

JAPAN'S COLLAPSE IN 3 MONTHS SEEN

T. V. Soong Says Tokyo Faces Bankruptcy and Revolt of Enraged Taxpayers

STRESSES CHINA'S RICHES

Banker Says Defenders Have Adequate Finances for Four Years of Resistance

Copyright, 1937, by The North American Newspaper Alliance. SHANGHAI, Nov. 24.—"I predict that within three months—provided we can hold out, which I am sure we can—Japan will be on the brink of bankruptcy and facing revolution!"

This was the emphatic declaration of T. V. Soong, head of the Bank of China and brother of M. K. Chiang Kai-shek, in an exclusive interview.

"It will take the Japanese people thirty or forty years to pay for the present war in China," he said. "They are already revolting at the idea of pouring their men and money into a war that will bring Japan nothing but added burdens and trouble."

"This war has become a matter of dollars. From now on our defense will cost one-tenth what the Japanese must spend to maintain their invading force."

"China will not wage a highly mechanized war. Our government has laid plans for a resistance which we can afford. It will be effective because it will cost the Japanese Army 10,000,000 yen a day. Every day the war is prolonged, every bomb the Japanese drop, and every shell they fire, adds to the burden of Japan's finances until bankruptcy."

China has vast wealth. "On this new basis, China's finances are adequate for two, three, or even four years of resistance. China's actual reserve of wealth in the country has never been dug into before. Its amount is incalculable. The hoardings of 450,000,000 people, who are now willing to give down to their last penny, even to gold wedding ornaments, to rid the country of all menace of Japanese militarists, cannot be computed."

"When our government lost the customs revenue and the industrial support from Shanghai it was a crippling blow, but not fatal. Public loans and liberty bonds are now more than making up for this. All classes of people are subscribing in city dollars, farmers, students and women. Even the poorest richkies are coming forward and buying 10 bonds. It is our principal source of income now."

"No increase is contemplated at present in taxes or customs duty. Nor does the government plan to impose provincial import and export excise taxes. These may come later, but they will only be used as a last resort."

"To prepare our country further for the prolonged war we must face large losses of troops are now being raised in each province, maintained by provincial funds. These levies are not a vast reserve in manpower for guerrilla warfare, and also provide fresh and strong replacements for the central army."

"Their cost of maintenance is comparatively small. Chinese soldiers are willing to fight this patriotic war against aggressors for a wage of 25 cents in Chinese currency a day. They live uncomplainingly on a spartan diet of dried meat cakes and doughballs. Over half their uniforms are made and donated by various women's aid associations. Rifles and ammunition are the most expensive part of their equipment."

"When the government needs more cash for such equipment, it will be forthcoming from the people. It is their war and they are eager and willing to pay for it to defend their homes and to keep their families from becoming slaves of Nippon."

"In Japan, however, it is different. The military clique there has forced a war upon the people who had no animus against the Chinese. These working classes do not want to spend the next thirty or forty years paying for this colossal military gesture. When they learn how they have been duped, how, instead of a short war, they are fighting one of years, I think they will refuse to continue to pour their men and money into China."

"Remember, military possession does not mean occupation. Though the Japanese forces wave their flags over towns in Shanghai, it does not mean that they can take the coveted coal oil. To do that they must maintain large and constant garrisons of troops and police officers in each village. How will they afford that?"

"The Japanese successes in North China look spectacular on paper. Many fronts from the poorly trained and poorly equipped Chinese soldiers have been forced to retreat before the highly mechanized onslaught of the Japanese troops. But that is only temporary. The spirit of resistance has not been crushed. These Chinese troops are reforming with additional recruits. Every man, woman and child in the provinces today is being taught and drilled in military and mental resistance to the enemy. This regimentation of the citizens will block any commercial exploitation by the Japanese."

Mr. Soong declined to give the total of China's net assets, but among Shanghai's international bankers it is generally understood to be about \$1,645,000,000. The assumption is that this is backed by at least 40 per cent in reserves abroad. Since there is no immediate evidence of the exhaustion of these reserves, unless some means of obtaining quick delivery of armaments, guns and planes from Soviet Russia can be devised, experts here say they are not alarmed over the possibility of China's currency becoming unstable.

