a contract entered into in February, 1916, which gave the city a municipal lighting monopoly. The purchase price agreed upon was \$150,000, of which \$50,000 was paid in cash. The balance was made payable in amounts of not less than \$1,250 a month, the payments to extend over a period of between seven and eight years, if desired by the city. Extra payments have wiped out the obligation, with the exception of \$13,750 remaining, within 10 months.

The city has made the extra payments from its sinking fund of the water board, which draws bank interest at the rate of two per cent, while the deferred payments on the power system contract bear interest at the rate of five per cent, effecting a saving of three per cent.

When the last payment on the contract is made the city will be relieved of \$400 a month which the contract provided it should pay to the power company for "stand by service" during the life of the contract.

ROUND METAL BADGE FOR THE REGISTERED

These Will Be Given Out By Exemption Boards, No News As To Draft

By Webb Miller
(United Press staff correspondent)

Washington, July 12.—"Exempted U. S."

A small round metal badge bearing these words will shield from public eyes of "slacker" those men freed by exemption boards from the duty of bearing arms.

Thousands of these little buttons have been made and will be sent out to the exemption boards, it was learned today. From several designs submitted by artists, the war department selected one of simple red, white and blue with the exemption inscription within a concentric circle.

Meantime, thousands of inquiries are coming into the department as to the time, place and manner of the drawing which is to determine the destinies of hundreds of thousands of fighting men.

But aside from the general belief now that the lottery will take place next week, nothing can be learned as to details. The actual machinery is unannounced.

Today it was announced by the war department that former national guardsmen of draft age discharged for physical disability must go through the mill again. These men are liable to be drawn in the lottery and if drawn must present themselves the same as all others. The same order applies to men who attempted to enlist in the regular army but were refused for physical reasons.

In response to numerous questions from many parts of the country about the census estimates, General Crowder today pointed out that the estimates were made solely for use in apportioning the draft quotas as states by the United Press.

The census bureau based the estimates partly upon the draft registration and took into consideration the abnormal shiftings of population caused by war industries.

Reserve Corps Officers To Become Aviators

San Francisco, July 12.—Twenty two officers reserve corps training camp members have been granted permission to enter the aviation school at Berkeley according to announcement today. They will leave the Presidio camp Monday morning to begin their work as flyers.

All of the men are making the change at their own request. While they do not lose membership in the reserve corps and continue to receive reserve corps pay, if they fail to qualify as aviators, they will be called upon to hustle to make up their training camp work in order to secure army commissions.

Think Man Arrested Is Somewhat Demented

Sacramento, Cal., July 12.—Authorities expressed the belief today that J. Korlowaki, a Russian, arrested near Woodland yesterday on suspicion of being connected with the explosion at Snake Island, is not the man sought by the government. Sheriff Monroe said today that he is of the opinion that the man is in no way connected with the explosion. He says the man appears to be demented, thus accounting for his peculiar actions which led to his arrest.

The sheriff says he will be held for a few days and if the federal authorities do not take charge of him he will be released.

HOT WINDS HURT CROPS

Spokane, Wash., July 12.—Hot winds and insufficient moisture in this district have cut down the wheat crop 50 per cent, according to the opinion today of grain men. Central Oregon reports indicate rains are needed to save the grain crop.

MAXIMUM WAGE IS A NECESSITY SAY MANUFACTURERS

Steel Men Wiling to Sacrifice Profits In Interest of the Country

BUT ARE CONFRONTED WITH MOUNTING WAGES

If Prices Are To Be Fixed Wages Must Also Have Limit Prescribed

Washington, July 12.—Steel makers of the nation today promised to heed President Wilson's warning against exporting blood money in big profits on their products. Meeting with government chiefs, representatives of all the steel interests offered to place their plants at government disposal and accept a price on their products to be fixed later. This price will be in keeping with President Wilson's idea of a patriotic margin.

