

OREGON COURIER

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PRESIDENT'S MESSAGE

Foreign Relations and the Financial Question.

RETIREMENT OF GREENBACKS

Washington, Dec. 3. — President Cleveland's first message to the Fifty-fourth congress was presented to and read in the two houses today. It is as follows:

The present assemblage of the legislative branch of our government occurs at a time when the interests of our people and the needs of the country give especial prominence to the condition of our foreign relations and the exigencies of our national finances. The reports of the heads of the government departments fully and plainly exhibit what has been accomplished within the scope of their respective duties, and present such recommendations for the betterment of our country's conditions as patriotic and intelligent labor and observation suggest.

I therefore deem my executive duty adequately performed, at this time, by presenting to congress the important phases of our situation, as related to our intercourse with foreign nations, and a statement of the financial problems which confront us, omitting, except as they are related to these topics, any reference to departmental operations. I earnestly invite, however, not only the careful consideration, but the severely critical scrutiny of the congress and my fellow countrymen to the reports concerning these departmental operations. If justly and fairly examined, they will furnish proof of assiduous and painstaking care for the public welfare.

I press the recommendations they contain upon the respectful attention of those charged with the duty of legislation, because I believe their adoption would promote the people's good.

FINANCIAL QUESTION.

A Discussion of the Situation and Some Recommendations.

As we turn to a review of our national financial situation, we are immediately aware that we approach a subject of domestic concern more important than any other which can engage our attention, and one, at present, in such a perplexing and delicate predicament as to require prompt and wise treatment. We may well be encouraged to earnest effort in this direction when we recall the steps already taken toward improving our economic and financial situation and when we appreciate how well the way has been prepared for further progress by an aroused and intelligent popular interest in these subjects.

By command of the people a customs revenue system, designed for the protection and benefit of favored classes, at the expense of the great mass of our countrymen, and which, while inefficient for the purpose of revenue, curtailed our trade relations and impeded our entrance to the markets of the world, has been superseded by a tariff policy, which, in principle, is based upon a denial of the right of the government to obstruct the avenues of our people's cheap living, or lessen their comfort and contentment for the sake of according especial advantages to favorites, and which, while encouraging our intercourse and trade with other nations, recognizes the fact that American self-reliance, thrift and ingenuity can build up our country's industries and develop its resources more surely than energetics paternalism.

The compulsory purchase and coinage of silver by the government, unshooked and unregulated by business conditions and heedless of our currency needs, which for more than fifteen years diluted our circulating medium, undermined confidence abroad in our financial ability, and at last culminated in distress and panic at home, has been recently stopped by the repeal of laws which forced this reckless scheme upon the country. The things thus accomplished, notwithstanding their extreme importance and beneficent effects, fall far short of curing the monetary evils from which we suffer as a result of long indulgence in ill-advised financial expedients.

The currency denominated United States notes, and commonly known as greenbacks, was issued in large volume during the late civil war and was intended originally to meet the exigencies of that period. It will be seen by a reference to the debates in congress at the time the laws were passed, authorizing the issue of these notes, that their advocates declared they were intended for only temporary use and to meet the emergency of the war. In almost, if not all the laws relating to them, some provision was made contemplating their voluntary or compulsory retirement. A large quantity of them, however, were kept on foot and mingled with the currency of the country, so that at the close of the year 1874 they amounted to \$381,999,073. Immediately after that date, and in January, 1875, a law was passed providing for the resumption of specie payments, by which the secretary of the treasury was required, whenever additional circulation was issued to national banks, to retire United States notes equal in amount to 80 per cent of such additional bank circulation until such notes were reduced to \$300,000,000. This law further provided that, on and after the first day of January, 1879, the United States notes then outstanding should be redeemed in coin, and in order to provide and prepare for such redemption

the secretary of the treasury was authorized, not only to use any surplus revenues of the government, but to issue bonds of the United States and dispose of them for coin, and to use the proceeds for the purposes contemplated by the statute.

In May, 1878, and before the day thus appointed for the redemption and retirement of these notes, another statute was passed forbidding their further cancellation and retirement. Some of them had, however, been previously redeemed and cancelled upon the issue of additional national bank circulation, as permitted by the law of 1875, so that the amount outstanding at the time of the passage of the act forbidding their further retirement was \$346,681,016.

The law of 1878 did not stop at distinct prohibiting, but contained in addition the following express provision:

"And when any of said notes may be redeemed, or be received into the treasury, under any law from any source whatever, and shall belong to the United States, they shall not be retired, cancelled or destroyed, but they shall be reissued and paid out again and kept in circulation."