Auto Fools Thief, Calls Police KANNAPOLIS, N. C., Dec. 11 (AP)—A new streamlined automobile foiled a would-be thief here. It glanced at the shiny instrument panel and seized what appeared to be the ignition switch, but instead of starting the motor it sent loud, green-like walls into the night and Policeman H. A. Logan came running. The thief fled without trying any more gadgets.



WHERE CHINESE DEFY LAND, AIR, NAVAL ATTACK

Defenders on Nanking's massive walls, represented by the heavy black line, are holding off the attackers, who had expected an easy victory. Only the Kwanghsia gate, the southeastern entrance, has been captured. The defenders have no avenue of escape, because they are cut off in all directions except across the Yangtze to Pukow, and the invaders are only ten miles from that railway terminus.

NEW PEIPING RULE FOR CHINA IS SEEN

Japanese Are Expected to Put Former Republican Regime at Work 'Very Soon'

TOKYO COOL TO KANGTE

New Regime Called Necessary to Rescue People From 'Folds of Nanking'

PEIPING, China, Dec. 11 (AP)—Restoration of the former Republican National Government in North China by the Japanese Army within a few days was forecast today by well-informed Chinese sources. The Japanese were not as explicit, but they freely predicted that there would be "a new government very soon."

The revived republican government, the Chinese believe, might be recognized by Tokyo as the legitimate regime for all China because of the severance of relations between Tokyo and the Nanking Government.

Chinese here viewed the prospect gloomily, calling it "a second Manchukuo" and predicting stringent Japanese control.

[A Domei-Japanese news agency dispatch from Tientsin said the peace maintenance commission had announced it could no longer recognize the Nanking government as China's central authority and would support the creation of a new regime.]

[The declaration was sent to similar commissions in Central and North China. It contended a new Chinese regime was necessary to "rescue the Chinese 400,000 from the folds of Nanking and the Comintern."]

Definite developments were expected to await the capture of Nanking and the return from Tokyo, probably tomorrow, of Colonel Noto, chief Japanese military mission chief. It was believed he would bring the Japanese War Office's decision on North China plans.

Chang Yen-ching, former Premier of Manchukuo, has arrived at several Japanese, purportedly to plead for the return of Emperor Kungte of Manchukuo, who was formerly Emperor of China, to the Peiping throne. Japanese, however, were believed to look unfavorably on the scheme.

According to the Chinese, the President of the restored republic would be 75-year-old Tiao Kun, who became the last President of the Anfu republic in 1924. They expected General Wu Peifu, another retired Northern war lord, would be made Vice President.

Peiping prepared today, under Japanese direction, to celebrate the fall of Nanking. A Japanese kite balloon has been floating high over rooftops for three days announcing, in four-foot characters, the fall of Nanking.

Flower arches are being erected throughout the city for the signal of Nanking's fall by Japanese garrison cannon. School children have been ordered to mobilize for a parade. Shops have been instructed to display lanterns and owners of private richkies have been told to carry banners.

"Thus," said one Chinese, "will we taste the ultimate in bitterness by being forced to simulate rejoicing in the capture of our own capital by our enemy."

INVADERS CHECKED BY NANKING WALL

Continued From Page One

hit. The balloons and observation planes enabled the Japanese to spy out most Chinese military movements and subsequently shell and bomb the troops.

Fresh Fires Rage

New fires all about the city denoted a continuance of the Chinese policy of burning down any buildings, obstructing avenues of possible attack. Flames on Purple Mountain visible from Nanking indicated that Chinese incendiaries had extended even there and that forests on the mountainside had been fired.

The whole Pukow waterfront across the Yangtze from Nanking, including wharves and warehouses, was blazing, obviously as a result of incendiaries. Unable to find a plausible justification of such wholesale destruction, some observers suggest that Japanese agents ignited the Pukow blaze and perhaps others.

Almost half Hsiao-kwan has been burned, but Chinese have been careful not to fire foreign properties. The Soochow building and the American Church Mission properties in Hsiao-kwan are still untouched by the flames.

