

Fourth Annual Message

given on December 3, 1912

Part 1. [On Our Foreign Relations.]

To the Senate and House of Representatives:

5 The foreign relations of the United States actually and potentially affect the state of the Union to a degree not widely realized and hardly surpassed by any other factor in the welfare of the whole Nation. The position of the United States in the moral, intellectual, and material relations of the family of nations should be a matter of vital interest to every patriotic citizen. The national prosperity and power impose upon us duties which we can not shirk if we are to be true to our ideals. The tremendous growth of the export trade of the United States has already made that trade a very real
10 factor in the industrial and commercial prosperity of the country. With the development of our industries the foreign commerce of the United States must rapidly become a still more essential factor in its economic welfare. Whether we have a farseeing and wise diplomacy and are not recklessly plunged into unnecessary wars, and whether our foreign policies are based upon an intelligent grasp of present-day world conditions and a clear view of the potentialities of the future, or are governed by a temporary and timid expediency or by narrow views befitting an infant nation, are
15 questions in the alternative consideration of which must convince any thoughtful citizen that no department of national polity offers greater opportunity for promoting the interests of the whole people on the one hand, or greater chance on the other of permanent national injury, than that which deals with the foreign relations of the United States.

The fundamental foreign policies of the United States should be raised high above the conflict of partisanship and
20 wholly dissociated from differences as to domestic policy. In its foreign affairs the United States should present to the world a united front. The intellectual, financial, and industrial interests of the country and the publicist, the wage earner, the farmer, and citizen of whatever occupation must cooperate in a spirit of high patriotism to promote that national solidarity which is indispensable to national efficiency and to the attainment of national ideals.

25 The relations of the United States with all foreign powers remain upon a sound basis of peace, harmony, and friendship. A greater insistence upon justice to American citizens or interests wherever it may have been denied and a stronger emphasis of the need of mutuality in commercial and other relations have only served to strengthen our friendships with foreign countries by placing those friendships upon a firm foundation of realities as well as aspirations.

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Before briefly reviewing the more important events of the last year in our foreign relations, which it is my duty to do as charged with their conduct and because diplomatic affairs are not of a nature to make it appropriate that the Secretary of State make a formal annual report, I desire to touch upon some of the essentials to the safe management of the foreign relations of the United States and to endeavor, also, to define clearly certain concrete policies which are
35 the logical modern corollaries of the undisputed and traditional fundamentals of the foreign policy of the United States.

REORGANIZATION OF THE STATE DEPARTMENT

40 At the beginning of the present administration the United States, having fully entered upon its position as a world power, with the responsibilities thrust upon it by the results of the Spanish-American War, and already engaged in laying the groundwork of a vast foreign trade upon which it should one day become more and more dependent, found itself without the machinery for giving thorough attention to, and taking effective action upon, a mass of intricate business vital to American interests in every country in the world.

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The Department of State was an archaic and inadequate machine lacking most of the attributes of the foreign office of any great modern power. With an appropriation made upon my recommendation by the Congress on August 5, 1909,

the Department of State was completely reorganized. There were created Divisions of Latin American Affairs and of Far Eastern, Near Eastern, and Western European Affairs. To these divisions were called from the foreign service diplomatic and consular officers possessing experience and knowledge gained by actual service in different parts of the world and thus familiar with political and commercial conditions in the regions concerned. The work was highly specialized. The result is that where previously this Government from time to time would emphasize in its foreign relations one or another policy, now American interests in every quarter of the globe are being cultivated with equal assiduity. This principle of politico-geographical division possesses also the good feature of making possible rotation between the officers of the departmental, the diplomatic, and the consular branches of the foreign service, and thus keeps the whole diplomatic and consular establishments under the Department of State in close touch and equally inspired with the aims and policy of the Government. Through the newly created Division of Information the foreign service is kept fully informed of what transpires from day to day in the international relations of the country, and contemporary foreign comment affecting American interests is promptly brought to the attention of the department. The law offices of the department were greatly strengthened. There were added foreign trade advisers to cooperate with the diplomatic and consular bureaus and the politico-geographical divisions in the innumerable matters where commercial diplomacy or consular work calls for such special knowledge. The same officers, together with the rest of the new organization, are able at all times to give to American citizens accurate information as to conditions in foreign countries with which they have business and likewise to cooperate more effectively with the Congress and also with the other executive departments.

MERIT SYSTEM IN CONSULAR AND DIPLOMATIC CORPS

Expert knowledge and professional training must evidently be the essence of this reorganization. Without a trained foreign service there would not be men available for the work in the reorganized Department of State. President Cleveland had taken the first step toward introducing the merit system in the foreign service. That had been followed by the application of the merit principle, with excellent results, to the entire consular branch. Almost nothing, however, had been done in this direction with regard to the Diplomatic Service. In this age of commercial diplomacy it was evidently of the first importance to train an adequate personnel in that branch of the service. Therefore, on November 26, 1909, by an Executive order I placed the Diplomatic Service up to the grade of secretary of embassy, inclusive, upon exactly the same strict nonpartisan basis of the merit system, rigid examination for appointment and promotion only for efficiency, as had been maintained without exception in the Consular Service.

STATISTICS AS TO MERIT AND NONPARTISAN CHARACTER OF APPOINTMENTS

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How faithful to the merit system and how nonpartisan has been the conduct of the Diplomatic and Consular Services in the last four years may be judged from the following: Three ambassadors now serving held their present rank at the beginning of my administration. Of the ten ambassadors whom I have appointed, five were by promotion from the rank of minister. Nine ministers now serving held their present rank at the beginning of my administration. Of the thirty ministers whom I have appointed, eleven were promoted from the lower grades of the foreign service or from the Department of State. Of the nineteen missions in Latin America, where our relations are close and our interest is great, fifteen chiefs of mission are service men, three having entered the service during this administration. Thirty-seven secretaries of embassy or legation who have received their initial appointments after passing successfully the required examination were chosen for ascertained fitness, without regard to political affiliations. A dearth of candidates from Southern and Western States has alone made it impossible thus far completely to equalize all the States' representations in the foreign service. In the effort to equalize the representation of the various States in the Consular Service I have made sixteen of the twenty-nine new appointments as consul which have occurred during my administration from the Southern States. This is 55 per cent. Every other consular appointment made, including the promotion of eleven young men from the consular assistant and student interpreter corps, has been by promotion or transfer, based solely upon efficiency shown in the service.

In order to assure to the business and other interests of the United States a continuance of the resulting benefits of this reform, I earnestly renew my previous recommendations of legislation making it permanent along some such lines as those of the measure now Pending in Congress.

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LARGER PROVISION FOR EMBASSIES AND LEGATIONS AND FOR OTHER EXPENSES OF OUR

FOREIGN REPRESENTATIVES RECOMMENDED

In connection with legislation for the amelioration of the foreign service, I wish to invite attention to the advisability of placing the salary appropriations upon a better basis. I believe that the best results would be obtained by a moderate scale of salaries, with adequate funds for the expense of proper representation, based in each case upon the scale and cost of living at each post, controlled by a system of accounting, and under the general direction of the Department of State.

In line with the object which I have sought of placing our foreign service on a basis of permanency, I have at various times advocated provision by Congress for the acquisition of Government-owned buildings for the residence and offices of our diplomatic officers, so as to place them more nearly on an equality with similar officers of other nations and to do away with the discrimination which otherwise must necessarily be made, in some cases, in favor of men having large private fortunes. The act of Congress which I approved on February 17, 1911, was a right step in this direction. The Secretary of State has already made the limited recommendations permitted by the act for any one year, and it is my hope that the bill introduced in the House of Representatives to carry out these recommendations will be favorably acted on by the Congress during its present session.

In some Latin-American countries the expense of governmentowned legations will be less than elsewhere, and it is certainly very urgent that in such countries as some of the Republics of Central America and the Caribbean, where it is peculiarly difficult to rent suitable quarters, the representatives of the United States should be justly and adequately provided with dignified and suitable official residences. Indeed, it is high time that the dignity and power of this great Nation should be fittingly signalized by proper buildings for the occupancy of the Nation's representatives everywhere abroad.

DIPLOMACY A HAND MAID OF COMMERCIAL INTERCOURSE AND PEACE

The diplomacy of the present administration has sought to respond to modern ideas of commercial intercourse. This policy has been characterized as substituting dollars for bullets. It is one that appeals alike to idealistic humanitarian sentiments, to the dictates of sound policy and strategy, and to legitimate commercial aims. It is an effort frankly directed to the increase of American trade upon the axiomatic principle that the Government of the United States shall extend all proper support to every legitimate and beneficial American enterprise abroad. How great have been the results of this diplomacy, coupled with the maximum and minimum provision of the tariff law, will be seen by some consideration of the wonderful increase in the export trade of the United States. Because modern diplomacy is commercial, there has been a disposition in some quarters to attribute to it none but materialistic aims. How strikingly erroneous is such an impression may be seen from a study of the results by which the diplomacy of the United States can be judged.

SUCCESSFUL EFFORTS IN PROMOTION OF PEACE

In the field of work toward the ideals of peace this Government negotiated, but to my regret was unable to consummate, two arbitration treaties which set the highest mark of the aspiration of nations toward the substitution of arbitration and reason for war in the settlement of international disputes. Through the efforts of American diplomacy several wars have been prevented or ended. I refer to the successful tripartite mediation of the Argentine Republic, Brazil, and the United States between Peru and Ecuador; the bringing of the boundary dispute between Panama and Costa Rica to peaceful arbitration; the staying of warlike preparations when Haiti and the Dominican Republic were on the verge of hostilities; the stopping of a war in Nicaragua; the halting of internecine strife in Honduras. The Government of the United States was thanked for its influence toward the restoration of amicable relations between the Argentine Republic and Bolivia. The diplomacy of the United States is active in seeking to assuage the remaining ill-feeling between this country and the Republic of Colombia. In the recent civil war in China the United States successfully joined with the other interested powers in urging an early cessation of hostilities. An agreement has been reached between the Governments of Chile and Peru whereby the celebrated Tacna-Arica dispute, which has so long embittered international relations on the west coast of South America, has at last been adjusted. Simultaneously came the news that the boundary dispute between Peru and Ecuador had entered upon a stage of amicable settlement. The

155 position of the United States in reference to the Tacna-Arica dispute between Chile and Peru has been one of nonintervention, but one of friendly influence and pacific counsel throughout the period during which the dispute in question has been the subject of interchange of views between this Government and the two Governments immediately concerned. In the general easing of international tension on the west coast of South America the tripartite mediation, to which I have referred, has been a most potent and beneficent factor.

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CHINA

In China the policy of encouraging financial investment to enable that country to help itself has had the result of giving new life and practical application to the open-door policy. The consistent purpose of the present administration has been to encourage the use of American capital in the development of China by the promotion of those essential reforms to which China is pledged by treaties with the United States and other powers. The hypothecation to foreign bankers in connection with certain industrial enterprises, such as the Hukuang railways, of the national revenues upon which these reforms depended, led the Department of State early in the administration to demand for American citizens participation in such enterprises, in order that the United States might have equal rights and an equal voice in all questions pertaining to the disposition of the public revenues concerned. The same policy of promoting international accord among the powers having similar treaty rights as ourselves in the matters of reform, which could not be put into practical effect without the common consent of all, was likewise adopted in the case of the loan desired by China for the reform of its currency. The principle of international cooperation in matters of common interest upon which our policy had already been based in all of the above instances has admittedly been a great factor in that concert of the powers which has been so happily conspicuous during the perilous period of transition through which the great Chinese nation has been passing.

CENTRAL AMERICA NEEDS OUR HELP IN DEBT ADJUSTMENT

180 In Central America the aim has been to help such countries as Nicaragua and Honduras to help themselves. They are the immediate beneficiaries. The national benefit to the United States is twofold. First, it is obvious that the Monroe doctrine is more vital in the neighborhood of the Panama Canal and the zone of the Caribbean than anywhere else. There, too, the maintenance of that doctrine falls most heavily upon the United States. It is therefore essential that the countries within that sphere shall be removed from the jeopardy involved by heavy foreign debt and chaotic national finances and from the ever-present danger of international complications due to disorder at home. Hence the United States has been glad to encourage and support American bankers who were willing to lend a helping hand to the financial rehabilitation of such countries because this financial rehabilitation and the protection of their customhouses from being the prey of wouldbe dictators would remove at one stroke the menace of foreign creditors and the menace of revolutionary disorder.

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The second advantage of the United States is one affecting chiefly all the southern and Gulf ports and the business and industry of the South. The Republics of Central America and the Caribbean possess great natural wealth. They need only a measure of stability and the means of financial regeneration to enter upon an era of peace and prosperity, bringing profit and happiness to themselves and at the same time creating conditions sure to lead to a flourishing interchange of trade with this country.

I wish to call your especial attention to the recent occurrences in Nicaragua, for I believe the terrible events recorded there during the revolution of the past summer-the useless loss of life, the devastation of property, the bombardment of defenseless cities, the killing and wounding of women and children, the torturing of noncombatants to exact contributions, and the suffering of thousands of human beings-might have been averted had the Department of State, through approval of the loan convention by the Senate, been permitted to carry out its now well-developed policy of encouraging the extending of financial aid to weak Central American States with the primary objects of avoiding just such revolutions by assisting those Republics to rehabilitate their finances, to establish their currency on a stable basis, to remove the customhouses from the danger of revolutions by arranging for their secure administration, and to establish reliable banks.