This was the condition of affairs January 1, 1879, which had been fixed upon four years before as the date for entering upon the redemption and retirement of all these notes and for which such abundant means had been provided.

The government was put in the anomalous situation of owing the lenders of its notes debts payable in gold on demand, which could neither be retired by receiving such notes in discharge of obligations due the government, nor cancelled by actual payment in gold. It was forced to redeem without redemption and to pay without acceptance.

There had been issued and sold \$95,500,000 of the bonds authorized by the resumption act of 1875, the proceeds of which, together with other gold in the treasury, created a gold fund deemed sufficient to meet the demands which might be made upon it for the redemption of outstanding United States notes. This fund, together with such gold as might be from time to time in the treasury available for the purpose, has been since our gold reserve, and \$100,000,000 has been regarded as an adequate amount to accomplish its object. This fund amounted, January 1, 1879, to \$114,193,360, and though, thereafter, constantly fluctuating, it did not fall below that sum until July, 1892. In April, 1893, for the first time since its establishment, this reserve amounted to less than \$100,000,000, containing at that date only \$97,011,330.

In the meantime, in July, 1890, an act had been passed directing larger government monthly purchases of silver than had been required under previous laws, and providing that in payment for such silver, treasury notes of the United States should be issued, payable on demand in gold or silver coin at the discretion of the secretary of the treasury. It was, however, declared in the act to be "the established policy of the United States to maintain the two metals on a parity with each other, upon the present legal ratio, or such ratio as may be provided by law."

In view of this declaration it was not deemed permissible for the secretary of the treasury to exercise discretion in terms conferred on him by refusing to pay gold on those notes when demanded, because by such discrimination in favor of the gold dollar the so-called parity of the two metals would be destroyed and grave and dangerous consequences would be precipitated by affirming or accentuating the constantly widening disparity between their actual values under the existing ratio. It thus resulted that the treasury notes issued in payment of silver purchases, under the law of 1890 were necessarily treated as gold obligations at the option of the holder.

The notes on November 1, 1893, when the law compelling the monthly purchase of silver was repealed, amounted to more than \$155,000,000. The notes of this description now outstanding, added to the United States notes still undiminished by redemption or cancellation, constitute a volume of gold obligations amounting to nearly \$500,000,000. These obligations are the instruments, which, ever since we have had a gold reserve, have been used to deplete it.

The reserve, as has been stated, had fallen in April, 1893, to \$97,011,330. It has from that time to the present, with very few and unimportant upward movements, steadily decreased, except it has been temporarily replenished by the sale of bonds. Among the causes for this constant and uniform shrinkage in this fund may be mentioned the great falling off in exports under the operation of the tariff law, until recently in force, which crippled our exchange of commodities with foreign nations, and necessitated to some extent the payment of our balance in gold. The unnatural influx of silver into our country and the increasing agitation for its free and unlimited coinage, which have created apprehension as to our disposition or ability to continue gold payments, the consequent hoarding of gold at home, and the stoppage of investments of foreign capital, as well as the return of our securities already sold abroad, and the high rate of foreign exchange, which induced the shipment of our gold to be drawn against, is a matter of speculation.

In consequence of these conditions the gold reserve, on February 1, 1894, was reduced to \$85,438,377, having lost more than \$31,000,000 during the preceding nine months, or since April, 1893. Its replenishment being necessary, and no other manner of accomplishing it being possible, resort was had to the issue and sale of bonds, provided by the resumption act of 1875. Fifty millions of these bonds

were sold, yielding \$68,633,295.71, which was added to the reserve fund of gold then on hand. As a result of this operation this reserve, which had suffered constant and large withdrawals in the meantime, stood, March 6, 1894, at the sum of \$107,446,802. Its depletion, however, was immediately thereafter so accelerated that on June 30, 1894, it had fallen to \$64,873,025, thus losing, by withdrawals, more than \$42,000,000 in five months, and dropping slightly below its situation when the sale of \$50,000,000 in bonds was effected for its replenishment. This depressed condition grew worse, and November 24, 1894, our gold reserve, being reduced to \$57,869,701, it became necessary to strengthen it. This was done by another sale of bonds, amounting to \$50,000,000, from which there was realized \$58,538,500, with which the fund was increased to \$111,421,621 December 4, 1894.

Again disappointment awaited the anxious hope for relief. There was not even a lull in the exasperating withdrawals of gold. On the contrary, they grew larger and more persistent than ever. Between December 4, 1894, and early in February, 1895, a period of scarcely more than two months after the second reinforcement of our gold reserve by the sale of bonds, it had lost, by such withdrawals, more than \$69,000,000, and had fallen to \$41,340,181. Nearly \$45,000,000 had been withdrawn during the month immediately preceding this situation.