This will insure reasonable profits and will be based on the expanding needs of this vital and fundamental industry. Secretary of War Baker announced the following version of the situation:

"At the conference this morning between the committee of the American iron and steel institute and the secretary of war, the secretary of the navy, the chairman of the shipping board and Bernard Baruch, further discussion was had of the prospective demand upon the steel industry of the country for carrying on the war."

"The steel men repeated their assurance that their entire product would be available for the needs and that they were doing everything possible to stimulate an increased production and speed delivery. The price to be paid for the iron and steel products was left to be determined after the inquiry of the federal trade commission is completed with the understanding that the price, when fixed, would insure reasonable profit and be made with reference to the expanding needs of the vital and fundamental industry."

"The representatives of the government assured the committee of the steel institute that it was the intention of the government to distribute the war requirements over the entire iron and steel producing capacities of the country."

Their Answer is "Labor"

Washington, July 12.—Big business, struck by President Wilson's "patriotic and profits" pronouncement countered today with the plea of high cost of labor.

Some of these men are on committees of the Council of National Defense.

President Wilson lashed those who take blood money out of the war and castigated those who plead for usual profit.

He pointed out ship owners of the nation, who, he said, are doing almost through exorbitant rates to make success against Germany at most a failure.

To all of which big business today complained that labor is getting such a tremendous share of money nowadays that more profits are required to meet that drain, as well as others.

The big business folk immediately declared that a maximum price for labor must be set up if the price of other commodities is to be arbitrarily fixed, as President Wilson warned they would be. The businessmen have the backing of some members of congress in this plea. It is that force bidding for labor in certain industries has sent wages "clear out of sight." For instance, the shipbuilders protest that inter-yard competition is skyrocketing the cost of ship workings, while contractors declare attractive wages on army contracts from other lines. Mine operators, too, are complaining of the drain on their men.

Let Contracts to Themselves

President Wilson's straight from the shoulder appeal for business sacrifices is likely to bring to a head advisory committee. "Big business" members of the commission favor price agreements insuring enough profits to "stimulate" the highest production—"victory at any cost." President Wilson holds that there need be no artificial stimulation to make sacrifices. Entailing neither loss of life nor actual comforts.

Other government departments, notably the navy department, favor prices based on the cost plus percentage basis. Wilson's pronouncement probably will tend to strengthen the government's demand upon steel men that they radically clip their prices.

Meantime some congressmen are stirring against the advisory commission of the Council of National Defense on the theory that some of its big business members are reaping or will reap a big profit from war work over which they themselves have the contract letting privilege. The federal trade commission is soon to report recommendation on fair prices for coal, oil and steel.

Still other remedial measures are: War department efforts to limit wages on cantonments to the prevailing labor standards, while the contractors themselves are having to fix rates; endeavor of shipbuilders to prevent cut throat competition for labor by fixing standard wages.

Committees are now working to accomplish both these objectives.

SOCIALISTS THREATEN "UNPLEASANT MOVES" IF REFORMS NOT MADE

Amsterdam, July 12.—Germany's radicals will force a "peaceful revolution" to achieve reform. If they fail in their purpose at this moment, they will repeat their efforts in more "unpleasant" measure.

This was the sensationally frank declaration made in the Berlin socialist organ Vorwaerts as received here today. It was regarded as deeply significant of the junkers' gradual re-assumption of control in the present crisis, but likewise of a close co-operation among those seeking reforms in Germany, which may break forth at a later date in such shape as to force real concessions from the German autocracy.

"Germany is en route to a peaceful revolution," the Vorwaerts declared. "It may take weeks or months, or it may come suddenly in one blow. If the present crisis does not lead to decisive and positive events soon, it will be repeated in a sharper form and under unpleasant circumstances."

Officialdom Tightens

Germany's officialdom is steadily regaining control of the political situation, but it has not yet succeeded in bringing the centrifugal revolters to the point where they are willing to approve the vast budget for war expenses. Disputes from Berlin today revolved in a list of reported concessions which it was said the autocrat leaders proposed to make to the reformers' demands. It was certain, however, that there would be various cabinet changes but without changing the junkers' complete domination of all German governmental policies.