During this last revolution in Nicaragua, the Government of that Republic having admitted its inability to protect

American life and property against acts of sheer lawlessness on the part of the malcontents, and having requested this Government to assume that office, it became necessary to land over 2,000 marines and bluejackets in Nicaragua. Owing to their presence the constituted Government of Nicaragua was free to devote its attention wholly to its internal troubles, and was thus enabled to stamp out the rebellion in a short space of time. When the Red Cross supplies sent to Granada had been exhausted, 8,000 persons having been given food in one day upon the arrival of the American forces, our men supplied other unfortunate, needy Nicaraguans from their own haversacks. I wish to congratulate the officers and men of the United States navy and Marine Corps who took part in reestablishing order in Nicaragua upon their splendid conduct, and to record with sorrow the death of seven American marines and bluejackets. Since the reestablishment of peace and order, elections have been held amid conditions of quiet and tranquility. Nearly all the American marines have now been withdrawn. The country should soon be on the road to recovery. The only apparent danger now threatening Nicaragua arises from the shortage of funds. Although American bankers have already rendered assistance, they may naturally be loath to advance a loan adequate to set the country upon its feet without the support of some such convention as that of June, 1911, upon which the Senate has not yet acted.

ENFORCEMENT OF NEUTRALITY LAWS

In the general effort to contribute to the enjoyment of peace by those Republics which are near neighbors of the United States, the administration has enforced the so-called neutrality statutes with a new vigor, and those statutes were greatly strengthened in restricting the exportation of arms and munitions by the joint resolution of last March. It is still a regrettable fact that certain American ports are made the rendezvous of professional revolutionists and others engaged in intrigue against the peace of those Republics. It must be admitted that occasionally a revolution in this region is justified as a real popular movement to throw off the shackles of a vicious and tyrannical government. Such was the Nicaraguan revolution against the Zelaya regime. A nation enjoying our liberal institutions can not escape sympathy with a true popular movement, and one so well justified. In very many cases, however, revolutions in the Republics in question have no basis in principle, but are due merely to the machinations of conscienceless and ambitious men, and have no effect but to bring new suffering and fresh burdens to an already oppressed people. The question whether the use of American ports as foci of revolutionary intrigue can be best dealt with by a further amendment to the neutrality statutes or whether it would be safer to deal with special cases by special laws is one worthy of the careful consideration of the Congress.

VISIT OF SECRETARY KNOX TO CENTRAL AMERICA AND THE CARIBBEAN

Impressed with the particular importance of the relations between the United States and the Republics of Central America and the Caribbean region, which of necessity must become still more intimate by reason of the mutual advantages which will be presented by the opening of the Panama Canal, I directed the Secretary of State last February to visit these Republics for the purpose of giving evidence of the sincere friendship and good will which the Government and people of the United States bear toward them. Ten Republics were visited. Everywhere he was received with a cordiality of welcome and a generosity of hospitality such as to impress me deeply and to merit our warmest thanks. The appreciation of the Governments and people of the countries visited, which has been appropriately shown in various ways, leaves me no doubt that his visit will conduce to that closer union and better understanding between the United States and those Republics which I have had it much at heart to promote.

OUR MEXICAN POLICY

For two years revolution and counter-revolution has distraught the neighboring Republic of Mexico. Brigandage has involved a great deal of depredation upon foreign interests. There have constantly recurred questions of extreme delicacy. On several occasions very difficult situations have arisen on our frontier. Throughout this trying period, the policy of the United States has been one of patient nonintervention, steadfast recognition of constituted authority in the neighboring nation, and the exertion of every effort to care for American interests. I profoundly hope that the Mexican nation may soon resume the path of order, prosperity, and progress. To that nation in its sore troubles, the sympathetic friendship of the United States has been demonstrated to a high degree. There were in Mexico at the beginning of the revolution some thirty or forty thousand American citizens engaged in enterprises contributing greatly to the prosperity of that Republic and also benefiting the important trade between the two countries. The investment of American capital in Mexico has been estimated at \$1,000,000,000. The responsibility of endeavoring to

safeguard those interests and the dangers inseparable from propinquity to so turbulent a situation have been great, but I am happy to have been able to adhere to the policy above outlined-a policy which I hope may be soon justified by the complete success of the Mexican people in regaining the blessings of peace and good order.

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AGRICULTURAL CREDITS

A most important work, accomplished in the past year by the American diplomatic officers in Europe, is the investigation of the agricultural credit system in the European countries. Both as a means to afford relief to the consumers of this country through a more thorough development of agricultural resources and as a means of more sufficiently maintaining the agricultural population, the project to establish credit facilities for the farmers is a concern of vital importance to this Nation. No evidence of prosperity among well-established farmers should blind us to the fact that lack of capital is preventing a development of the Nation's agricultural resources and an adequate increase of the land under cultivation; that agricultural production is fast falling behind the increase in population; and that, in fact, although these well-established farmers are maintained in increasing prosperity because of the natural increase in population, we are not developing the industry of agriculture. We are not breeding in proportionate numbers a race of independent and independence-loving landowners, for a lack of which no growth of cities can compensate. Our farmers have been our mainstay in times of crisis, and in future it must still largely be upon their stability and common sense that this democracy must rely to conserve its principles of self-government.

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The need of capital which American farmers feel to-day had been experienced by the farmers of Europe, with their centuries-old farms, many years ago. The problem had been successfully solved in the Old World and it was evident that the farmers of this country might profit by a study of their systems. I therefore ordered, through the Department of State, an investigation to be made by the diplomatic officers in Europe, and I have laid the results of this investigation before the governors of the various States with the hope that they will be used to advantage in their forthcoming meeting.

INCREASE OF FOREIGN TRADE

In my last annual message I said that the fiscal year ended June 30, 1911, was noteworthy as marking the highest record of exports of American products to foreign countries. The fiscal year 1912 shows that this rate of advance has been maintained, the total domestic exports having a valuation approximately Of \$2,200,000,000, as compared with a fraction over \$2,000,000,000 the previous year. It is also significant that manufactured and partly manufactured articles continue to be the chief commodities forming the volume of our augmented exports, the demands of our own people for consumption requiring that an increasing proportion of our abundant agricultural products be kept at home. In the fiscal year 1911 the exports of articles in the various stages of manufacture, not including foodstuffs partly or wholly manufactured, amounted approximately to \$907,500,000. In the fiscal year 1912 the total was nearly \$1,022,000,000, a gain Of \$114,000,000.

ADVANTAGE OF MAXIMUM AND MINIMUM TARIFF PROVISION

The importance which our manufactures have assumed in the commerce of the world in competition with the manufactures of other countries again draws attention to the duty of this Government to use its utmost endeavors to secure impartial treatment for American products in all markets. Healthy commercial rivalry in international intercourse is best assured by the possession of proper means for protecting and promoting our foreign trade. It is natural that competitive countries should view with some concern this steady expansion of our commerce. If in some instance the measures taken by them to meet it are not entirely equitable, a remedy should be found. In former messages I have described the negotiations of the Department of State with foreign Governments for the adjustment of the maximum and minimum tariff as provided in section 2 of the tariff law of 1909. The advantages secured by the adjustment of our trade relations under this law have continued during the last year, and some additional cases of discriminatory treatment of which we had reason to complain have been removed. The Department of State has for the first time in the history of this country obtained substantial most-favored-nation treatment from all the countries of the world. There are, however, other instances which, while apparently not constituting undue discrimination in the sense of section 2, are nevertheless exceptions to the complete equity of tariff treatment for American products that the

315 Department of State consistently has sought to obtain for American commerce abroad.

NECESSITY FOR SUPPLEMENTARY LEGISLATION

These developments confirm the opinion conveyed to you in my annual message of 1911, that while the maximum
320 and minimum provision of the tariff law of 1909 has been fully justified by the success achieved in removing
previously existing undue discriminations against American products, yet experience has shown that this feature of the
law should be amended in such way as to provide a fully effective means of meeting the varying degrees of
discriminatory treatment of American commerce in foreign countries still encountered, as well as to protect against
injurious treatment on the part of foreign Governments, through either legislative or administrative measures, the
325 financial interests abroad of American citizens whose enterprises enlarge the market for American commodities.

I can not too strongly recommend to the Congress the passage of some Stich enabling measure as the bill which was
recommended by the Secretary of State in his letter of December 13, 1911. The object of the proposed legislation is, in
brief, to enable the Executive to apply, as the case may require, to any or all commodities, whether or not on the free
330 list from a country which discriminates against the United States, a graduated scale of duties tip to the maximum Of
25 per cent ad valorem provided in the present law. Flat tariffs are out of date. Nations no longer accord equal tariff
treatment to all other nations irrespective of the treatment from them received. Stich a flexible power at the command
of the Executive would serve to moderate any unfavorable tendencies on the part of those countries from which the
importations into the United States are substantially confined to articles on the free list as well as of the countries
335 which find a lucrative market in the United States for their products under existing customs rates. It is very necessary
that the American Government should be equipped with weapons of negotiation adapted to modern economic
conditions, in order that we may at all times be in a position to gain not only technically just but actually equitable
treatment for our trade, and also for American enterprise and vested interests abroad.

340 BUSINESS SECURED TO OUR COUNTRY BY DIRECT OFFICIAL EFFORT

As illustrating the commercial benefits of the Nation derived from the new diplomacy and its effectiveness upon the
material as well as the more ideal side, it may be remarked that through direct official efforts alone there have been
obtained in the course of this administration, contracts from foreign Governments involving an expenditure of
345 \$50,000,000 in the factories of the United States. Consideration of this fact and some reflection upon the necessary
effects of a scientific tariff system and a foreign service alert and equipped to cooperate with the business men of
America carry the conviction that the gratifying increase in the export trade of this country is, in substantial amount,
due to our improved governmental methods of protecting and stimulating it. It is germane to these observations to
remark that in the two years that have elapsed since the successful negotiation of our new treaty with Japan, which at
350 the time seemed to present so many practical difficulties, our export trade to that country has increased at the rate of
over \$1,000,000 a month. Our exports to Japan for the year ended June 30, 1910, were \$21,959,310, while for the year
ended June 30, 1912, the exports were \$53,478,046, a net increase in the sale of American products of nearly 150 per
cent.

355 SPECIAL CLAIMS ARBITRATION WITH GREAT BRITAIN

Under the special agreement entered into between the United States and Great Britain on August 18, 1910, for the
arbitration of outstanding pecuniary claims, a schedule of claims and the terms of submission have been agreed upon
by the two Governments, and together with the special agreement were approved by the Senate on July 19, 1911, but
360 in accordance with the terms of the agreement they did not go into effect until confirmed by the two Governments by
an exchange of notes, which was done on April 26 last. Negotiations, are still in progress for a supplemental schedule
of claims to be submitted to arbitration under this agreement, and meanwhile the necessary preparations for the
arbitration of the claims included in the first schedule have been undertaken and are being carried on under the
authority of an appropriation made for that purpose at the last session of Congress. It is anticipated that the two
365 Governments will be prepared to call upon the arbitration tribunal, established under this agreement, to meet at
Washington early next year to proceed with this arbitration.

FUR SEAL TREATY AND NEED FOR AMENDMENT OF OUR STATUTE

370 The act adopted at the last session of Congress to give effect to the fur-seal convention Of July 7, 1911, between Great Britain, Japan, Russia, and the United States provided for the suspension of all land killing of seals on the Pribilof Islands for a period of five years, and an objection has now been presented to this provision by the other parties in interest, which raises the issue as to whether or not this prohibition of land killing is inconsistent with the spirit, if not the letter, of the treaty stipulations. The justification of establishing this close season depends, under the terms of the

375 convention, upon how far, if at all, it is necessary for protecting and preserving the American fur-seal herd and for increasing its number. This is a question requiring examination of the present condition of the herd and the treatment which it needs in the light of actual experience and scientific investigation. A careful examination of the subject is now being made, and this Government will soon be in possession of a considerable amount of new information about the American seal herd, which has been secured during the past season and will be of great value in determining this

380 question; and if it should appear that there is any uncertainty as to the real necessity for imposing a close season at this time I shall take an early opportunity to address a special message to Congress on this subject, in the belief that this Government should yield on this point rather than give the slightest ground for the charge that we have been in any way remiss in observing our treaty obligations.

385 FINAL SETTLEMENT OF NORTH ATLANTIC FISHERIES DISPUTE

On the 20th of July last an agreement was concluded between the United States and Great Britain adopting, with certain modifications, the rules and method of procedure recommended in the award rendered by the North Atlantic Coast Fisheries Arbitration Tribunal on September 7, 1910, for the settlement hereafter, in accordance with the

390 principles laid down in the award, of questions arising with reference to the exercise of the American fishing liberties under Article I of the treaty of October 20, 1818, between the United States and Great Britain. This agreement received the approval of the Senate on August 1 and was formally ratified by the two Governments on November 15 last. The rules and a method of procedure embodied in the award provided for determining by an impartial tribunal the reasonableness of any new fishery regulations on the treaty coasts of Newfoundland and Canada before such

395 regulations could be enforced against American fishermen exercising their treaty liberties on those coasts, and also for determining the delimitation of bays on such coasts more than 10 miles wide, in accordance with the definition adopted by the tribunal of the meaning of the word " bays " as used in the treaty. In the subsequent negotiations between the two Governments, undertaken for the purpose of giving practical effect to these rules and methods of procedure, it was found that certain modifications therein were desirable from the point of view of both Govern,

400 ments, and these negotiations have finally resulted in the agreement above mentioned by which the award recommendations as modified by mutual consent of the two Governments are finally adopted and made effective, thus bringing this century-old controversy to a final conclusion, which is equally beneficial and satisfactory to both Governments.

405 IMPERIAL VALLEY AND MEXICO

In order to make possible the more effective performance of the work necessary for the confinement in their present channel of the waters of the lower Colorado River, and thus to protect the people of the Imperial Valley, as well as in order to reach with the Government of Mexico an understanding regarding the distribution of the waters of the

410 Colorado River, in which both Governments are much interested, negotiations are going forward with a view to the establishment of a preliminary Colorado River commission, which shall have the powers necessary to enable it to do the needful work and with authority to study the question of the equitable distribution of the waters. There is every reason to believe that an understanding upon this point will be reached and that an agreement will be signed in the near future.