It is known that five Japanese gunboats and destroyers have come through the Kiangyin boom and expect to reach a point from which to shell the capital as soon as the morning and free passage was allowed to plan—if it so desires—larger battleships below Nanking are eliminated.

People Are Resigned

The residents of Nanking are less tense and they showed less panic than on Friday as the failure of the Japanese to penetrate the wall area gave proof that the Chinese were holding off the besiegers. The spirit now is one of resignation, and though thousands are still fleeing to the safety zone they display no terror and appear ready to endure whatever the war may bring.

Hsiao-kwan Gate was reopened in the morning and free passage was allowed all day. The gate was closed again early in the evening.

The Bund district is quiet and almost deserted. There is an almost complete absence of ships and virtually no evidence of facilities for evacuating the defenders of Nanking across the Yangtze, practically the only route of escape.

U. S. Gunboat Evades Shells

NANKING, Dec. 11 (AP)—The United States gunboat Panay ran a heavy gantlet of shelling up the Yangtze River today.

About 2:30 P. M. shells began to fall in the Yangtze dangerously close to a group of vessels anchored about four miles above the Panay. The Panay swung out into the stream on orders to move up river out of danger. The vessel hugging the farther shore, steamed up the Yangtze amid loud explosions as shells continued to burst in the river ahead of her. Soon a whole flotilla of ships flying United States and British flags steamed safely up the river past the scene of the heaviest shelling.

Wall Checks Japanese

Special Cable to THE NEW YORK TIMES.

SHANGHAI, Sunday, Dec. 12.—The Japanese assault on Nanking is continuing without decisive results because the city's ancient wall, forty-five feet high and thirty feet thick, is dotted with pillboxes, shelters and gun emplacements made of reinforced concrete.

"We are fighting against metal with merely our flesh and blood," said a dramatic report from Nanking to Hsiao-kwan in which General Tang Sheng-chi, the Nanking commander, declared the Chinese losses were exceedingly heavy but that the morale of the troops continues high. However, foreign sources said the Japanese were able to capture Kwanghsia gate easily because Chinese forces ordered there as reinforcements mustered and refused to proceed to the post.

Nanking's Safety Zone Commission sent on Friday a pitifully futile proposal to the Chinese and Japanese authorities urging a three-day truce to give the committee time to complete arranging shelters for 300,000 civilians and to complete the removal from the zone of all Chinese military supplies. As far as is known neither the Chinese nor Japanese replied, nor did Generalissimo Chiang Kai-shek, to whom the truce proposal was radioed.

The Bridge House Hotel in Hsiao-kwan, the oldest foreign hotel in the Nanking district, was struck by a shell and destroyed by fire. Mar-

Hungarian to See Mussolini

Wireless to THE NEW YORK TIMES. BUDAPEST, Hungary, Dec. 11.—General William Roden, the War Minister, left today for a ten-day official visit to Italy, where he will confer with Premier Benito Mussolini and visit various military institutions and armament factories. The visit is closely connected with technical problems of Hungarian rearmament, particularly whether Hungary will buy German or Italian weapons. General Roden recently went to Berlin on a similar mission.

Prices in Shanghai Go Up; Stocks Hard to Replace

Special to THE NEW YORK TIMES. WASHINGTON, Dec. 11.—Imported articles of merchandise offered for sale in the department stores of Shanghai are priced at from 5 to 20 per cent in advance of the prices prevailing in July of this year, due to the difficulty in replenishing stocks and the hesitancy on the part of merchants to order goods under prevailing conditions, according to the Bureau of Foreign and Domestic Commerce.

A British paint manufacturing concern located in Shanghai increased the prices of its products 10 per cent as of Dec. 1 because of the increased cost of raw materials.

trial law has been declared in Hankow and Wuchang. Twenty offenses punishable by death are listed.

Seventy-two more counties in Southern Hopeh, Northern Honan and Northern Shantung have denounced Nanking and the Kuomintang (Nationalist party) and adopted resolutions favoring independence.

The safety zone in Nantao, adjoining the French Concession in Shanghai, which shelters about 200,000 Chinese, passed under Japanese military control yesterday. An unidentified Chinese fired a revolver at a Japanese sentry, so the Japanese took over the policing of all streets and began a house-to-house search for concealed weapons and grenades.

