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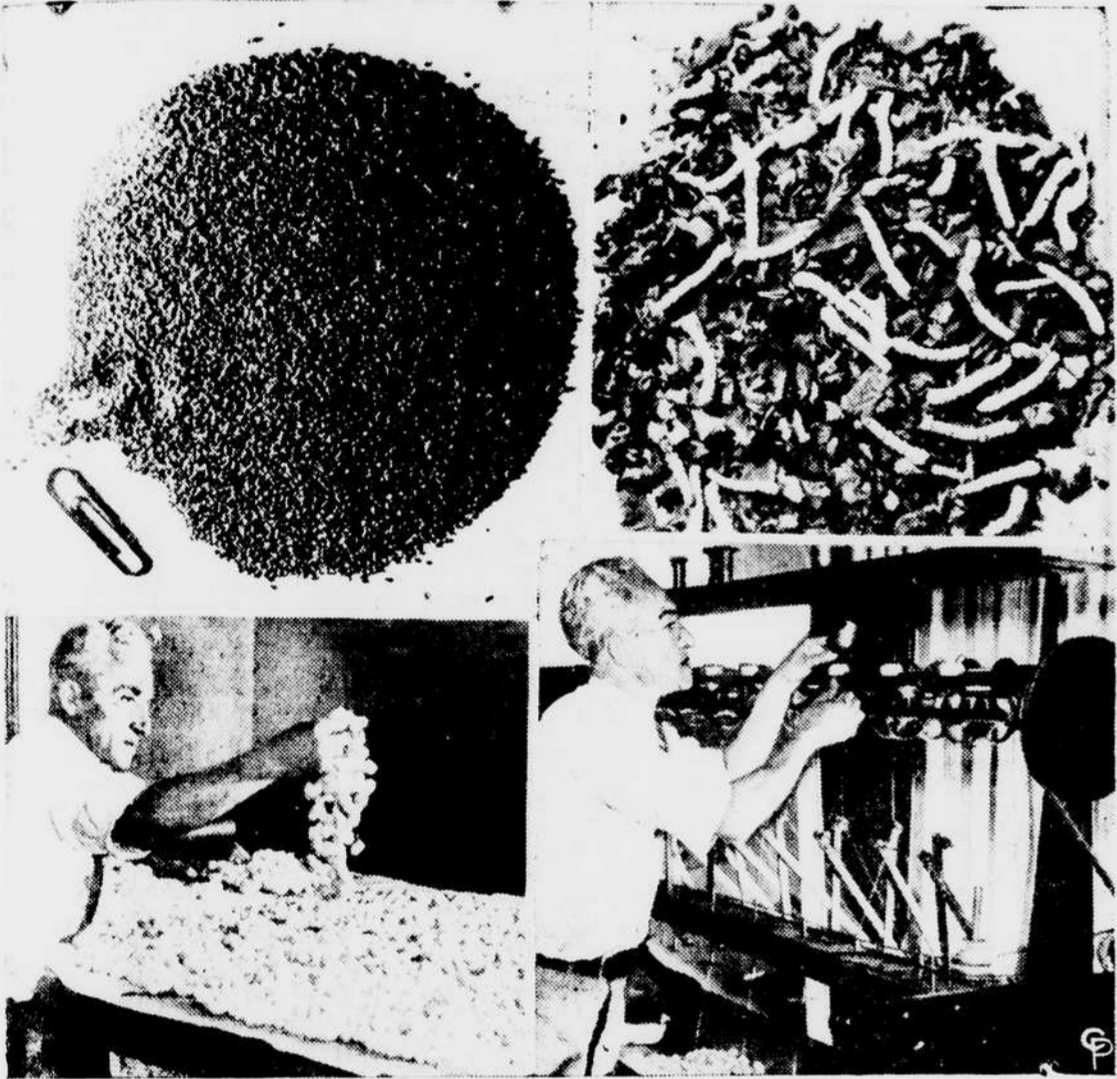
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Following President Roosevelt's Embargo On Aviation Fuel

Japan Defies Economic War

Russians Report Slaughter Of Four Nazi Divisions

Silk Production in a Bronx Basement



For years John Ousta of the Bronx, N. Y., has campaigned for an American silk industry, declaring the United States did not have to depend on Japan for its supply. He has been producing the valued fabric in the basement of his home. These pictures show steps in the silk process. Top, left, is a pile of silkworm eggs contrasted for size with a paper clip. Ousta has a million eggs bred for next year's crop. Top, right, hatched worms feed on mulberry leaves in Ousta's back yard. They're kept in trays from birth until ready to spin cocoons. Bottom, left, Ousta looks over the silk cocoons, which undergo a drying process for about a month before they are unraveled. Bottom, right, the cocoons are reeled into spools. Reeling is the most expensive step, involving labor costs and tedious work.

Red Army Offensive Gains Power

Germans Counter With Declaration That Swift Panzer Column Have Been Freed With New Break Toward Moscow.