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CHAMIZAL DISPUTE

In the interest of the people and city of El Paso this Government has been assiduous in its efforts to bring to an early

settlement the long-standing Chamizal dispute with Mexico. Much has been accomplished, and while the final solution of the dispute is not immediate, the favorable attitude lately assumed by the Mexican Government encourages the hope that this troublesome question will be satisfactorily and definitively settled at an early day.

INTERNATIONAL COMMISSION OF JURISTS

In pursuance of the convention of August 23, 1906, signed at the Third Pan American Conference, held at Rio de Janeiro, the International Commission of jurists met at that capital during the month of last June. At this meeting 16 American Republics were represented, including the United States, and comprehensive plans for the future work of the commission were adopted. At the next meeting fixed for June, 1914, committees already appointed are instructed to report regarding topics assigned to them.

OPIUM CONFERENCE-UNFORTUNATE FAILURE OF OUR GOVERNMENT TO ENACT RECOMMENDED LEGISLATION

In my message on foreign relations communicated to the two Houses of Congress December 7, 1911, I called especial attention to the assembling of the Opium Conference at The Hague, to the fact that that conference was to review all pertinent municipal laws relating to the opium and allied evils, and certainly all international rules regarding these evils, and to the fact that it seemed to me most essential that the Congress should take immediate action on the antinarcotic legislation before the Congress, to which I had previously called attention by a special message.

The international convention adopted by the conference conforms almost entirely to the principles contained in the proposed antinarcotic legislation which has been before the last two Congresses. It was most unfortunate that this Government, having taken the initiative in the international action which eventuated in the important international opium convention, failed to do its share in the great work by neglecting to pass the necessary legislation to correct the deplorable narcotic evils in the United States as well as to redeem international pledges upon which it entered by virtue of the abovementioned convention. The Congress at its present session should enact into law those bills now before it which have been so carefully drawn up in collaboration between the Department of State and the other executive departments, and which have behind them not only the moral sentiment of the country, but the practical support of all the legitimate trade interests likely to be affected. Since the international convention was signed, adherence to it has been made by several European States not represented at the conference at The Hague and also by seventeen Latin-American Republics.

EUROPE AND THE NEAR EAST

The war between Italy and Turkey came to a close in October last by the signature of a treaty of peace, subsequently to which the Ottoman Empire renounced sovereignty over Cyrenaica and Tripolitania in favor of Italy. During the past year the Near East has unfortunately been the theater of constant hostilities. Almost simultaneously with the conclusion of peace between Italy and Turkey and their arrival at an adjustment of the complex questions at issue between them, war broke out between Turkey on the one hand and Bulgaria, Greece, Montenegro, and Servia on the other. The United States has happily been involved neither directly nor indirectly with the causes or questions incident to any of these hostilities and has maintained in regard to them an attitude of absolute neutrality and of complete political disinterestedness. In the second war in which the Ottoman Empire has been engaged the loss of life and the consequent distress on both sides have been appalling, and the United States has found occasion, in the interest of humanity, to carry out the charitable desires of the American people, to extend a measure of relief to the sufferers on either side through the impartial medium of the Red Cross. Beyond this the chief care of the Government of the United States has been to make due provision for the protection of its national resident in belligerent territory. In the exercise of my duty in this matter I have dispatched to Turkish waters a special service squadron, consisting of two armored cruisers, in order that this Government may if need be bear its part in such measures as it may be necessary for the interested nations to adopt for the safeguarding of foreign lives and property in the Ottoman Empire in the event that a dangerous situation should develop. In the meanwhile the several interested European powers have promised to extend to American citizens the benefit of such precautionary or protective measures as they might adopt, in the same manner in which it has been the practice of this Government to extend its protection to all foreign

residents in those countries of the Western Hemisphere in which it has from time to time been the task of the United States to act in the interest of peace and good order. The early appearance of a

475 large fleet of European warships in the Bosphorus apparently assured the protection of foreigners in that quarter, where the presence of the American stationnaire the U. S. S. Scorpion sufficed, tinder the circumstances, to represent the United States. Our cruisers were thus left free to act if need be along the Mediterranean coasts should any unexpected contingency arise affecting the numerous American interests in the neighborhood of Smyrna and Beirut.

480 **SPITZBERGEN**

The great preponderance of American material interests in the subarctic island of Spitzbergen, which has always been regarded politically as " no man's land," impels this Government to a continued and lively interest in the international dispositions to be made for the political governance and administration of that region. The conflict of certain claims of
485 American citizens and others is in a fair way to adjustment, while the settlement of matters of administration, whether by international conference of the interested powers or otherwise, continues to be the subject of exchange of views between the Governments concerned.

LIBERIA

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As a result of the efforts of this Government to place the Government of Liberia in position to pay its outstanding indebtedness and to maintain a stable and efficient government, negotiations for a loan of \$1,700,000 have been successfully concluded, and it is anticipated that the payment of the old loan and the issuance of the bonds of the 1912 loan for the rehabilitation of the finances of Liberia will follow at an early date, when the new receivership will go
495 into active operation. The new receivership will consist of a general receiver of customs designated by the Government of the United States and three receivers of customs designated by the Governments of Germany, France, and Great Britain, which countries have commercial interests in the Republic of Liberia.

In carrying out the understanding between the Government of Liberia and that of the United States, and in fulfilling
500 the terms of the agreement between the former Government and the American bankers, three competent exarmy officers are now effectively employed by the Liberian Government in reorganizing the police force of the Republic, not only to keep in order the native tribes in the hinterland but to serve as a necessary police force along the frontier. It is hoped that these measures will assure not only the continued existence but the prosperity and welfare of the Republic of Liberia. Liberia possesses fertility of soil and natural resources, which should insure to its people a
505 reasonable prosperity. It was the duty of the United States to assist the Republic of Liberia in accordance with our historical interest and moral guardianship of a community founded by American citizens, as it was also the duty of the American Government to attempt to assure permanence to a country of much sentimental and perhaps future real interest to a large body of our citizens.

510 **MOROCCO**

The legation at Tangier is now in charge of our consul general, who is acting as charge d'affaires, as well as caring for our commercial interests in that country. In view of the fact that many of the foreign powers are now represented by charges d'affaires it has not been deemed necessary to appoint at the present time a minister to fill a vacancy occurring
515 in that post.

THE FAR EAST

The political disturbances in China in the autumn and winter of 1911-12 resulted in the abdication of the Manchu
520 rulers on February 12, followed by the formation of a provisional republican government empowered to conduct the affairs of the nation until a permanent government might be regularly established. The natural sympathy of the

American people with the assumption of republican principles by the Chinese people was appropriately expressed in a concurrent resolution of Congress on April 17, 1912. A constituent assembly, composed of representatives duly chosen by the people of China in the elections that are now being held, has been called to meet in January next to
525 adopt a permanent constitution and organize the Government of the nascent Republic. During the formative constitutional stage and pending definite action by the assembly, as expressive of the popular will, and the hoped-for establishment of a stable republican form of government, capable of fulfilling its international obligations, the United States is, according to precedent, maintaining full and friendly de facto relations with the provisional Government.

530 The new condition of affairs thus created has presented many serious and complicated problems, both of internal rehabilitation and of international relations, whose solution it was realized would necessarily require much time and patience. From the beginning of the upheaval last autumn it was felt by the United States, in common with the other powers having large interests in China, that independent action by the foreign Governments in their own individual interests would add further confusion to a situation already complicated. A policy of international cooperation was
535 accordingly adopted in an understanding, reached early in the disturbances, to act together for the protection of the lives and property of foreigners if menaced, to maintain an attitude of strict impartiality as between the contending factions, and to abstain from any endeavor to influence the Chinese in their organization of a new form of government. In view of the seriousness of the disturbances and their general character, the American minister at Peking was instructed at his discretion to advise our nationals in the affected districts to concentrate at such centers as
540 were easily accessible to foreign troops or men of war. Nineteen of our naval vessels were stationed at various Chinese ports, and other measures were promptly taken for the adequate protection of American interests.

It was further mutually agreed, in the hope of hastening an end to hostilities, that none of the interested powers would approve the making of loans by its nationals to either side. As soon, however, as a united provisional Government of
545 China was assured, the United States joined in a favorable consideration of that Government's request for advances needed for immediate administrative necessities and later for a loan to effect a permanent national reorganization. The interested Governments had already, by common consent, adopted, in respect to the purposes, expenditure, and security of any loans to China made by their nationals, certain conditions which were held to be essential, not only to secure reasonable protection for the foreign investors, but also to safeguard and strengthen China's credit by
550 discouraging indiscriminate borrowing and by insuring the application of the funds toward the establishment of the stable and effective government necessary to China's welfare. In June last representative banking groups of the United States, France, Germany, Great Britain, Japan, and Russia formulated, with the general sanction of their respective Governments, the guaranties that would be expected in relation to the expenditure and security of the large reorganization loan desired by China, which, however, have thus far proved unacceptable to the provisional
555 Government.

SPECIAL MISSION OF CONDOLENCE TO JAPAN

In August last I accredited the Secretary of State as special ambassador to Japan, charged with the mission of bearing
560 to the imperial family, the Government, and the people of that Empire the sympathetic message of the American Commonwealth on the sad occasion of the death of His Majesty the Emperor Mutsuhito, whose long and benevolent reign was the greater part of Japan's modern history. The kindly reception everywhere accorded to Secretary Knox showed that his mission was deeply appreciated by the Japanese nation and emphasized strongly the friendly relations that have for so many years existed between the two peoples.

565

SOUTH AMERICA

Our relations with the Argentine Republic are most friendly and cordial. So, also, are our relations with Brazil, whose Government has accepted the invitation of the United States to send two army officers to study at the Coast Artillery
570 School at Fort Monroe. The long-standing Alsop claim, which had been the only hindrance to the healthy growth of the most friendly relations between the United States and Chile, having been eliminated through the submission of the question to His Britannic Majesty King George V as "amiable compositeur," it is a cause of much gratification to me that our relations with Chile are now established upon a firm basis of growing friendship. The Chilean Government has placed an officer of the United States Coast Artillery in charge of the Chilean Coast Artillery School, and has
575 shown appreciation of American methods by confiding to an American firm important work for the Chilean coast

defenses.

Last year a revolution against the established Government of Ecuador broke out at the principal port of that Republic. Previous to this occurrence the chief American interest in Ecuador, represented by the Guayaquil & Quito Railway Co., incorporated in the United States, had rendered extensive transportation and other services on account to the Ecuadorian Government, the amount of which ran into a sum which was steadily increasing and which the Ecuadorian Government had made no provision to pay, thereby threatening to crush out the very existence of this American enterprise. When tranquillity had been restored to Ecuador as a result of the triumphant progress of the Government forces from Quito, this Government interposed its good offices to the end that the American interests in Ecuador might be saved from complete extinction. As a part of the arrangement which was reached between the parties, and at the request of the Government of Ecuador, I have consented to name an arbitrator, who, acting under the terms of the railroad contract, with an arbitrator named by the Ecuadorian Government, will pass upon the claims that have arisen since the arrangement reached through the action of a similar arbitral tribunal in 1908.

In pursuance of a request made some time ago by the Ecuadorian Government, the Department of State has given much attention to the problem of the proper sanitation of Guayaquil. As a result a detail of officers of the Canal Zone will be sent to Guayaquil to recommend measures that will lead to the complete permanent sanitation of this plague and fever infected region of that Republic, which has for so long constituted a menace to health conditions on the Canal Zone. It is hoped that the report which this mission will furnish will point out a way whereby the modicum of assistance which the United States may properly lend the Ecuadorian Government may be made effective in ridding the west coast of South America of a focus of contagion to the future commercial current passing through the Panama Canal.

In the matter of the claim of John Celestine Landreau against the Government of Peru, which claim arises out of certain contracts and transactions in connection with the discovery and exploitation of guano, and which has been under discussion between the two Governments since 1874, I am glad to report that as the result of prolonged negotiations, which have been characterized by the utmost friendliness and good will on both sides, the Department of State has succeeded in securing the consent of Peru to the arbitration of the claim, and that the negotiations attending the drafting and signature of a protocol submitting the claim to an arbitral tribunal are proceeding with due celerity.

An officer of the American Public Health Service and an American sanitary engineer are now on the way to Iquitos, in the employ of the Peruvian Government, to take charge of the sanitation of that river port. Peru is building a number of submarines in this country, and continues to show every desire to have American capital invested in the Republic.

In July the United States sent undergraduate delegates to the Third International Students Congress held at Lima, American students having been for the first time invited to one of these meetings.

The Republic of Uruguay has shown its appreciation of American agricultural and other methods by sending a large commission to this country and by employing many American experts to assist in building up agricultural and allied industries in Uruguay.

Venezuela is paying off the last of the claims the settlement of which was provided for by the Washington protocols, including those of American citizens. Our relations with Venezuela are most cordial, and the trade of that Republic with the United States is now greater than with any other country.

CENTRAL AMERICA AND THE CARIBBEAN

During the past summer the revolution against the administration which followed the assassination of President Caceres a year ago last November brought the Dominican Republic to the verge of administrative chaos, without offering any guaranties of eventual stability in the ultimate success of either party. In pursuance of the treaty relations of the United States with the Dominican Republic, which were threatened by the necessity of suspending the operation

under American administration of the customhouses on the Haitian frontier, it was found necessary to dispatch special commissioners to the island to reestablish the customhouses and with a guard sufficient to insure needed protection to the customs administration. The efforts which have been made appear to have resulted in the restoration of normal conditions throughout the Republic. The good offices which the commissioners were able to exercise were
630 instrumental in bringing the contending parties together and in furnishing a basis of adjustment which it is hoped will result in permanent benefit to the Dominican people.