In anticipation of pending trouble I had, January 28, 1895, addressed a communication to congress, fully setting forth our difficulties, and dangerous position, and earnestly recommending that authority be given the secretary of the treasury to issue bonds bearing a low rate of interest, payable by their terms in gold, for the purpose of maintaining a sufficient gold reserve, and also for the redemption and cancellation of outstanding United States notes and treasury notes issued for the purchase of silver under the law of 1890. This recommendation did not, however, meet with legislative approval. In February, 1895, therefore, the situation was exceedingly critical. With a reserve perilously low and a refusal of congressional aid everything indicated that the end of gold payments by the government was imminent. The results of prior bond issues had been exceedingly unsatisfactory and the large withdrawals of gold, immediately succeeding their public sale in open market, gave rise to a reasonable suspicion that a large part of the gold paid into the treasury upon sales was promptly drawn out again by the presentation of United States notes or treasury notes and found its way to the hands of those who had only temporarily parted with it in the purchase of bonds.

In this emergency, and in view of its surrounding perplexities, it became entirely apparent to those upon whom the struggle for safety was devolved, not only that our gold reserve must, for the third time in less than thirteen months, be restored by another issue and sale of bonds bearing a high rate of interest and badly suited to the purpose, but that a plan must be adopted for their disposition promising better results than those realized on previous sales. An agreement was therefore made with a number of financiers and bankers whereby it was stipulated that the bonds desired in the resumption act of 1875, payable in coin thirty years after their date, bearing interest at the rate of 4 per cent per annum, and amounting to \$62,000,000, should be exchanged for gold receivable by weight, amounting to a little more than \$65,000,000. This gold was to be delivered in such installments as would complete its delivery within about six months from the date of the contract, and at least one-half of this amount was to be furnished from abroad. It was also agreed by those supplying this gold that during the continuance of the contract they would be every means in their power protect the government against gold withdrawals. The contract also provided that if congress would authorize the issue of bonds payable by their terms in gold and bearing interest at the rate of 3 per cent per annum they might within ten days be substituted at par for the 4 per cent bonds described in the agreement. On the day the contract was made the terms were communicated to congress by special executive message, in which it was stated that more than \$16,000,000 would be saved to the government if gold bonds bearing 3 per cent interest were authorized to be substituted for those mentioned in the contract.

Congress having declined to grant the necessary authority to secure this saving, the contract, unmodified, was carried out, resulting in gold reserve amounting to \$17,671,330 July 8, 1895. The performance of this contract not only restored the reserve, but checked for a time the withdrawal of gold and brought on a period of restored confidence and such peace and quiet in business circles as were of the greatest possible benefit in every interest which affects our people.

I have never had the slightest misgiving concerning the wisdom or propriety of this arrangement, and am quite willing to answer for my full share of the responsibility for its promotion. I believe it averted disaster, the imminence of which was fortunately not at the time generally understood by our people.

If a fixed and stable standard is maintained, such as the magnitude and safety of our commercial transactions and business require, the use of money itself is conveniently minimized. Every dollar of fixed and stable value has, through the agency of confident credit, an astonishing capacity of multiplying itself in financial work. Every unstable and fluctuating dollar fails as a basis of credit and in its use begets gambling speculation and un-

determines the foundations of honest enterprises.

I have ventured to express myself on this subject with earnestness and plainness of speech because I cannot rid myself of the belief that there lurks in the proposition for the free coinage of silver, so strongly approved and so enthusiastically advocated by a multitude of my countrymen, a serious menace to our prosperity and an insidious temptation of our people to wander from the allegiance they owe to public and private integrity. It is because I do not distrust the good faith and sincerity of those who press this scheme I have imperfectly, but zealously submitted my thoughts upon this momentous subject.

I cannot refrain from begging them to re-examine their views and beliefs in the light of patriotic reason and familiar experience, and to weigh again and again the consequences of such legislation as their efforts have invited. Even the continued agitation of the subject adds greatly to the difficulties of a dangerous financial situation already forced upon us.

OUR FOREIGN RELATIONS.

Questions at Issue Between This and Other Governments.

By mandatory tariff legislation, in January last, the Argentine Republic, recognizing the value of the large market opened to the free importation of its wool under our last tariff act, has admitted certain products of the United States to enter at reduced duties. It is pleasing to note that the efforts we have made to enlarge the exchanges of trade on a sound basis of mutual benefit, are in this instance appreciated by the country from which our woolen factories drew their needed supply of raw materials.