Considerable speculation has been aroused by the fact that the word "China" has been heavily crossed out on letters addressed "Shanghai, China," that arrived on Japanese ships. The Japanese Embassy spokesman was silent when questioned about the significance of this.

Trap Tightens on Nanking

SHANGHAI, Sunday, Dec. 12 (AP)—Three Japanese columns, heavy siege guns and aerial bombers pounded Nanking today as other Japanese forces threatened complete encirclement of the city. A Japanese thrust downstream along the Yangtze imperiled the last avenue of escape from Nanking, where sixteen Americans remained inside the walls.

Overriding column was reported only ten miles from Pukow, the railroad opposite Nanking. The capture of Pukow would close the trap. With strategic Yangtze River port sixty miles above Nanking, already was in Japanese hands, as was Taijing, between Wuhu and the capital.

TOKYO IS CELEBRATING 'CAPTURE' OF NANKING

Disappointment Is Expected to Be Great if Chinese Continue to Upset Japanese Schedule

Wireless to THE NEW YORK TIMES. TOKYO, Sunday, Dec. 12.—Tokyo began celebrating the fall of Nanking prematurely yesterday and is continuing today on a colossal scale.

The announcement that the Japanese flag had been planted on the Southeastern gate was taken as the forerunner of complete occupation. Students marched to the Imperial Palace with their teachers yesterday morning. In the evening large crowds of young men paraded with lanterns. Officers walked through military hospitals distributing newspaper extras announcing the "victory."

Cooks in the hospitals prepared sides with red heads, which is considered lucky food, to be served as soon as the victory was officially announced.

Civilians have been streaming to the War Office and Navy Office with gifts including two barrels of sake for the army. Two twenty-five-pound sea bass were brought to General Gen Sugiyama, the War Minister, by a porter.

The War and Education Ministries are decorated with bunting. Poles for lanterns are already placed in front of Foreign Minister Koki Hirota's door.

Vast preparations have been made for public rejoicing today, including a singing of patriotic songs by 100,000 children in the baseball stadium. If Nanking's fall is delayed there will be considerable disappointment.

To reduce the risk that public enthusiasm might grow slack after the victory, retired generals and admirals plan a three-day speaking campaign to urge perseverance until China signs a peace treaty.

MOVE AGAINST SOVIET ADVOCATED IN JAPAN

Growing Irritation Is Shown Over Failure to Conclude Fisheries Negotiations

TOKYO, Dec. 11 (AP)—A Foreign Office spokesman declared tonight that sentiment was growing in Japan for "resolute action" against Soviet Russia in connection with a Russo-Japanese fisheries dispute.

The spokesman charged the Moscow government with purposely delaying conclusion of a new agreement covering the rights that Japan obtained by the Portsmouth treaty of 1905 to fish in Siberian waters.

A one-year renewal of the old agreement expires at the end of this year and the Japanese Government has been trying to obtain a new pact.

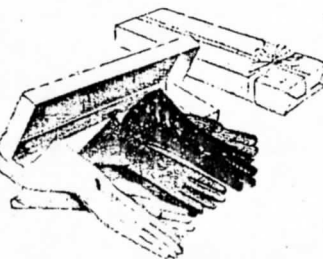
The spokesman declared that numerous discussions at Moscow had been fruitless; that "the Japanese Government and people are highly dissatisfied," and that the Soviet Government was entirely to blame for the extended negotiations.

"The sentiment is growing to urge authorities for resolute action to safeguard Japan's interests," he said. (The fisheries dispute is one of the sorest spots in Russo-Japanese relations and Japanese leaders have advocated use of the navy to enforce Japanese fishing rights.)