Mindful of its treaty relations, and owing to the position of the Government of the United States as mediator between the Dominican Republic and Haiti in their boundary dispute, and because of the further fact that the revolutionary activities on the Haitian-Dominican frontier had become so active as practically to obliterate the line of demarcation that had been heretofore recognized pending the definitive settlement of the boundary in controversy, it was found necessary to indicate to the two island Governments a provisional de facto boundary line. This was done without prejudice to the rights or obligations of either country in a final settlement to be reached by arbitration. The tentative
640 line chosen was one which, under the circumstances brought to the knowledge of this Government, seemed to conform to the best interests of the disputants. The border patrol which it had been found necessary to reestablish for customs purposes between the two countries was instructed provisionally to observe this line.

The Republic of Cuba last May was in the throes of a lawless uprising that for a time threatened the destruction of a great deal of valuable property-much of it owned by Americans and other foreigners-as well as the existence of the Government itself. The armed forces of Cuba being inadequate to guard property from attack and at the same time properly to operate against the rebels, a force of American marines was dispatched from our naval station at Guantanamo into the Province of Oriente for the protection of American and other foreign life and property. The Cuban Government was thus able to use all its forces in putting down the outbreak, which it succeeded in doing in a
650 period of six weeks. The presence of two American warships in the harbor of Habana during the most critical period of this disturbance contributed in great measure to allay the fears of the inhabitants, including a large foreign colony.

There has been under discussion with the Government of Cuba for some time the question of the release by this Government of its leasehold rights at Bahia Honda, on the northern coast of Cuba, and the enlargement, in exchange
655 therefor, of the naval station which has been established at Guantanamo Bay, on the south. As the result of the negotiations thus carried on an agreement has been reached between the two Governments providing for the suitable enlargement of the Guantanamo Bay station upon terms which are entirely fair and equitable to all parties concerned.

At the request alike of the Government and both political parties in Panama, an American commission undertook supervision of the recent presidential election in that Republic, where our treaty relations, and, indeed, every geographical consideration, make the maintenance of order and satisfactory conditions of peculiar interest to the Government of the United States. The elections passed without disorder, and the new administration has entered upon its functions.

The Government of Great Britain has asked the support of the United States for the protection of the interests of British holders of the foreign bonded debt of Guatemala. While this Government is hopeful of an arrangement equitable to the British bondholders, it is naturally unable to view the question apart from its relation to the broad subject of financial stability in Central America, in which the policy of the United States does not permit it to escape a vital interest. Through a renewal of negotiations between the Government of Guatemala and American bankers, the
670 aim of which is a loan for the rehabilitation of Guatemalan finances, a way appears to be open by which the Government of Guatemala could promptly satisfy any equitable and just British claims, and at the same time so improve its whole financial position as to contribute greatly to the increased prosperity of the Republic and to redound to the benefit of foreign investments and foreign trade with that country. Failing such an arrangement, it may become impossible for the Government of the United States to escape its obligations in connection with such measures as may
675 become necessary to exact justice to legitimate foreign claims.

In the recent revolution in Nicaragua, which, it was generally admitted, might well have resulted in a general Central American conflict but for the intervention of the United States, the Government of Honduras was especially menaced; but fortunately peaceful conditions were maintained within the borders of that Republic. The financial condition of
680 that country remains unchanged, no means having been found for the final adjustment of pressing outstanding foreign

claims. This makes it the more regrettable that the financial convention between the United States and Honduras has thus far failed of ratification. The Government of the United States continues to hold itself ready to cooperate with the Government of Honduras, which it is believed, can not much longer delay the meeting of its foreign obligations, and it is hoped at the proper time American bankers will be willing to cooperate for this purpose.

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NECESSITY FOR GREATER GOVERNMENTAL EFFORT IN RETENTION AND EXPANSION OF OUR FOREIGN TRADE

It is not possible to make to the Congress a communication upon the present foreign relations of the United States so detailed as to convey an adequate impression of the enormous increase in the importance and activities of those relations. If this Government is really to preserve to the American people that free opportunity in foreign markets which will soon be indispensable to our prosperity, even greater efforts must be made. Otherwise the American merchant, manufacturer, and exporter will find many a field in which American trade should logically predominate preempted through the more energetic efforts of other governments and other commercial nations.

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There are many ways in which through hearty cooperation the legislative and executive branches of this Government can do much. The absolute essential is the spirit of united effort and singleness of purpose. I will allude only to a very few specific examples of action which ought then to result. America can not take its proper place in the most important fields for its commercial activity and enterprise unless we have a merchant marine. American commerce and enterprise can not be effectively fostered in those fields unless we have good American banks in the countries referred to. We need American newspapers in those countries and proper means for public information about them. We need to assure the permanency of a trained foreign service. We need legislation enabling the members of the foreign service to be systematically brought in direct contact with the industrial, manufacturing, and exporting interests of this country in order that American business men may enter the foreign field with a clear perception of the exact conditions to be dealt with and the officers themselves may prosecute their work with a clear idea of what American industrial and manufacturing interests require.

CONCLUSION

Congress should fully realize the conditions which obtain in the world as we find ourselves at the threshold of our middle age as a Nation. We have emerged full grown as a peer in the great concourse of nations. We have passed through various formative periods. We have been self-centered in the struggle to develop our domestic resources and deal with our domestic questions. The Nation is now too matured to continue in its foreign relations those temporary expedients natural to a people to whom domestic affairs are the sole concern. In the past our diplomacy has often consisted, in normal times, in a mere assertion of the right to international existence. We are now in a larger relation with broader rights of our own and obligations to others than ourselves. A number of great guiding principles were laid down early in the history of this Government. The recent task of our diplomacy has been to adjust those principles to the conditions of to-day, to develop their corollaries, to find practical applications of the old principles expanded to meet new situations. Thus are being evolved bases upon which can rest the superstructure of policies which must grow with the destined progress of this Nation. The successful conduct of our foreign relations demands a broad and a modern view. We can not meet new questions nor build for the future if we confine ourselves to outworn dogmas of the past and to the perspective appropriate at our emergence from colonial times and conditions. The opening of the Panama Canal will mark a new era in our international life and create new and worldwide conditions which, with their vast correlations and consequences, will obtain for hundreds of years to come. We must not wait for events to overtake us unawares. With continuity of purpose we must deal with the problems of our external relations by a diplomacy modern, resourceful, magnanimous, and fittingly expressive of the high ideals of a great nation.

Part II. [On Fiscal, judicial, Military and Insular Affairs.]

730

THE WHITE HOUSE, December 6, 1912.

To the Senate and House of Representatives:

On the 3d of December I sent a message to the Congress, which was confined to our foreign relations. The Secretary of State makes no report to the President or to Congress, and a review of the history of the transactions of the State Department in one year must therefore be included by the President in his annual message or Congress will not be fully informed of them. A full discussion of all the transactions of the Government, with a view to informing the Congress of the important events of the year and recommending new legislation, requires more space than one message of reasonable length affords. I have therefore adopted the course of sending three or four messages during the first ten days of the session, so as to include reference to the more important matters that should be brought to the attention of the Congress.

BUSINESS CONDITIONS

The condition of the country with reference to business could hardly be better. While the four years of the administration now drawing to a close have not developed great speculative expansion or a wide field of new investment, the recovery and progress made from the depressing conditions following the panic of 1907 have been steady and the improvement has been clear and easily traced in the statistics. The business of the country is now on a solid basis. Credits are not unduly extended, and every phase of the situation seems in a state of preparedness for a period of unexampled prosperity. Manufacturing concerns are running at their full capacity and the demand for labor was never so constant and growing. The foreign trade of the country for this year will exceed \$4,000,000,000, while the balance in our favor—that of the excess of exports over imports—will exceed \$500,000,000. More than half our exports are manufactures or partly manufactured material, while our exports of farm products do not show the same increase because of domestic consumption. It is a year of bumper crops; ; the total money value of farm products will exceed \$9,500,000,000. It is a year when the bushel or unit price of agricultural products has gradually fallen, and yet the total value of the entire crop is greater by over \$1,000,000,000 than we have known in our history.

CONDITION OF THE TREASURY

The condition of the Treasury is very satisfactory. The total interest-bearing debt is \$963,777,770, of which \$134,631,980 constitute the Panama Canal loan. The noninterest-bearing debt is \$378,301,284.90, including \$346,681,016 of greenbacks. We have in the Treasury \$150,000,000 in gold coin as a reserve against the outstanding greenbacks; and in addition we have a cash balance in the Treasury as a general fund of \$167,152,478.99, or an increase of \$26,975,552 over the general fund last year.

RECEIPTS AND EXPENDITURES

For three years the expenditures of the Government have decreased under the influence of an effort to economize. This year presents an apparent exception. The estimate by the Secretary of the Treasury of the ordinary receipts, exclusive of postal revenues, for the year ending June 30, 1914, indicates that they will amount to \$710,000,000. The sum of the estimates of the expenditures for that same year, exclusive of Panama Canal disbursements and postal disbursements payable from postal revenues, is \$732,000,000, indicating a deficit Of \$22,000,000. For the year ending June 30, 1913, similarly estimated receipts were \$667,000,000, while the total corresponding estimate of expenditures for that year, submitted through the Secretary of the Treasury to Congress, amounted to \$656,000,000. This shows an increase of \$76,000,000 in the estimates for 1914 over the total estimates of 1913. This is due to an increase Of \$25,000,000 in the estimate for rivers and harbors for the next year on projects and surveys authorized by Congress; to an increase under the new pension bill Of \$32,500,000; and to an increase in the estimates for expenses of the Navy Department Of \$24,000,000. The estimate for the Navy Department for the year 1913 included two battleships. Congress made provision for only one battleship, and therefore the Navy Department has deemed it necessary and proper to make an estimate which includes the first year's expenditure for three battleships in addition to the amount required for work on the uncompleted ships now under construction. In addition to the natural increase in the expenditures for the uncompleted ships, and the additional battleship estimated for, the other increases are due to the pay required for 4,000 or more additional enlisted men in the Navy; and to this must be added the additional cost of construction imposed by the change in the eight-hour law which makes it applicable to ships built in private shipyards.

With the exceptions of these three items, the estimates show a reduction this year below the total estimates for 1913 of

more than \$5,000,000.

The estimates for Panama Canal construction for 1914 are \$17,000,000 less than for 1913

790 OUR BANKING AND CURRENCY SYSTEM

A time when panics seem far removed is the best time for us to prepare our financial system to withstand a storm. The most crying need this country has is a proper banking and currency system. The existing one is inadequate, and everyone who has studied the question admits it.

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It is the business of the National Government to provide a medium, automatically contracting and expanding in volume, to meet the needs of trade. Our present system lacks the indispensable quality of elasticity.

The only part of our monetary medium that has elasticity is the bank-note currency. The peculiar provisions of the law requiring national banks to maintain reserves to meet the call of the depositors operates to increase the money stringency when it arises rather than to expand the supply of currency and relieve it. It operates upon each bank and furnishes a motive for the withdrawal of currency from the channels of trade by each bank to save itself, and offers no inducement whatever for the use of the reserve to expand the supply of currency to meet the exceptional demand.

805 After the panic of 1907 Congress realized that the present system was not adapted to the country's needs and that under it panics were possible that might properly be avoided by legislative provision. Accordingly a monetary commission was appointed which made a report in February, 1912. The system which they recommended involved a National Reserve Association, which was, in certain of its faculties and functions, a bank, and which was given through its governing authorities the power, by issuing circulating notes for approved commercial paper, by fixing discounts, and by other methods of transfer of currency, to expand the supply of the monetary medium where it was most needed to prevent the export or hoarding of gold and generally to exercise such supervision over the supply of money in every part of the country as to prevent a stringency and a panic. The stock in this association was to be distributed to the banks of the whole United States, State and National, in a mixed proportion to bank units and to capital stock paid in. The control of the association was vested in a board of directors to be elected by representatives of the banks, except certain ex-officio directors, three Cabinet officers, and the Comptroller of the Currency. The President was to appoint the governor of the association from three persons to be selected by the directors, while the two deputy governors were to be elected by the board of directors. The details of the plan were worked out with great care and ability, and the plan in general seems to me to furnish the basis for a proper solution of our present difficulties. I feel that the Government might very properly be given a greater voice in the executive committee of the board of directors without danger of injecting politics into its management, but I think the federation system of banks is a good one, provided proper precautions are taken to prevent banks of large capital from absorbing power through ownership of stock in other banks. The objections to a central bank it seems to me are obviated if the ownership of the reserve association is distributed among all the banks of a country in which banking is free. The earnings of the reserve association are limited in percentage to a reasonable and fixed amount, and the profits over and above this are to be turned into the Government Treasury. It is quite probable that still greater security against control by money centers may be worked into the plan.

Certain it is, however, that the objections which were made in the past history of this country to a central bank as furnishing a monopoly of financial power to private individuals, would not apply to an association whose ownership and control is so widely distributed and is divided between all the banks of the country, State and National, on the one hand, and the Chief Executive through three department heads and his Comptroller of the Currency, on the other. The ancient hostility to a national bank, with its branches, in which is concentrated the privilege of doing a banking business and carrying on the financial transactions of the Government, has prevented the establishment of such a bank since it was abolished in the Jackson Administration. Our present national banking law has obviated objections growing out of the same cause by providing a free banking system in which any set of stockholders can establish a national bank if they comply with the conditions of law. It seems to me that the National Reserve Association meets the same objection in a similar way; that is, by giving to each bank, State and National, in accordance with its size, a certain share in the stock of the reserve association, nontransferable and only to be held by the bank while it performs

its functions as a partner in the reserve association.