(By The Associated Press.) Russian armies defending the Smolensk gateway to Moscow reported the slaughter of four German divisions, about 69,000 men, tanks and Soviet military dispatches declared that Nazi advance forces were retreating with heavy losses under hard counter attacks.

"From isolated defensive blows, the Red army is going into counter-offensive blows, which are hurling back the impatient enemy," said Pravda, the communist party newspaper.

German reports said Nazi infantry moving up to the advance fighting lines in the Smolensk salient had freed swift panzer columns for a new break toward Moscow.

On the southern front, Adolf Hitler's high command said that "another destructive battle is under way" about 150 miles south of Kiev, capital of the Russian Ukraine, and that Nazi speed troops had knived deep into retreating Red army elements.

The German high command asserted that Soviet divisions trapped east of Smolensk, at the central front, were "being further hemmed in."

A Russian communiqué said that "heavy charges" Red troops killed hundreds of Germans of the 137th Nazi infantry division trapped in the Smolensk sector and that Soviet artillery accounted for other hundreds slain.

"In order to help retreating German forces," the communiqué said, "the German command threw into the battle the 137th German division which entered the fighting straight from the rear."

Before the Red army could swing into action, the Nazis said, Red troops struck with a flanking attack and cut them off from support.

The entire German division was said to have been annihilated.

Soviet dispatches also reported that the 99th Red army division, an organization of paroled veterans, had destroyed three other German divisions. The Russians said they mobilized German tanks, their fuel exhausted, were being half sunk in the ground and used by the Nazis as pill boxes.

While the Russians pictured the 42-day old conflict as turning in their favor, the Germans asserted a heavy onslaught against Moscow itself was imminent.

Intense fighting in Berlin said a German newspaper had been reported in their favor, the Germans asserted a heavy onslaught against Moscow itself was imminent.

Hopkins and Stalin Talk It Over



Harry Hopkins (left) lend-lease administrator and President Roosevelt's personal envoy, is shown with Premier Josef Stalin in Moscow during one of their talks. After the discussions Hopkins declared himself even more assured of ultimate German defeat. This photo was radioed from Moscow to New York.

Situation Is Declared To Be Tense

'Single Spark Would Be Sufficient to Cause an Explosion,' Japanese Foreign Minister Declares; Thailand Crisis Near.

(By The Associated Press.) Japan defied American-British economic pressure today, after President Roosevelt's embargo on aviation fuel to Japan, and her minister of commerce, Vice Admiral Seizo Sakonji, declared bluntly that the situation was "so tense a single spark would be sufficient to cause an explosion."

Simultaneously, foreign military circles in Bangkok which predicted Japan's current move into French Indochina, said they expected a crisis in Thailand within a month. Japanese troops were reported massed in Camerodia, near the Thailand border, and Japanese planes were poised within two hours' flying time of Bangkok, the Thai capital.

Usually reliable Japanese sources in Shanghai said Tokyo had tentatively approached Thailand already with the object of welding that country into Japan's so-called "co-prosperity sphere."

This further supported a statement by authoritative quarters in London yesterday that Japan had demanded military bases in Thailand within four hundred miles striking distance of Singapore, and control of the country's rubber, rice and tin production.

In London, the Japanese foreign minister said that Britain and United States moves to curtail Japan from vital supplies of oil, tin and rubber would only speed her progress to a self-sufficient and self-sustaining economy.

President Roosevelt's order clamped a full-fledged embargo on aviation fuel and drastically reduced the shipment of other oil supplies on which Japan depends for more than two-thirds of her needs.

U. S. Warns Vichy Regime

(By The Associated Press.) The United States government today warned the Vichy French government that it would be held responsible for the activities of the Vichy regime if it continued to support the axis powers' war effort.

Cotton Closes 72-81 Higher

New York, Aug. 2.—(AP)—Cotton futures opened 52 to 95 higher. Futures closed 72 to 81 higher, adding spot 17.00, up 72.

	Open	Close
October	16.75	16.95
December	17.02	17.12
January	17.19	17.40
March	17.25	17.26
May	17.20	17.22-27
July	17.22	17.18-20

Price-Fixing Bill Meets Opposition

Nazis Order Civil Siege For Norway

Measure Introduced In Both Houses of Congress Would Give President Power to Put Ceilings on Commodities and Rents

Washington, Aug. 2.—(AP)—A price-fixing bill which would effect every American pocket book began running into objections today immediately after its introduction in Congress.

The legislation, passed in both the Senate and House yesterday, would authorize the President to fix price ceilings for commodities and rents, but would give him no authority over wages, salaries, and would grant special treatment to farm commodities. It would also give the President power to fix other prices. The bill, however, should not be construed to compete for speedily changing market or transportation rates and fares.

It would be opposed by the business price fixers, but is expected to pass.

WEATHER

FOR NORTH CAROLINA
Generally fair tonight and Sunday, not quite so warm Sunday and over extreme north portion tonight.