The main purpose of the reichstag meeting called on July 5, was to obtain that body's approval of the new budget. As far back as May, when the reichstag adjourned, the government evidently foresaw some sort of political crisis. It was recalled here today that announcement was then made that the July session would continue "only four or five days."

May Fight Over Budget

There were immediate protests from radicals who had hoped for receipt of the constitution committee's recommendations for government reform and a full and open debate on these suggestions. So far the reichstag has been in session only two full days and the constitution committee has not yet reported. As it is completely in control of the government, those in touch with German affairs predicted today it would not report. The government proposes to put through the budget and then adjourn the reichstag.

The reichstag leaders mentioned in yesterday's dispatches as picked to replace Foreign Secretary Zimmermann, Vice Chancellor and Home Secretary Helfferich and other members of the ministry, have not yet been hinted at.

Some of the more optimistic accounts of the Berlin situation in German newspapers assert that there are to be four new members of the cabinet and that these are to constitute a "war cabinet" responsible to the reichstag and not to the Kaiser. Just how this change in the German fundamental law is to be effected is not clear. The same sources declared replacement by liberals of the five Prussian state ministers who have resigned, will give that state equal male suffrage and "thus abolish the junkers' control."

43,000 PRISONERS TAKEN IN TEN DAY DRIVE OF RUSSIANS

German Commander Deceived --Believing Russians Unprepared

HINDENBURG FORCED TO ACT ON WEST FRONT

This for Effect On German People Who Are Growing Daily More Restless

London, July 12.—Over more than 120 miles of front from Tarnopol to the Carpathians, Russia's revived armies were battling their way forward today. In 10 days of their offensive they have penetrated the Austrian German line at two places, have captured a score of cities, towns and villages, crossed two great rivers and taken close to 43,000 prisoners with a vast number of guns and material. The Galician stronghold of Lemberg is now directly menaced.

The Teutons evidently regarded the Brusiloff offensive disdainfully when it started July 2. Dispatches from the front today quoted Austrian prisoners as declaring they had been assured by their commanders that the Russians did not have sufficient ammunition; that their supplies were meager and that the Russian troops could not be expected to fight more than a day or two.

The Russians have not followed this German schedule, however, and by their splendid fighting and complete coordination of transport and food service, have placed at least two large sections of the Teutonic line in grave jeopardy. The Austrian forces around Lemberg are imperiled by a flanking movement from Halicz. North, around Tarnopol, the breach in their lines is so wide that a great retreat may have to be made to save large forces.

Hindenburg Gets Busy

By William G. Shepherd
(United Press staff correspondent)

With the British armies in the field, July 12.—Field Marshal Hindenburg is evidently trying to stem disaffection at home in Germany by a big showing on the western front.

Today the Prussian troops opposite the whole of the British line were more active than at any time during the past year.

South of the Scarpe the enemy retook a portion of a trench west of Vert wood on Infantry Hill. In the Lombardy section there was great activity.

The German artillery concentrations in the vicinity of the sand dunes on the Belgian coast was the biggest since the German efforts at Verdun. Explosives leveled the sand hills and the British trenches. The lighthouse at the mouth of the Yser and the life saving station were reduced to ruins. Summer cottages were smashed and everything leveled before the attack.

And among the attackers were the German marines—Wilhelm's toughest fighters. The Germans were caught under the British artillery and machine gun barrage and the attack localized between Lombardy creek and the sea, being checked at the river.

Today the British were shelling the newly occupied German position around Lombardy.

To Quiet the People

In the region of Lens the Germans occupied a previously vacant trench from which they unsuccessfully tried to capture British outposts. The enemy left a number of dead.

On Infantry Hill, south of the Scarpe the enemy artillery was very active.

All over the front German airmen swarmed in the sky, desperately trying to cross the British lines. There were innumerable aerial battles in the bright sunshine.