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The report of the commission recommends provisions for the imposition of a graduated tax on the expanded currency of such a character as to furnish a motive for reducing the issue of notes whenever their presence in the money market is not required by the exigencies of trade. In other words, the whole system has been worked out with the greatest care. Theoretically it presents a plan that ought to command support. Practically it may require modification in various
845 of its provisions in order to make the security against, abuses by combinations among the banks impossible. But in the face of the crying necessity that there is for improvement in our present system, I urgently invite the attention of Congress to the proposed plan and the report of the commission, with the hope that an earnest consideration may suggest amendments and changes within the general plan which will lead to its adoption for the benefit of the country. There is no class in the community more interested in a safe and sane banking and currency system, one which will
850 prevent panics and automatically furnish in each trade center the currency needed in the carrying on of the business at that center, than the wage earner. There is no class in the community whose experience better qualifies them to make suggestions as to the sufficiency of a currency and banking system than the bankers and business men. Ought we, therefore, to ignore their recommendations and reject their financial judgment as to the proper method of reforming our financial system merely because of the suspicion which exists against them in the minds of many of our fellow
855 citizens? Is it not the duty of Congress to take up the plan suggested, examine it from all standpoints, give impartial consideration to the testimony of those whose experience ought to fit them to give the best advice on the subject, and then to adopt some plan which will secure the benefits desired?

A banking and currency system seems far away from the wage earner and the farmer, but the fact is that they are
860 vitally interested in a safe system of currency which shall graduate its volume to the amount needed and which shall prevent times of artificial stringency that frighten capital, stop employment, prevent the meeting of the pay roll, destroy local markets, and produce penury and want.

THE TARIFF

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I have regarded it as my duty in former messages to the Congress to urge the revision of the tariff upon principles of protection. It was my judgment that the customs duties ought to be revised downward, but that the reduction ought not to be below a rate which would represent the difference in the cost of production between the article in question at home and abroad, and for this and other reasons I vetoed several bills which were presented to me in the last session
870 of this Congress. Now that a new Congress has been elected on a platform of a tariff for revenue only rather than a protective tariff, and is to revise the tariff on that basis, it is needless for me to occupy the time of this Congress with arguments or recommendations in favor of a protective tariff.

Before passing from the tariff law, however, known as the Payne tariff law of August 5, 1909, I desire to call attention
875 to section 38 of that act, assessing a special excise tax on corporations. It contains a provision requiring the levy of an additional 50 per cent to the annual tax in cases of neglect to verify the prescribed return or to file it before the time required by law. This additional charge of 50 per cent operates in some cases as a harsh penalty for what may have been a mere inadvertence or unintentional oversight, and the law should be so amended as to mitigate the severity of the charge in such instances. Provision should also be made for the refund of additional taxes heretofore collected
880 because of such infractions in those cases where the penalty imposed has been so disproportionate to the offense as equitably to demand relief.

BUDGET

885 The estimates for the next fiscal year have been assembled by the Secretary of the Treasury and by him transmitted to Congress. I purpose at a later day to submit to Congress a form of budget prepared for me and recommended by the President's Commission on Economy and Efficiency, with a view of suggesting the useful and informing character of a properly framed budget.

890 **WAR DEPARTMENT**

The War Department combines within its jurisdiction functions which in other countries usually occupy three departments. It not only has the management of the Army and the coast defenses, but its jurisdiction extends to the government of the Philippines and of Porto Rico and the control of the receivership of the customs revenues of the Dominican Republic; it also includes the recommendation of all plans for the improvement of harbors and waterways and their execution when adopted; and, by virtue of an Executive order, the supervision of the construction of the Panama Canal.

ARMY REORGANIZATION

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Our small Army now consists of 83,809 men, excluding the 5,000 Philippine scouts. Leaving out of consideration the Coast Artillery force, whose position is fixed in our various seacoast defenses, and the present garrisons of our various insular possessions, we have to-day within the continental United States a mobile Army of only about 35,000 men. This little force must be still further drawn upon to supply the new garrisons for the great naval base which is being established at Pearl Harbor, in the Hawaiian Islands, and to protect the locks now rapidly approaching completion at Panama. The forces remaining in the United States are now scattered in nearly 50 Posts, situated for a variety of historical reasons in 24 States. These posts contain only fractions of regiments, averaging less than 700 men each. In time of peace it has been our historical policy to administer these units separately by a geographical organization. In other words, our Army in time of peace has never been a united organization but merely scattered groups of companies, battalions, and regiments, and the first task in time of war has been to create out of these scattered units an Army fit for effective teamwork and cooperation.

To the task of meeting these patent defects, the War Department has been addressing itself during the past year. For many years we had no officer or division whose business it was to study these problems and plan remedies for these defects. With the establishment of the General Staff nine years ago a body was created for this purpose. It has, necessarily, required time to overcome, even in its own personnel, the habits of mind engendered by a century of lack of method, but of late years its work has become systematic and effective, and it has recently been addressing itself vigorously to these problems.

920 A comprehensive plan of Army reorganization was prepared by the War College Division of the General Staff. This plan was thoroughly discussed last summer at a series of open conferences held by the Secretary of War and attended by representatives from all branches of the Army and from Congress. In printed form it has been distributed to Members of Congress and throughout the Army and the National Guard, and widely through institutions of learning and elsewhere in the United States. In it, for the first time, we have a tentative chart for future progress.

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Under the influence of this study definite and effective steps have been taken toward Army reorganization so far as such reorganization lies within the Executive power. Hitherto there has been no difference of policy in the treatment of the organization of our foreign garrisons from those of troops within the United States. The difference of situation is vital, and the foreign garrison should be prepared to defend itself at an instant's notice against a foe who may command the sea. Unlike the troops in the United States, it can not count upon reinforcements or recruitment. It is an outpost upon which will fall the brunt of the first attack in case of war. The historical policy of the United States of carrying its regiments during time of peace at half strength has no application to our foreign garrisons. During the past year this defect has been remedied as to the Philippines garrison. The former garrison of 12 reduced regiments has been replaced by a garrison of 6 regiments at full strength, giving fully the same number of riflemen at an estimated economy in cost of maintenance of over \$1,000,000 per year. This garrison is to be permanent. Its regimental units, instead of being transferred periodically back and forth from the United States, will remain in the islands. The officers and men composing these units will, however, serve a regular tropical detail as usual, thus involving no greater hardship upon the personnel and greatly increasing the effectiveness of the garrison. A similar policy is proposed for the Hawaiian and Panama garrisons as fast as the barracks for them are completed. I strongly urge upon Congress that the necessary appropriations for this purpose should be promptly made. It is, in my opinion, of first importance that these national outposts, upon which a successful home defense will, primarily, depend, should be finished and placed in effective condition at the earliest possible day.

THE HOME ARMY

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Simultaneously with the foregoing steps the War Department has been proceeding with the reorganization of the Army at home. The formerly disassociated units are being united into a tactical organization of three divisions, each consisting of two or three brigades of Infantry and, so far as practicable, a proper proportion of divisional Cavalry and Artillery. Of course, the extent to which this reform can be carried by the Executive is practically limited to a paper organization. The scattered units can be brought under a proper organization, but they will remain physically scattered until Congress supplies the necessary funds for grouping them in more concentrated posts. Until that is done the present difficulty of drilling our scattered groups together, and thus training them for the proper team play, can not be removed. But we shall, at least, have an Army which will know its own organization and will be inspected by its proper commanders, and to which, as a unit, emergency orders can be issued in time of war or other emergency. Moreover, the organization, which in many respects is necessarily a skeleton, will furnish a guide for future development. The separate regiments and companies will know the brigades and divisions to which they belong. They will be maneuvered together whenever maneuvers are established by Congress, and the gaps in their organization will show the pattern into which can be filled new troops as the Nation grows and a larger Army is provided.

960 REGULAR ARMY RESERVE

One of the most important reforms accomplished during the past year has been the legislation enacted in the Army appropriation bill of last summer, providing for a Regular Army reserve. Hitherto our national policy has assumed that at the outbreak of war our regiments would be immediately raised to full strength. But our laws have provided no means by which this could be accomplished, or by which the losses of the regiments when once sent to the front could be repaired. In this respect we have neglected the lessons learned by other nations. The new law provides that the soldier, after serving four years with colors, shall pass into a reserve for three years. At his option he may go 'into the reserve at the end of three years, remaining there for four years. While in the reserve he can be called to active duty only in case of war or other national emergency, and when so called and only in such case will receive a stated amount of pay for all of the period in which he has been a member of the reserve. The legislation is imperfect, in my opinion, in certain particulars, but it is a most important step in the right direction, and I earnestly hope that it will be carefully studied and perfected by Congress.

THE NATIONAL GUARD

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Under existing law the National Guard constitutes, after the Regular Army, the first line of national defense. Its organization, discipline, training, and equipment, under recent legislation, have been assimilated, as far as possible, to those of the Regular Army, and its practical efficiency, under the effect of this training, has very greatly increased. Our citizen soldiers under present conditions have reached a stage of development beyond which they can not reasonably be asked to go without further direct assistance in the form of pay from the Federal Government. On the other hand, such pay from the National Treasury would not be justified unless it produced a proper equivalent in additional efficiency on the part of the National Guard. The Organized Militia to-day can not be ordered outside of the limits of the United States, and thus can not lawfully be used for general military purposes. The officers and men are ambitious and eager to make themselves thus available and to become an efficient national reserve of citizen soldiery. They are the only force of trained men, other than the Regular Army, upon which we can rely. The so-called militia pay bill, in the form agreed on between the authorities of the War Department and the representatives of the National Guard, in my opinion adequately meets these conditions and offers a proper return for the pay which it is proposed to give to the National Guard. I believe that its enactment into law would be a very long step toward providing this Nation with a first line of citizen soldiery, upon which its main reliance must depend in case of any national emergency. Plans for the organization of the National Guard into tactical divisions, on the same lines as those adopted for the Regular Army, are being formulated by the War College Division of the General Staff.

NATIONAL VOLUNTEERS

995 The National Guard consists of only about 110,000 men. In any serious war in the past it has always been necessary, and in such a war in the future it doubtless will be necessary, for the Nation to depend, in addition to the Regular

Army and the National Guard, upon a large force of volunteers. There is at present no adequate provision of law for the raising of such a force. There is now pending in Congress, however, a bill which makes such provision, and which I believe is admirably adapted to meet the exigencies which would be presented in case of war. The passage of the bill would not entail a dollar's expense upon the Government at this time or in the future until war comes. But if war comes the methods therein directed are in accordance with the best military judgment as to what they ought to be, and the act would prevent the necessity for a discussion of any legislation and the delays incident to its consideration and adoption. I earnestly urge its passage.

1005 **CONSOLIDATION OF THE SUPPLY CORPS**

The Army appropriation act of 1912 also carried legislation for the consolidation of the Quartermaster's Department, the Subsistence Department, and the Pay Corps into a single supply department, to be known as the Quartermaster's Corps. It also provided for the organization of a special force of enlisted men, to be known as the Service Corps, gradually to replace many of the civilian employees engaged in the manual labor necessary in every army. I believe that both of these enactments will improve the administration of our military establishment. The consolidation of the supply corps has already been effected, and the organization of the service corps is being put into effect.

All of the foregoing reforms are in the direction of economy and efficiency. Except for the slight increase necessary to garrison our outposts in Hawaii and Panama, they do not call for a larger Army, but they do tend to produce a much more efficient one. The only substantial new appropriations required are those which, as I have pointed out, are necessary to complete the fortifications and barracks at our naval bases and outposts beyond the sea.

PORTO RICO

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Porto Rico continues to show notable progress, both commercially and in the spread of education. Its external commerce has increased 17 per cent over the preceding year, bringing the total value up to \$92,631,886, or more than five times the value of the commerce of the island in 1901. During the year 160,657 Pupils were enrolled in the public schools, as against 145,525 for the preceding year, and as compared with 26,000 for the first year of American administration. Special efforts are under way for the promotion of vocational and industrial training, the need of which is particularly pressing in the island. When the bubonic plague broke out last June, the quick and efficient response of the people of Porto Rico to the demands of modern sanitation was strikingly shown by the thorough campaign which was instituted against the plague and the hearty public opinion which supported the Government's efforts to check its progress and to prevent its recurrence.

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The failure thus far to grant American citizenship continues to be the only ground of dissatisfaction. The bill conferring such citizenship has passed the House of Representatives and is now awaiting the action of the Senate. I am heartily in favor of the passage of this bill. I believe that the demand for citizenship is just, and that it is amply earned by sustained loyalty on the part of the inhabitants of the island. But it should be remembered that the demand must be, and in the minds of most Porto Ricans is, entirely disassociated from any thought of statehood. I believe that no substantial approved public opinion in the United States or in Porto Rico contemplates statehood for the island as the ultimate form of relations between us. I believe that the aim to be striven for is the fullest possible allowance of legal and fiscal self-government, with American citizenship as to the bond between us; in other words, a relation analogous to the present relation between Great Britain and such self-governing colonies as Canada and Australia. This would conduce to the fullest and most self-sustaining development of Porto Rico, while at the same time it would grant her the economic and political benefits of being under the American flag.

PHILIPPINES

1045 A bill is pending in Congress which revolutionizes the carefully worked out scheme of government under which the Philippine Islands are now governed and which proposes to render them virtually autonomous at once and absolutely independent in eight years. Such a proposal can only be founded on the assumption that we have now discharged our trusteeship to the Filipino people and our responsibility for them to the world, and that they are now prepared for

selfgovernment as well as national sovereignty. A thorough and unbiased knowledge of the facts clearly shows that
1050 these assumptions are absolutely without justification. As to this, I believe that there is no substantial difference of
opinion among any of those who have had the responsibility of facing Philippine problems in the administration of the
islands, and I believe that no one to whom the future of this people is a responsible concern can countenance a policy
fraught with the direst consequences to those on whose behalf it is ostensibly urged.