REMEMBER
The Hundred Neediest

GIFT SHE WILL LOVE:

a Mark Cross Glove Wardrobe



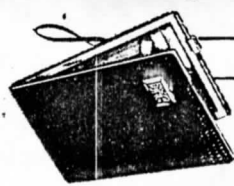
ONE of the most thoughtful, personal, useful gifts you could give her... two or three pairs of Mark Cross gloves in any combination you think she'll like best... packaged together in a special Christmas box. The wardrobe shown, French kidkin, thong-laced peccary, colourful hand-made Austrian wool. . . . Complete, \$11.40

MARK CROSS
FIFTH AVENUE AT 52ND AND 175 BROADWAY

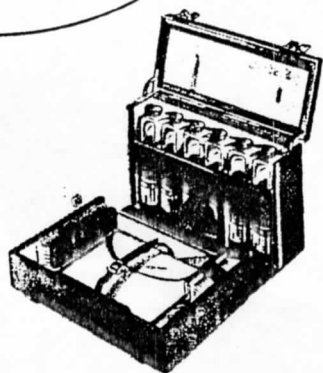


SHE'LL WRITE more frequently (and glowingly) if you give her this wonderfully compact and complete travel writing case. Coloured pin morocco, \$8.50; polished calfskin, \$9.50.

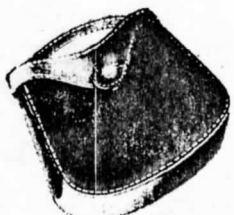
MARK CROSS means
MERRY CHRISTMAS
to both giver and givee



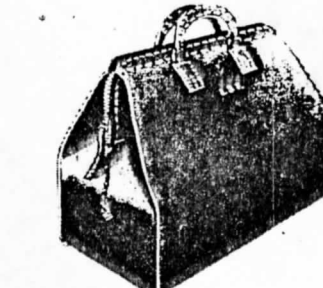
THIS VERY FINE cigarette case, inset with 17-jewel, 14-K gold Swiss watch, \$79.50 in black lizard or Boroso sharkskin; \$65 in black pin seal or moiré. Without the watch, the prices are \$30 and \$16.50 respectively.



IF YOU WANT to give her something very fine, we suggest the Monte Carlo, our beauty case in hand picked or coloured Russian calfskin lined with rustic linen and exquisitely appointed with crystal and enamel. \$160.



FROM OUR NEWEST Viennese group... this important, magnificent leathered handbag in our stitched Gingerbread pigskin, or black or brown calfskin. Beautifully suede lined, \$37.50.



THIS IS THE BAG men like best for their sports togs... compact (18"), good-looking (fiddle-sewn Sun Tan hide), convenient (zipper top). He'll be proud to carry this club bag... and you'll be proud of its price. \$15.

OUR DOG CANTEN makes a tremendous hit with dog fanciers. In the English wicker basket is everything a well-bred dog requires... dish and bowl, picnic box, water bottle, comb and brush, his leash... even a rubber bone to keep him entertained. \$10.

MAIL AND TELEPHONE ORDERS FILLED PROMPTLY

MARK CROSS
Fifth Avenue at 52nd and 175 Broadway

Smart beauty luggage

WILL SOLVE YOUR GIFT PROBLEMS.

If she's a connoisseur of fine things, she'll be thrilled to receive smart luggage packed full of youth and beauty. A slim, sleek beauty case, containing every imaginable aid to beauty... a Cruise Bag, containing six luxurious Helena Rubinstein preparations and loads of room for travel accessories... or a Town and Country Weekender, smartly gay and equipped for any expedition... any of these gifts by Helena Rubinstein, world-famous expert on matters pertaining to beauty, will make a perfectly lovely impression on someone at Christmas. Stop by today and choose your gift luggage. From \$3.75 to 75.00.

helena rubinstein

715 FIFTH AVENUE

THE park curiosity shop

Leading Traders in Silver since 1890

316 MADISON AVE. bet. 54th & 55th, N. Y.

Heirloom Silver

AT LOW PRICES

Unusual circumstances enable us to offer heavy-weight sterling by one of America's best silversmiths at plated-ware prices. As little as \$1.00 you can get a 36-piece service for six in solid silver. Or a 12-piece pattern blends with modern or period style. By the dozen.

Butter Spreaders \$5.75
Salad Forks \$7.75
Cream Spoons \$7.50
Forks \$12.00
Knives \$10.75
Bouillon Spoons \$5.50
Dessert Spoons \$9.50
Demi-tasse Spoons \$2.25
Oyster Forks \$5.00
More orders filled promptly.