All these activities of the German fighting forces suggest to British officers that Hindenburg has ordered all branches of his army to buck up for effect back home. They recalled Hindenburg's recent trip to Berlin and

(Continued on Page Two.)

Wheat Down Two Cents and Corn Down Five

Chicago, July 12.—The action of the Chicago board of trade in restricting trade in December and 1918 corn futures together with a rise in October to 5 1/2 below yesterday's close.

September corn opened 1/4 down at \$1.59 1/2, holding at that figure. December opened 2 1/2 lower at \$1.19 and subsequently dropped 3-8.

July wheat opened lower at \$2.05, and held firm. September opened 1/2 cent lower. Later trading ceased in this future.

Oats were slightly lower in sympathy with corn. July opened 3-8 lower at 64 1/2 and later was 1/2 higher. September opened 1/4 lower at 55 and later was 3-4 higher. December opened 3-8 down at 57 5/8 and was 1-4 lower later.

Provisions were slightly higher on a strong and higher hog market.

BIG TIMBER DEAL

Portland, Ore., July 12.—With the transfer today of two and a half billion feet of timber in northwestern Oregon from the Du Bois Timber company to the Oregon-American Lumber company, plans are now under way for the construction of a logging railroad and a sawmill. The consideration was approximately \$4,000,000 and the deal one of the largest in the northwest in recent years.

It must be maddening to the potato bugs back east to think of all those delicious potato vines that go to waste in Oregon every summer.

Belgian Mission Gets Royal Welcome

San Francisco, July 12.—Greeted with greater military honors than have been paid any visitor to San Francisco since President Taft came here in 1909, the Belgian war mission arrived in San Francisco today.

A battalion of infantry extended a formal military welcome after which the Twelfth infantry and a battery of the First battalion California field artillery, formed a military escort for the party to its hotel.

A great outpouring is expected tonight when Baron Marchand and Lieutenant General Ledereq will tell an audience in the civic auditorium the true story of their country's sufferings.

A public reception at 4 o'clock was the only activity scheduled for this afternoon.

SUSPECT STRIFE IS ONLY GERMAN TRICK

Change of Officials Unimportant Indicating Nothing Say Officials

By Carl D. Grost
(United Press Staff Correspondent)

Washington, July 12.—Germany, in her apparent internal strife, may be playing a big peace game, officials and diplomats warned today.

Following on the heels of official reports today that the Kaiser's cabinet had undergone sweeping changes, the state department cautioned again against exaggerating the existing state of affairs in Germany.

"It is important that the meaning of the present German political situation should not be exaggerated," Acting Secretary of State Falk declared today.

"We should await further facts before judging its significance. One thing is certain, however. The withdrawal of political offices is far less important than the withdrawal of military men, such as Hindenburg would be. And there are no signs that the military men are involved in this present situation."

Dispatches to the state department and to embassies here today showed that Secretaries Zimmermann and Helfferich had been dropped from the cabinet, members of the Prussian diet were to quit soon and that even Chancellor Hollweg may have resigned. There were reports of fiery speeches in the reichstag against the U-boat warfare methods.

But officials and diplomats here sent trickery. In both quarters it is frankly stated that the Kaiser may have created the present turmoil himself as the ground work for a peace move that would fool his enemies into believing peace was forced by internal troubles.

Seventeen Reported Killed In Riots Caused by Strike

Seattle, Wash., July 12.—Seventeen men are reported to have been killed in a strike battle at Cordova, Alaska, since last Friday by Thomas McCarthy, a miner who reached Seattle on the Alaska liner Alameda late yesterday afternoon.

McCarthy told his story to a newspaper this morning.

"I left Cordova last Friday on the Alameda, and at Sagway the next day I heard the operator tell the captain of the steamship that seventeen men had been killed when new men brought up from Seattle attempted to take the places of miners in Cordova also had struck for an increase in pay," said McCarthy. He had no further details.