1055 In the Philippine Islands we have embarked upon an experiment unprecedented in dealing with dependent people. We
are developing there conditions exclusively for their own welfare. We found an archipelago containing 24 tribes and
races, speaking a great variety of languages, and with a population over 80 per cent of which could neither read nor
write. Through the unifying forces of a common education, of commercial and economic development, and of gradual
1060 participation in local self-government we are endeavoring to evolve a homogeneous people fit to determine, when the
time arrives, their own destiny. We are seeking to arouse a national spirit and not, as under the older colonial theory,
to suppress such a spirit. The character of the work we have been doing is keenly recognized in the Orient, and our
success thus far followed with not a little envy by those who, initiating the same policy, find themselves hampered by
conditions grown up in earlier days and under different theories of administration. But our work is far from done. Our
1065 duty to the Filipinos is far from discharged. Over half a million Filipino students are now in the Philippine schools
helping to mold the men of the future into a homogeneous people, but there still remain more than a million Filipino
children of school age yet to be reached. Freed from American control the integrating forces of a common education
and a common language will cease and the educational system now well started will slip back into inefficiency and
disorder.

1070 An enormous increase in the commercial development of the islands has been made since they were virtually granted
full access to our markets three years ago, with every prospect of increasing development and diversified industries.
Freed from American control such development is bound to decline. Every observer speaks of the great progress in
public works for the benefit of the Filipinos, of harbor improvements, of roads and railways, of irrigation and artesian
wells, public buildings, and better means of communication. But large parts of the islands are still unreached, still
1075 even unexplored, roads and railways are needed in many parts, irrigation systems are still to be installed, and wells to
be driven. Whole villages and towns are still without means of communication other than almost impassable roads and
trails. Even the great progress in sanitation, which has successfully suppressed smallpox, the bubonic plague, and
Asiatic cholera, has found the cause of and a cure for beriberi, has segregated the lepers, has helped to make Manila
the most healthful city in the Orient, and to free life throughout the whole archipelago from its former dread diseases,
1080 is nevertheless incomplete in many essentials of permanence in sanitary policy. Even more remains to be
accomplished. If freed from American control sanitary progress is bound to be arrested and all that has been achieved
likely to be lost.

Concurrent with the economic, social, and industrial development of the islands has been the development of the
1085 political capacity of the people. By their progressive participation in government the Filipinos are being steadily and
hopefully trained for self-government. Under Spanish control they shared in no way in the government. Under
American control they have shared largely and increasingly. Within the last dozen years they have gradually been
given complete autonomy in the municipalities, the right to elect two-thirds of the provincial governing boards and the
lower house of the insular legislature. They have four native members out of nine members of the commission, or
1090 upper house. The chief justice and two justices of the supreme court, about one-half of the higher judicial positions,
and all of the justices of the peace are natives. In the classified civil service the proportion of Filipinos increased from
51 per cent in 1904 to 67 per cent in 1911. Thus to-day all the municipal employees, over 90 per cent of the provincial
employees, and 60 per cent of the officials and employees of the central government are Filipinos. The ideal which
1095 has been kept in mind in our political guidance of the islands has been real popular self-government and not mere
paper independence. I am happy to say that the Filipinos have done well enough in the places they have filled and in
the discharge of the political power with which they have been intrusted to warrant the belief that they can be educated
and trained to complete self-government. But the present satisfactory results are due to constant support and
supervision at every step by Americans.

1100 If the task we have undertaken is higher than that assumed by other nations, its accomplishment must demand even
more patience. We must not forget that we found the Filipinos wholly untrained in government. Up to our advent all
other experience sought to repress rather than encourage political power. It takes long time and much experience to
ingrain political habits of steadiness and efficiency. Popular self-government ultimately must rest upon common

habits of thought and upon a reasonably developed public opinion. No such foundations for selfgovernment, let alone
1105 independence are now present in the Philippine Islands. Disregarding even their racial heterogeneity and the lack of
ability to think as a nation, it is sufficient to point out that under liberal franchise privileges only about 3 per cent of
the Filipinos vote and only 5 per cent of the people are said to read the public press. To confer independence upon the
Filipinos now is, therefore, to subject the great mass of their people to the dominance of an oligarchical and, probably,
exploiting minority. Such a course will be as cruel to those people as it would be shameful to us.

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Our true course is to pursue steadily and courageously the path we have thus far followed; to guide the Filipinos into
self-sustaining pursuits; to continue the cultivation of sound political habits through education and political practice;
to encourage the diversification of industries, and to realize the advantages of their industrial education by
conservatively approved cooperative methods, at once checking the dangers of concentrated wealth and building up a
1115 sturdy, independent citizenship. We should do all this with a disinterested endeavor to secure for the Filipinos
economic independence and to fit them for complete self-government, with the power to decide eventually, according
to their own largest good, whether such self-government shall be accompanied by independence. A present declaration
even of future independence would retard progress by the dissension and disorder it would arouse. On our part it
would be a disingenuous attempt, under the guise of conferring a benefit on them, to relieve ourselves from the heavy
1120 and difficult burden which thus far we have been bravely and consistently sustaining. It would be a disguised policy of
scuttle. It would make the helpless Filipino the football of oriental politics, tinder the protection of a guaranty of their
independence, which we would be powerless to enforce.

REGULATION OF WATER POWER

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There are pending before Congress a large number of bills proposing to grant privileges of erecting dams for the
purpose of creating water power in our navigable rivers. The pendency of these bills has brought out an important
defect in the existing general dam act. That act does not, in my opinion, grant sufficient power to the Federal
Government in dealing with the construction of such dams to exact protective conditions in the interest of navigation.
1130 It does not permit the Federal Government, as a condition of its permit, to require that a part of the value thus created
shall be applied to the further general improvement and protection of the stream. I believe this to be one of the most
important matters of internal improvement now confronting the Government. Most of the navigable rivers of this
country are comparatively long and shallow. In order that they may be made fully useful for navigation there has
come into vogue a method of improvement known as canalization, or the slack-water method, which consists in
1135 building a series of dams and locks, each of which will create a long pool of deep navigable water. At each of these
dams there is usually created also water power of commercial value. If the water power thus created can be made
available for the further improvement of navigation in the stream, it is manifest that the improvement will be much
more quickly effected on the one hand, and, on the other, that the burden on the general taxpayers of the country will
be very much reduced. Private interests seeking permits to build water-power dams in navigable streams usually urge
1140 that they thus improve navigation, and that if they do not impair navigation they should be allowed to take for
themselves the entire profits of the water-power development. Whatever they may do by way of relieving the
Government of the expense of improving navigation should be given due consideration, but it must be apparent that
there may be a profit beyond a reasonably liberal return upon the private investment which is a potential asset of the
Government in carrying out a comprehensive policy of waterway development. It is no objection to the retention and
1145 use of such an asset by the Government that a comprehensive waterway policy will include the protection and
development of the other public uses of water, which can not and should not be ignored in making and executing plans
for the protection and development of navigation. It is also equally clear that inasmuch as the water power thus
created is or may be an incident of a general scheme of waterway improvement within the constitutional jurisdiction
of the Federal Government, the regulation of such water power lies also within that jurisdiction. In my opinion
1150 constructive statesmanship requires that legislation should be enacted which will permit the development of
navigation in these great rivers to go hand in hand with the utilization of this by-product of water power, created in the
course of the same improvement, and that the general dam act should be so amended as to make this possible. I deem
it highly important that the Nation should adopt a consistent and harmonious treatment of these water-power projects,
which will preserve for this purpose their value to the Government, whose right it is to grant the permit. Any other
1155 policy is equivalent to throwing away a most valuable national asset.

THE PANAMA CANAL

During the past year the work of construction upon the canal has progressed most satisfactorily. About 87 per cent of the excavation work has been completed, and more than 93 per cent of the concrete for all the locks is in place. In view of the great interest which has been manifested as to some slides in the Culebra Cut, I am glad to say that the report of Col. Goethals should allay any apprehension on this point. It is gratifying to note that none of the slides which occurred during this year would have interfered with the passage of the ships had the canal, in fact, been in operation, and when the slope pressures will have been finally adjusted and the growth of vegetation will minimize erosion in the banks of the cut, the slide problem will be practically solved and an ample stability assured for the Culebra Cut.

Although the official date of the opening has been set for January 1, 1915, the canal will, in fact, from present indications, be opened for shipping during the latter half of 1913. No fixed date can as yet be set, but shipping interests will be advised as soon as assurances can be given that vessels can pass through without unnecessary delay.

Recognizing the administrative problem in the management of the canal, Congress in the act of August 24, 1912, has made admirable provisions for executive responsibility in the control of the canal and the government of the Canal Zone. The problem of most efficient organization is receiving careful consideration, so that a scheme of organization and control best adapted to the conditions of the canal may be formulated and put in operation as expeditiously as possible. Acting under the authority conferred on me by Congress, I have, by Executive proclamation, promulgated the following schedule of tolls for ships passing through the canal, based upon the thorough report of Emory R. Johnson, special commissioner on traffic and tolls:

I. On merchant vessels carrying passengers or cargo, \$1.20 per net vessel ton-each 100 cubic feet-of actual earning capacity. 2. On vessels in ballast without passengers or cargo, 40 per cent less than the rate of tolls for vessels with passengers or cargo. 3. Upon naval vessels, other than transports, colliers, hospital ships, and supply ships, 50 cents per displacement ton. 4. Upon Army and Navy transports, colliers, hospital ships, and supply ships, \$1.20 per net ton, the vessels to be measured by the same rules as are employed in determining the net tonnage of merchant vessels. Rules for the determination of the tonnage upon which toll charges are based are now in course of preparation and will be promulgated in due season.

PANAMA CANAL TREATY

The proclamation which I have issued in respect to the Panama Canal tolls is in accord with the Panama Canal act passed by this Congress August 24, 1912. We have been advised that the British Government has prepared a protest against the act and its enforcement in so far as it relieves from the payment of tolls American ships engaged in the American coastwise trade on the ground that it violates British rights under the Hay-Pauncefote treaty concerning the Panama Canal. When the protest is presented, it will be promptly considered and an effort made to reach a satisfactory adjustment of any differences there may be between the two Governments.

WORKMEN'S COMPENSATION ACT

The promulgation of an efficient workmen's compensation act, adapted to the particular conditions of the zone, is awaiting adequate appropriation by Congress for the payment of claims arising thereunder. I urge that speedy provision be made in order that we may install upon the zone a system of settling claims for injuries in best accord with modern humane, social, and industrial theories.

PROMOTION FOR COL. GOETHALS

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As the completion of the canal grows nearer, and as the wonderful executive work of Col. Goethals becomes more conspicuous in the eyes of the country and of the world, it seems to me wise and proper to make provision by law for such reward to him as may be commensurate with the service that he has rendered to his country. I suggest that this reward take the form of an appointment of Col. Goethals as a major general in the Army of the United States, and that

1210 the law authorizing such appointment be accompanied with a provision permitting his designation as Chief of Engineers upon the retirement of the present incumbent of that office.

NAVY DEPARTMENT

1215 The Navy of the United States is in a greater state of efficiency and is more powerful than it has ever been before, but in the emulation which exists between different countries in respect to the increase of naval and military armaments this condition is not a permanent one. In view of the many improvements and increases by foreign Governments the slightest halt on our part in respect to new construction throws us back and reduces us from a naval power of the first rank and places us among the nations of the second rank. In the past 15 years the Navy has expanded rapidly and yet
1220 far less rapidly than our country. From now on reduced expenditures in the Navy means reduced military strength. The world's history has shown the importance of sea power both for adequate defense and for the support of important and definite policies.

I had the pleasure of attending this autumn a mobilization of the Atlantic Fleet, and was glad to observe and note the
1225 preparedness of the fleet for instant action. The review brought before the President and the Secretary of the Navy a greater and more powerful collection of vessels than had ever been gathered in American waters. The condition of the fleet and of the officers and enlisted men and of the equipment of the vessels entitled those in authority to the greatest credit.

1230 I again commend to Congress the giving of legislative sanction to the appointment of the naval aids to the Secretary of the Navy. These aids and the council of aids appointed by the Secretary of the Navy to assist him in the conduct of his department have proven to be. of the highest utility. They have furnished an executive committee of the most skilled naval experts, who have coordinated the action of the various bureaus in the Navy, and by their advice have enabled the Secretary to give an administration at the same time economical and most efficient. Never before has the United
1235 States had a Navy that compared in efficiency with its present one, but never before have the requirements with respect to naval warfare been higher and more exacting than now. A year ago Congress refused to appropriate for more than one battleship. In this I think a great mistake of policy was made, and I urgently recommend that this Congress make tip for the mistake of the last session by appropriations authorizing the construction of three battleships, in addition to destroyers, fuel ships, and the other auxiliary vessels as shown in the building program of
1240 the general board. We are confronted by a condition in respect to the navies of the world which requires us, if we would maintain our Navy as an insurance of peace, to augment our naval force by at least two battleships a year and by battle cruisers, gunboats, torpedo destroyers, and submarine boats in a proper proportion. We have no desire for war. We would go as far as any nation in the world to avoid war, but we are a world power. Our population, our wealth, our definite policies, our responsibilities in the Pacific and the Atlantic, our defense of the Panama Canal,
1245 together with our enormous world trade and our missionary outposts on the frontiers of civilization, require us to recognize our position as one of the foremost in the family of nations, and to clothe ourselves with sufficient naval power to give force to our reasonable demands, and to give weight to our influence in those directions of progress that a powerful Christian nation should advocate.

1250 I observe that the Secretary of the Navy devotes some space to a change in the disciplinary system in vogue in that branch of the service. I think there is nothing quite so unsatisfactory to either the Army or the Navy as the severe punishments necessarily inflicted by court-martial for desertions and purely military offenses, and I am glad to hear that the British have solved this important and difficult matter in a satisfactory way. I commend to the consideration of Congress the details of the new disciplinary system, and recommend that laws be passed putting the same into force
1255 both in the Army and the Navy.