Carolina Power And Light Hearing Is Fine Puppet Show, Averill Says

(By The Associated Press.) The S. C. Power and Light Co. "death certificate" could call for N. P. and L. to "integrate" it, hold it up to the public, show the market, it could possibly be integrated, because it would be economic sense to run the S. C. P. and L. holding, and that's what "integration" means. Wherever the S. C. would be a close, force the holding company to put its stock on the market and displace it.

N. P. and L. stock, however, is available, and holders of it, holding, do not want to sell out, they could, and would, make a profit if forced to do so.

That doesn't suit SEC and so it is striking at N. P. and L. over the shoulder of Carolina Power and Light. A forced reduction in value of \$24,000,000 would hit the common stock holders squarely between the eyes—and it's N. P. and L. which holds the power.

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Hosiery Mills Face Shutdown

Strike For Higher Pay

AFL Unionists on Ordnance Plant Construction Job in Unjustified Strike.

(By The Associated Press.) General contractors constructing the Hosiery Ordnance plant near Salisbury, Ohio, announced today that about 2,000 of the 4,000 construction workers on the plant which will manufacture TNT and DNT would go on strike this morning in an effort to enforce pay demands.

Nearly 1,400 AFL iron and steel workers, electricians, steam fitters and plumbers called a strike on the ground that pay for Saturday, Sunday and holiday work had been cut from a week's time to time and one-half R. E. McCurdy, resident manager for the contractors, E. B. Baker & Sons Co., said he expected an early settlement of that issue.

Another 600 workers, AFL union carpenters, voted to strike for a wage of \$1.37 1/2 hourly instead of the current \$1.12 1/2. They said the higher rate was being paid carpenters on the Ravenna, Ohio, ordnance plant.

In a meantime in Chicago, John Coyne, president of the AFL executive council of the building trades department, said threats of work stoppage at national defense construction projects were unjustified in view of an agreement reached in Washington July 22 between the Council and government negotiating committee. He said the agreement established a universal time and

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SOLDIERS HELP CUT SURPLUS OF PEACHES

Atlanta, Aug. 2.—(AP)—Uncle Sam's soldiers in the fourth corps area are going to eat more peaches to aid growers confronted with a bumper crop and a falling market.

How much peaches would be bought by the Army stations was not estimated.

Anti-Nazi Belgians Demonstrate

London, Aug. 2.—(AP)—Belgium's independence day, July 21, was the occasion of numerous anti-German demonstrations in many parts of the Nazi-occupied country and street fighting broke out in several places, a Belgian source declared today.

"In Brussels, demonstrations went on all day long. Large numbers paraded in boulevards and the principal streets," it was said.

"As they marched along, some of them dared to shout insults at the Nazis and Belgian fifth columnists. At various intersections there was fighting."

"German authorities were obliged once more to reproach Belgian police for not having dispersed the demonstrators, particularly for not saving Nazis and Flemish extremists from manhandling."

Committee Rejects Tax Bill Proposals

Washington, Aug. 2.—(AP)—Chiefman Doughton, Democrat, North Carolina, announced today the House Ways and Means committee had rejected three suggestions from President Roosevelt for last-minute changes in the \$3,529,000,000 tax bill, including a proposal for lowering in dividend income tax exemptions.

Doughton said that although the Treasury had opposed any broadening of the income tax base, the President has suggested that the exemption for single persons be lowered from \$800 to \$750 and that for married persons from \$2,000 to \$1,500.

The President's suggestions, contained in a letter to Doughton, also included a proposal for modification

Officials To Appeal

North Carolina's Silk Hosiery Industry Without Supplies of Raw Silk.

Charlotte, Aug. 2.—(AP)—The silk hosiery manufacturing industry of North Carolina, centering here, fell upon bad times today with the complete shutting off of additional supplies of raw silk by order of the Federal office of production management at Washington.

Diastic readjustment of production policies within the next few weeks may mean the loss of a substantial percentage of the 3,200 men and women employed in the five silk hosiery plants here.

Plant executives at Charlotte bluntly admitted resentment against the OPM, the reconstruction finance corporation and other Washington agencies for disrupting the silk industry to meet an American-Japanese trade crisis which one large company's president declared "could have been foreseen two years ago."

The failure of the federal government to lay in a stock pile of raw silk for national defense purposes was declared by several mill officials to be "unexcusable" inasmuch as it resulted in "unnecessary hardship" for many millions of industrial workers and many thousands of industrial workers.

Led by Fritz Seifert, Hudson Silk Co. president, operating two mills here which have a weekly payroll in excess of \$50,000, and J. Spencer Love, president, Burlington Mills Corp. of Burlington, the Carolina mill executives started this morning a drive aimed at influencing the Washington government to license imports of raw silk from Japan, irrespective of the order recently issued by President Roosevelt to "freeze" Japanese assets in the United States.

Pressure was being exerted today upon Senators Bailey and Reynolds of North Carolina and members of the North Carolina delegation in Congress to seek official action in the government's executive department that would remedy this crisis.

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