Assistant Superintendent Joseph Harris of the Alaska Steamship company, operating the Alameda said he had a report of trouble at Cordova but thought it was among longshoremen.

Think Bomb Intended for Wrecking Causeway

Galveston, Texas, July 12.—A lighted bomb, believed to be designed to wreck Galveston's \$2,000,000 causeway connecting the city with the mainland, was picked up and thrown into the bay by a watchman early today just after a northbound Missouri, Kansas and Texas freight train passed over the structure. It is believed the bomb was thrown from the train.

The train was held up on the mainland and a search resulted in the arrest of one man, authorities stated.

Destruction of Galveston's causeway would suspend the immense flow of munitions to the allies through this port.

The man under arrest was formerly a switchman and has lived in Galveston several years. Officials refused to give his name.

ROBERT BOOTH, PIONEER, DEAD

Eugene, Ore., July 12.—Robert Booth, last of the Oregon pioneer ministers of the '50's, is dead here today at the home of his son, R. A. Booth. He was 96 years old.

BREACH BETWEEN REICHSTAG AND HOLLWEG WIDENS

Situation Has Grown Far More Serious In Last Twenty-Four Hours

LEADING NEWSPAPER DEMANDS DICTATORSHIP

Report From Switzerland Says Chancellor Has Resigned --Ditches Associates

RESIGNATION CONFIRMED

Berne, July 12.—A report that German Chancellor Von Bethmann-Hollweg had resigned was reiterated in a wireless message from Berlin, received here today. The dispatch gave the additional information that Hollweg's resignation was generally believed to have resulted from the crown prince's intervention.

Report From Switzerland Says Chancellor Has Resigned --Ditches Associates

Zurich, July 12.—The situation in Berlin between the government and the majority parties of the reichstag on the new orientation "has become appreciably worse in the last 24 hours," according to word received here.

The four great parties in the reichstag which constituted a majority were said to have been unable so far to unite on a peace agreement.

One report today declared that the Kaiser was about to issue a proclamation to the people of Germany covering the crown council's decision on the Prussian electoral situation and the general reform of the ministry and the imperial parliamentary machine. This report reiterated reports current for more than two months that Count von Bernstorff, former ambassador to Washington, would succeed Zimmermann as foreign minister.

The Tages Zeitung was quoted in dispatches received here today as violently assailing Chancellor Hollweg and advocating a dictatorship for Germany by Field Marshal Hindenburg and General Ludendorff.

Five Will Resign

Washington, July 12.—Chancellor Bethmann-Hollweg has abandoned Secretaries Helfferich and Zimmermann. Five Prussian ministers will resign Monday, new parliamentary secretaries will be appointed and immediate action will be taken about universal suffrage in Prussia, according to Koelnische Volkszeitung reports reaching the state department today.

The crisis in Germany is by no means over, according to advices here.

Representatives had it that the chancellor might fall.

The state department announcement, aside from the Volkszeitung message, said:

"A telegram from another quarter says that the German papers of July 8 in discussing a secret session of a principal committee of the reichstag of July 7, generally agreed on sensational volutions were probable."

Eraberger of the center was reported to have made a sensational speech attacking the methods of submarine warfare and demanding that the government officially announce its return to the policy of August, 1914, which emphasized that Germany's war was only one of defense.

"The cry for peace without annexations or indemnities and the demand for immediate electoral reforms and inner political organization were the leading questions of the moment. The report was circulating in parliamentary circles that the chancellor might fall and a possible successor Count Hertling, Count Roederer and Prince Bulow were mentioned. The resignation of Von Cypelle was fully expected."

Say Hollweg Has Quit

Berne, July 12.—The Vossische Zeitung declared that Chancellor Bethmann-Hollweg had resigned. The newspaper asserted that the Kaiser was not

(Continued on Page 3.)

THE WEATHER

THE WEATHER

Oregon: Tonight and Friday fair, continued w.a.m.; moderate westerly winds.

ABE MARTIN