I invite the attention of Congress to that part of the report of the Secretary of the Navy in which he recommends the formation of a naval reserve by the organization of the ex-sailors of the Navy.

1260 I repeat my recommendation made last year that proper provision should be made for the rank of the commander in chief of the squadrons and fleets of the Navy. The inconvenience attending the necessary precedence that most foreign admirals have over our own whenever they meet in official functions ought to be avoided. It impairs the prestige of

our Navy and is a defect that can be very easily removed.

1265 DEPARTMENT OF JUSTICE

This department has been very active in the enforcement of the law. It has been better organized and with a larger force than ever before in the history of the Government. The prosecutions which have been successfully concluded and which are now pending testify to the effectiveness of the departmental work.

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The prosecution of trusts under the Sherman antitrust law has gone on without restraint or diminution, and decrees similar to those entered in the Standard Oil and the Tobacco cases have been entered in other suits, like the suits against the Powder Trust and the Bathtub Trust. I am very strongly convinced that a steady, consistent course in this regard, with a continuing of Supreme Court decisions upon new phases of the trust question not already finally
1275 decided is going to offer a solution of this much-discussed and troublesome issue in a quiet, calm, and judicial way, without any radical legislation changing the governmental policy in regard to combinations now denounced by the Sherman antitrust law. I have already recommended as an aid in this matter legislation which would declare unlawful certain well-known phases of unfair competition in interstate trade, and I have also advocated voluntary national incorporation for the larger industrial enterprises, with provision for a closer supervision by the Bureau of
1280 Corporations, or a board appointed for the purpose, so as to make more certain compliance with the antitrust law on the one hand and to give greater security to the stockholders against possible prosecutions on the other. I believe, however, that the orderly course of litigation in the courts and the regular prosecution of trusts charged with the violation of the antitrust law is producing among business men a clearer and clearer perception of the line of distinction between business that is to be encouraged and business that is to be condemned, and that in this quiet way
1285 the question of trusts can be settled and competition retained as an economic force to secure reasonableness in prices and freedom and independence in trade.

REFORM OF COURT PROCEDURE

I am glad to bring to the attention of Congress the fact that the Supreme Court has radically altered the equity rules governing the procedure on the equity side of all Federal courts, and though, as these changes have not been yet put in practice so as to enable us to state from actual results what the reform will accomplish, they are of such a character that we can reasonably prophesy that they will greatly reduce the time and cost of litigation in such courts. The court has adopted many of the shorter methods of the present English procedure, and while it may take a little while for the
1295 profession to accustom itself to these methods, it is certain greatly to facilitate litigation. The action of the Supreme Court has been so drastic and so full of appreciation of the necessity for a great reform in court procedure that I have no hesitation in following up this action with a recommendation which I foreshadowed in my message of three years ago, that the sections of the statute governing the procedure in the Federal courts on the common-law side should be so amended as to give to the Supreme Court the same right to make rules of procedure in common law as they have,
1300 since the beginning of the court, exercised in equity. I do not doubt that a full consideration of the subject will enable the court while giving effect to the substantial differences in right and remedy between the system of common law and the system of equity so to unite the two procedures into the form of one civil action and to shorten the procedure in such civil action as to furnish a model to all the State courts exercising concurrent jurisdiction with the Federal courts of first instance.

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Under the statute now in force the common-law procedure in each Federal court is made to conform to the procedure in the State in which the court is held. In these days, when we should be making progress in court procedure, such a conformity statute makes the Federal method too dependent upon the action of State legislatures. I can but think it a great opportunity for Congress to intrust to the highest tribunal in this country, evidently imbued with a strong spirit in
1310 favor of a reform of procedure, the power to frame a model code of procedure, which, while preserving all that is valuable and necessary of the rights and remedies at common law and in equity, shall lessen the burden of the poor litigant to a minimum in the expedition and cheapness with which his cause can be fought or defended through Federal courts to final judgment.

1315 WORKMAN'S COMPENSATION ACT

The workman's compensation act reported by the special commission appointed by Congress and the Executive, which passed the Senate and is now pending in the House, the passage of which I have in previous messages urged upon Congress, I venture again to call to its attention. The opposition to it which developed in the Senate, but which was overcome by a majority in that body, seemed to me to grow out rather of a misapprehension of its effect than of opposition to its principle. I say again that I think no act can have a better effect directly upon the relations between the employer and employee than this act applying to railroads and common carriers of an interstate character, and I am sure that the passage of the act would greatly relieve the courts of the heaviest burden of litigation that they have, and would enable them to dispatch other business with a speed never before attained in courts of justice in this country.

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Part III. [Concerning the Work of the Departments of the Post Office, Interior, Agriculture, and Commerce and Labor and District of Columbia.]

THE WHITE HOUSE, December 19, 1912.

1330 *To the Senate and House of Representatives:*

This is the third of a series of messages in which I have brought to the attention of the Congress the important transactions of the Government in each of its departments during the last year and have discussed needed reforms.

1335 **HEADS OF DEPARTMENTS SHOULD HAVE SEATS ON THE FLOOR OF CONGRESS**

I recommend the adoption of legislation which shall make it the duty of heads of departments-the members of the President's Cabinet -at convenient times to attend the session of the House and the Senate, which shall provide seats for them in each House, and give them the opportunity to take part in all discussions and to answer questions of which they have had due notice. The rigid holding apart of the executive and the legislative branches of this Government has not worked for the great advantage of either. There has been much lost motion in the machinery, due to the lack of cooperation and interchange of views face to face between the representatives of the Executive and the Members of the two legislative branches of the Government. It was never intended that they should be separated in the sense of not being in constant effective touch and relationship to each other. The legislative and the executive each performs its own appropriate function, but these functions must be coordinated. Time and time again debates have arisen in each House upon issues which the information of a particular department head would have enabled him, if present, to end at once by a simple explanation or statement. Time and time again a forceful and earnest presentation of facts and arguments by the representative of the Executive whose duty it is to enforce the law would have brought about a useful reform by amendment, which in the absence of such a statement has failed of passage. I do not think I am mistaken in saying that the presence of the members of the Cabinet on the floor of each House would greatly contribute to the enactment of beneficial legislation. Nor would this in any degree deprive either the legislative or the executive of the independence which separation of the two branches has been intended to promote. It would only facilitate their cooperation in the public interest.

1355 On the other hand, I am sure that the necessity and duty imposed upon department heads of appearing in each House and in answer to searching questions, of rendering upon their feet an account of what they have done, or what has been done by the administration, will spur each member of the Cabinet to closer attention to the details of his department, to greater familiarity with its needs, and to greater care to avoid the just criticism which the answers brought out in questions put and discussions arising between the Members of either House and the members of the Cabinet may properly evoke.

Objection is made that the members of the administration having no vote could exercise no power on the floor of the House, and could not assume that attitude of authority and control which the English parliamentary Government have and which enables them to meet the responsibilities the English system thrusts upon them. I agree that in certain respects it would be more satisfactory if members of the Cabinet could at the same time be Members of both Houses, with voting power, but this is impossible under our system; and while a lack of this feature may detract from the influence of the department chiefs, it will not prevent the good results which I have described above both in the matter

of legislation and in the matter of administration. The enactment of such a law would be quite within the power of Congress without constitutional amendment, and it has such possibilities of usefulness that we might well make the experiment, and if we are disappointed the misstep can be easily retraced by a repeal of the enabling legislation.

This is not a new proposition. In the House of Representatives, in the Thirty-eighth Congress, the proposition was referred to a select committee of seven Members. The committee made an extensive report, and urged the adoption of the reform. The report showed that our history had not been without illustration of the necessity and the examples of the practice by pointing out that in early days Secretaries were repeatedly called to the presence of either Rouse for consultation, advice, and information. It also referred to remarks of Mr. Justice Story in his Commentaries on the Constitution, in which he urgently presented the wisdom of such a change. This report is to be found in Volume I of the Reports of Committees of the First Session of the Thirty-eighth Congress, April 6, 1864.

Again, on February 4, 1881, a select committee of the Senate recommended the passage of a similar bill, and made a report, in which, while approving the separation of the three branches, the executive, legislative, and judicial, they point out as a reason for the proposed change that, although having a separate existence, the branches are "to cooperate, each with the other, as the different members of the human body must cooperate, with each other in order to form the figure and perform the duties of a perfect man."

The report concluded as follows:

This system will require the selection of the strongest men to be heads of departments and will require them to be well equipped with the knowledge of their offices. It will also require the strongest men to be the leaders of Congress and participate in debate. It will bring these strong men in contact, perhaps into conflict, to advance the public weal, and thus stimulate their abilities and their efforts, and will thus assuredly result to the good of the country.

If it should appear by actual experience that the heads of departments in fact have not time to perform the additional duty imposed on them by this bill, the force in their offices should be increased or the duties devolving on them personally should be diminished. An undersecretary should be appointed to whom could be confided that routine of administration which requires only order and accuracy. The principal officers could then confine their attention to those duties which require wise discretion and intellectual activity. Thus they would have abundance of time for their duties under this bill. Indeed, your committee believes that the public interest would be subserved if the Secretaries were relieved of the harassing cares of distributing clerkships and closely supervising the mere machinery of the departments. Your committee believes that the adoption of this bill and the effective execution of its provisions will be the first step toward a sound civil-service reform which will secure a larger wisdom in the adoption of policies and a better system in their execution.

(Signed) GEO. H.
PENDLETON. W. B.
ALLISON. D. W.
VOORHEES. J. G.
BLAINE. M. C.
BUTLER. JOHN J.
INGALLS. O. H.
PLATT. J. T.
FARLEY.

It would be difficult to mention the names of higher authority in the practical knowledge of our Government than

those which are appended to this report.

POSTAL SAVINGS BANK SYSTEM

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The Postal Savings Bank System has been extended so that it now includes 4,004 fourth-class post offices', as well as 645 branch offices and stations in the larger cities. There are now 12,812 depositories at which patrons of the system may open accounts. The number of depositors is 300,000 and the amount of their deposits is approximately \$28,000,000, not including \$1,314,140 which has been withdrawn by depositors for the purpose of buying postal savings bonds. Experience demonstrates the value of dispensing with the pass-book and introducing in its place a certificate of deposit. The gross income of the postal savings system for the fiscal year ending June 30, 1913, will amount to \$700,000 and the interest payable to depositors to \$300,000. The cost of supplies, equipment, and salaries is \$700,000. It thus appears that the system lacks \$300,000 a year of paying interest and expenses. It is estimated, however, that when the deposits have reached the sum of \$50,000,000, which at the present rate they soon will do, the system will be self-sustaining. By law the postal savings funds deposited at each post office are required to be redeposited in local banks. State and national banks to the number of 7,357 have qualified as depositories for these funds. Such deposits are secured by bonds aggregating \$54,000,000. Of this amount, \$37,000,000 represent municipal bonds.

1435 PARCEL POST

In several messages I have favored and recommended the adoption of a system of parcel post. In the postal appropriation act of last year a general system was provided and its installation was directed by the 1st of January. This has entailed upon the Post Office Department a great deal of very heavy labor, but the Postmaster General informs me that on the date selected, to wit, the 1st of January, near at hand, the department will be in readiness to meet successfully the requirements of the public.

CLASSIFICATION OF POSTMASTERS

A trial, during the past three years, of the system of classifying fourth-class postmasters in that part of the country lying between the Mississippi River on the west, Canada on the north, the Atlantic Ocean on the east, and Mason and Dixon's line on the south has been sufficiently satisfactory to justify the postal authorities in recommending the extension of the order to include all the fourth-class postmasters in the country. In September, 1912, upon the suggestion of the Postmaster General, I directed him to prepare an order which should put the system in effect, except in Alaska, Guam, Hawaii, Porto Rico, and Samoa. Under date of October 15 I issued such an order which affected 36,000 postmasters. By the order the post offices were divided into groups A and B. Group A includes all postmasters whose compensation is \$500 or more, and group B those whose compensation is less than that sum. Different methods are pursued in the selection of the postmasters for group A and group B. Criticism has been made of this order on the ground that the motive for it was political. Nothing could be further from the truth. The order was made before the election and in the interest of efficient public service. I have several times requested Congress to give me authority to put first-, second-, and third-class postmasters, and all other local officers, including internal-revenue officers, customs officers, United States marshals, and the local agents of the other departments under the classification of the civil-service law by taking away the necessity for confirming such appointments by the Senate. I deeply regret the failure of Congress to follow these recommendations. The change would have taken out of politics practically every local officer and would have entirely cured the evils growing out of what under the present law must always remain a remnant of the spoils system.

COMPENSATION TO RAILWAYS FOR CARRYING MAILS

It is expected that the establishment of a parcel post on January 1st will largely increase the amount of mail matter to be transported by the railways, and Congress should be prompt to provide a way by which they may receive the additional compensation to which they will be entitled. The Postmaster General urges that the department's plan for a complete readjustment of the system of paying the railways for carrying the mails be adopted, substituting space for

weight as the principal factor in fixing compensation. Under this plan it will be possible to determine without delay what additional payment should be made on account of the parcel post. The Postmaster General's recommendation is based on the results of a far-reaching investigation begun early in the administration with the object of determining what it costs the railways to carry the mails. The statistics obtained during the course of the inquiry show that while many of the railways, and particularly the large systems, were making profits from mail transportations, certain of the lines were actually carrying the mails at a loss. As a result of the investigation the department, after giving the subject careful consideration, decided to urge the abandonment of the present plan of fixing compensation on the basis of the weight of the mails carried, a plan that has proved to be exceedingly expensive and in other respects unsatisfactory. Under the method proposed the railway companies will annually submit to the department reports showing what it costs them to carry the mails, and this cost will be apportioned on the basis of the car space engaged, payment to be allowed at the rate thus determined in amounts that will cover the cost and a reasonable profit. If a railway is not satisfied with the manner in which the department apportions the cost in fixing compensation, it is to have the right, under the new plan, of appealing to the Interstate Commerce Commission. This feature of the proposed law would seem to insure a fair treatment of the railways. It is hoped that Congress will give the matter immediate attention and that the method of compensation recommended by the department or some other suitable plan will be promptly authorized.

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DEPARTMENT OF THE INTERIOR

The Interior Department, in the problems of administration included within its jurisdiction, presents more difficult questions than any other. This has been due perhaps to temporary causes of a political character, but more especially to the inherent difficulty in the performance of some of the functions which are assigned to it. Its chief duty is the guardianship of the public domain and the disposition of that domain to private ownership under homestead, mining, and other laws, by which patents from the Government to the individual are authorized on certain conditions. During the last decade the public seemed to become suddenly aware that a very large part of its domain had passed from its control into private ownership, under laws not well adapted to modern conditions, and also that in the doing of this the provisions of existing law and regulations adopted in accordance with law had not been strictly observed, and that in the transfer of title much fraud had intervened, to the pecuniary benefit of dishonest persons. There arose thereupon a demand for conservation of the public domain, its protection against fraudulent diminution, and the preservation of that part of it from private acquisition which it seemed necessary to keep for future public use. The movement, excellent in the intention which prompted it, and useful in its results, has nevertheless had some bad effects, which the western country has recently been feeling and in respect of which there is danger of a reaction toward older abuses unless we can attain the golden mean, which consists in the prevention of the mere exploitation of the public domain for private purposes while at the same, time facilitating its development for the benefit of the local public.

The land laws need complete revision to secure proper conservation on the one hand of land that ought to be kept in public use and, on the other hand, prompt disposition of those lands which ought to be disposed in private ownership or turned over to private use by properly guarded leases. In addition to this there are not enough officials in our Land Department with legal knowledge sufficient promptly to make the decisions which are called for. The whole land-laws system should be reorganized, and not until it is reorganized, will decisions be made as promptly as they ought, or will men who have earned title to public land under the statute receive their patents within a reasonably short period. The present administration has done what it could in this regard, but the necessity for reform and change by a revision of the laws and an increase and reorganization of the force remains, and I submit to Congress the wisdom of a full examination of this subject, in order that a very large and important part of our people in the West may be relieved from a just cause of irritation.

I invite your attention to the discussion by the Secretary of the Interior of the need for legislation with respect to mining claims, leases of coal lands in this country and in Alaska, and for similar disposition of oil, phosphate, and potash lands, and also to his discussion of the proper use to be made of water-power sites held by the Government. Many of these lands are now being withheld from use by the public under the general withdrawal act which was passed by the last Congress. That act was not for the purpose of disposing of the question, but it was for the purpose of preserving the lands until the question could be solved. I earnestly urge that the matter is of the highest importance to our western fellow citizens and ought to command the immediate attention of the legislative branch of the Government.

Another function which the Interior Department has to perform is that of the guardianship of Indians. In spite of everything which has been said in criticism of the policy of our Government toward the Indians, the amount of wealth which is now held by it for these wards per capita shows that the Government has been generous; but the management of so large an estate, with the great variety of circumstances that surround each tribe and each case, calls for the exercise of the highest business discretion, and the machinery provided in the Indian Bureau for the discharge of this function is entirely inadequate. The position of Indian commissioner demands the exercise of business ability of the first order, and it is difficult to secure such talent for the salary provided.

The condition of health of the Indian and the prevalence in the tribes of curable diseases has been exploited recently in the press. In a message to Congress at its last session I brought this subject to its attention and invited a special appropriation, in order that our facilities for overcoming diseases among the Indians might be properly increased, but no action was then taken by Congress on the subject, nor has such appropriation been made since.

The commission appointed by authority of the Congress to report on proper method of securing railroad development in Alaska is formulating its report, and I expect to have an opportunity before the end of this session to submit its recommendations.

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DEPARTMENT OF AGRICULTURE

The far-reaching utility of the educational system carried on by the Department of Agriculture for the benefit of the farmers of our country calls for no elaboration. Each year there is a growth in the variety of facts which it brings out for the benefit of the farmer, and each year confirms the wisdom of the expenditure of the appropriations made for that department.

PURE-FOOD LAW

The Department of Agriculture is charged with the execution of the pure-food law. The passage of this encountered much opposition from manufacturers and others who feared the effect upon their business of the enforcement of its provisions. The opposition aroused the just indignation of the public, and led to an intense sympathy with the severe and rigid enforcement of the provisions of the new law. It had to deal in many instances with the question whether or not products of large business enterprises, in the form of food preparations, were deleterious to the public health; and while in a great majority of instances this issue was easily determinable, there were not a few cases in which it was hard to draw the line between a useful and a harmful food preparation. In cases like this when a decision involved the destruction of great business enterprises representing the investment of large capital and the expenditure of great energy and ability, the danger of serious injustice was very considerable in the enforcement of a new law under the spur of great public indignation. The public officials charged with executing the law might do injustice in heated controversy through unconscious pride of opinion and obstinacy of conclusion. For this reason President Roosevelt felt justified in creating a board of experts, known as the Remsen Board, to whom in cases of much importance an appeal might be taken and a review had of a decision of the Bureau of Chemistry in the Agricultural Department. I heartily agree that it was wise to create this board in order that injustice might not be done. The questions which arise are not generally those involving palpable injury to health, but they are upon the narrow and doubtful line in respect of which it is better to be in some error not dangerous than to be radically destructive. I think that the time has come for Congress to recognize the necessity for some such tribunal of appeal and to make specific statutory provision for it. While we are struggling to suppress an evil of great proportions like that of impure food, we must provide machinery in the law itself to prevent its becoming an instrument of oppression, and we ought to enable those whose business is threatened with annihilation to have some tribunal and some form of appeal in which they have a complete day in court.

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AGRICULTURAL CREDITS

I referred in my first message to the question of improving the system of agricultural credits. The Secretary of Agriculture has made an investigation into the matter of credits in this country, and I commend a consideration of the

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information which through his agents he has been able to collect. It does not in any way minimize the importance of the proposal, but it gives more accurate information upon some of the phases of the question than we have heretofore had.

1580 DEPARTMENT OF COMMERCE AND LABOR

I commend to Congress an examination of the report of the Secretary of Commerce and Labor, and especially that part in which he discusses the office of the Bureau of Corporations, the value to commerce of a proposed trade commission, and the steps which he has taken to secure the organization of a national chamber of commerce. I heartily
1585 commend his view that the plan of a trade commission which looks to the fixing of prices is altogether impractical and ought not for a moment to be considered as a possible solution of the trust question.

The trust question in the enforcement of the Sherman antitrust law is gradually solving itself, is maintaining the principle and restoring the practice of competition, and if the law is quietly but firmly enforced, business will adjust
1590 itself to the statutory requirements, and the unrest in commercial circles provoked by the trust discussion will disappear.

PANAMA-PACIFIC INTERNATIONAL EXPOSITION

In conformity with a joint resolution of Congress, an Executive proclamation was issued last February, inviting the nations of the world to participate in the Panama-Pacific International Exposition to be held at San Francisco to celebrate the construction of the Panama Canal. A sympathetic response was immediately forthcoming, and several nations have already selected the sites for their buildings. In furtherance of my invitation, a special commission visited European countries during the past summer, and received assurance of hearty cooperation in the task of bringing
1600 together a universal industrial, military, and naval display on an unprecedented scale. It is evident that the exposition will be an accurate mirror of the world's activities as they appear 400 years after the date of the discovery of the Pacific Ocean.

It is the duty of the United States to make the nations welcome at San Francisco and to facilitate such acquaintance
1605 between them and ourselves as will promote the expansion of commerce and familiarize the world with the new trade route through the Panama Canal. The action of the State governments and individuals assures a comprehensive exhibit of the resources of this country and of the progress of the people. This participation by State and individuals should be supplemented by an adequate showing of the varied and unique activities of the National Government. The United States can not with good grace invite foreign governments to erect buildings and make expensive exhibits while itself
1610 refusing to participate. Nor would it be wise to forego the opportunity to join with other nations in the inspiring interchange of ideas tending to promote intercourse, friendship, and commerce. It is the duty of the Government to foster and build up commerce through the canal, just as it was the duty of the Government to construct it.

I earnestly recommend the appropriation at this session of such a sum as will enable the United States to construct a
1615 suitable building, install a governmental exhibit, and otherwise participate in the Panama-Pacific International Exposition in a manner commensurate with the dignity of a nation whose guests are to be the people of the world. I recommend also such legislation as will facilitate the entry of material intended for exhibition and protect foreign exhibitors against infringement of patents and the unauthorized copying of patterns and designs. All aliens sent to San Francisco to construct and care for foreign buildings and exhibits should be admitted without restraint or
1620 embarrassment.

THE DISTRICT OF COLUMBIA AND THE CITY OF WASHINGTON

The city of Washington is a beautiful city, with a population of 352,936, of whom 98,667 are colored. The annual
1625 municipal budget is about \$14,000,000. The presence of the National Capital and other governmental structures constitutes the chief beauty and interest of the city. The public grounds are extensive, and the opportunities for

improving the city and making it still more attractive are very great. Under a plan adopted some years ago, one half the cost of running the city is paid by taxation upon the property, real and personal, of the citizens and residents, and the other half is borne by the General Government. The city is expanding at a remarkable rate, and this can only be
1630 accounted for by the coming here from other parts of the country of well-to-do people who, having finished their business careers elsewhere, build and make this their permanent place of residence.

On the whole, the city as a municipality is very well governed. It is well lighted, the water supply is good, the streets are well paved, the police force is well disciplined, crime is not flagrant, and while it has purlieus and centers of vice,
1635 like other large cities, they are not exploited, they do not exercise any influence or control in the government of the city, and they are suppressed in as far as it has been found practicable. Municipal graft is inconsiderable. There are interior courts in the city that are noisome and centers of disease and the refuge of criminals, but Congress has begun to clean these out, and progress has been made in the case of the most notorious of these, which is known as "Willow Tree Alley." This movement should continue.

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The mortality for the past year was at the rate Of 17.80 per 1,000 of both races; among the whites it was 14.61 per thousand, and among the blacks 26.12 per thousand. These are the lowest mortality rates ever recorded in the District.

One of the most crying needs in the government of the District is a tribunal or public authority for the purpose of
1645 supervising the corporations engaged in the operation of public utilities. Such a bill is pending in Congress and ought to pass. Washington should show itself under the direction of Congress to be a city with a model form of government, but as long as such authority over public utilities is withheld from the municipal government, it must always be defective.

1650 Without undue criticism of the present street railway accommodations, it can be truly said that under the spur of a public utilities commission they might be substantially improved.

While the school system of Washington perhaps might be bettered in the economy of its management and the distribution of its buildings, its usefulness has nevertheless greatly increased in recent years, and it now offers
1655 excellent facilities for primary and secondary education.

From time to time there is considerable agitation in Washington in favor of granting the citizens of the city the franchise and constituting an elective government. I am strongly opposed to this change. The history of Washington discloses a number of experiments of this kind, which have always been abandoned as unsatisfactory. The truth is this
1660 is a city governed by a popular body, to wit, the Congress of the United States, selected from the people of the United States, who own Washington. The people who come here to live do so with the knowledge of the origin of the city and the restrictions, and therefore voluntarily give up the privilege of living in a municipality governed by popular vote. Washington is so unique in its origin and in its use for housing and localizing the sovereignty of the Nation that the people who live here must regard its peculiar character and must be content to subject themselves to the control of a
1665 body selected by all the people of the Nation. I agree that there are certain inconveniences growing out of the government of a city by a national legislature like Congress, and it would perhaps be possible to lessen these by the delegation by Congress to the District Commissioners of greater legislative power for the enactment of local laws than they now possess, especially those of a police character.

1670 Every loyal American has a personal pride in the beauty of Washington and in its development and growth. There is no one with a proper appreciation of our Capital City who would favor a niggardly policy in respect to expenditures from the National Treasury to add to the attractiveness of this city, which belongs to every citizen of the entire country, and which no citizen visits without a sense of pride of ownership. We have had restored by a Commission of Fine Arts, at the instance of a committee of the Senate, the original plan of the French engineer L'Enfant for the city of
1675 Washington, and we know with great certainty the course which the improvement of Washington should take. Why should there be delay in making this improvement in so far as it involves the extension of the parking system and the construction of greatly needed public buildings ? Appropriate buildings for the State Department, the Department of justice, and the Department of Commerce and Labor have been projected, plans have been approved, and nothing is wanting but the appropriations for the beginning and completion of the structures. A hall of archives is also badly

1680 needed, but nothing has been done toward its construction, although the land for it has long been bought and paid for. Plans have been made for the union of Potomac Park with the valley of Rock Creek and Rock Creek Park, and the necessity for the connection between the Soldiers' Home and Rock Creek Park calls for no comment. I ask again why there should be delay in carrying out these plans We have the money in the Treasury, the plans are national in their scope, and the improvement should be treated as a national project. The plan will find a hearty approval throughout
1685 the country. I am quite sure, from the information which I have, that, at comparatively small expense, from that part of the District of Columbia which was retroceded to Virginia, the portion including the Arlington estate, Fort Myer, and the palisades of the Potomac can be acquired by purchase and the jurisdiction of the State of Virginia over this land ceded to the Nation. This ought to be done.

1690 The construction of the Lincoln Memorial and of a memorial bridge from the base of the Lincoln Monument to Arlington would be an appropriate and symbolic expression of the union of the North and the South at the Capital of the Nation. I urge upon Congress the appointment of a commission to undertake these national improvements, and to submit a plan for their execution; and when the plan has been submitted and approved, and the work carried out, Washington will really become what it ought to be-the most beautiful city in the world.

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WILLIAM H. TAFT

(25170 words)

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