The missions boundary dispute between the Argentine Republic and Brazil, referred to the president of the United States as arbitrator during the term of my predecessor, and which was submitted to me for determination, resulted in an award in favor of Brazil, upon the historical and documentary evidence presented; thus ending a long-protracted controversy, and again demonstrating the wisdom and desirability of settling international boundary disputes by recourse to friendly arbitration.

Negotiations are progressing for a revival of the United States and Chilean claims commission, whose work was abruptly terminated last year by the expiration of the stipulated time within which amends could be made. Chile is a step of great interest and importance, both in its direct consequences upon her own welfare, and as evincing the ascendancy of sound financial principles in one of the most influential of the South American republics. The results of prior bond issues had been exceedingly unsatisfactory and the large withdrawals of gold, immediately succeeding their public sale in open market, gave rise to a reasonable suspicion that a large part of the gold paid into the treasury upon sales was promptly drawn out again by the presentation of United States notes or treasury notes and found its way to the hands of those who had only temporarily parted with it in the purchase of bonds.

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The application of the principles laid down by that august body has not been followed by the results they were intended to accomplish, either because the principles themselves lacked in breadth and definiteness, or because their execution has been more or less imperfect. Several vexatious questions were left undetermined by the decision of the Behring sea arbitration tribunal. The application of the principles laid down by that august body has not been followed by the results they were intended to accomplish, either because the principles themselves lacked in breadth and definiteness, or because their execution has been more or less imperfect. Several vexatious questions were left undetermined by the decision of the Behring sea arbitration tribunal. The application of the principles laid down by that august body has not been followed by the results they were intended to accomplish, either because the principles themselves lacked in breadth and definiteness, or because their execution has been more or less imperfect. Several vexatious questions were left undetermined by the decision of the Behring sea arbitration tribunal.

The demands of the United States and other powers for the degradation and punishment of the responsible officials of the respective cities and provinces who, by neglect or otherwise, had permitted uprisings, and for the adoption of stern measures by the emperor's government for the protection of the life and property of foreigners, were followed by the disgrace and dismissal of certain provincial officials found derelict in duty, and the punishment by death of a number of those adjudged guilty of participating in the outrages.

China will not forget either our kindly service to her citizens during her late war, nor the further fact that, while furnishing all the facilities at our command to further the negotiations of a peace between her and Japan, we sought no advantages, and interposed no counsel. The governments of both China and Japan have in special dispatches, transmitted through their respective diplomatic representatives, expressed in a most pleasing manner their grateful appreciation of our assistance to their citizens during the unhappy struggle and of the value of our aid in paving the way to their resumption of peaceful relations.

The Waller Incident in France.

The customary cordial relations between this country and France have been undisturbed, with the exception that a full explanation of the treatment of John L. Waller by the expeditionary forces.

ary military authorities of France still remain to be given. Mr. Waller, formerly United States consul at Tamatave, remained in Madagascar after his term of office expired, and was, apparently, successful in procuring business concessions from the Hovas, of greater or less value.

After the occupation of Tamatave and the declaration of martial law by the French, he was arrested upon various charges, among them that of communicating military information to the enemies of France; was tried and convicted by a military tribunal and sentenced to thirty years' imprisonment. Following the course justified by abundant precedents, this government requested from that of France the record of the proceedings of the French tribunal, which resulted in Mr. Waller's condemnation. This request has been complied with to the extent of supplying a copy of the official record, from which appear the constitution and organization of the court, the charges as formulated and the general course and result of the trial, and by which it is shown that the accused was tried in open court and was defended by counsel; but the evidence adduced in support of the charges, which was not received by the French minister for foreign affairs till the first week in October, has thus far been withheld, the French government taking the ground that its production in response to our demand, would establish bad precedent. The efforts of our ambassador to secure it, however, though impeded by recent changes in the French ministry, have not been relaxed, and it is confidently expected that some satisfactory solution of the matter will be shortly reached. Meanwhile it appears that Mr. Waller's confinement has every alleviation which the state of his health and all the other circumstances of the case demand or permit.

An agreeable contrast to the difference above noted, respecting a matter of common concern where nothing is sought except such a mutually satisfactory outcome as the true merits of the case require, is the recent resolution of the French chambers favoring the conclusion of a permanent treaty of arbitration between the two countries.

An invitation has been extended by France to the government and the people of the United States to participate in a great international exposition at Paris in 1900, as a suitable commemoration of the close of this, the world's marvelous century of progress. I heartily recommend its acceptance, together with such legislation as will adequately provide for a due representation of this government and its people on the occasion.

Serene of Germany.

Our relations with the states of the German empire are, in some aspects, typical of a condition of things elsewhere found in countries whose productions and trade are similar to our own. The close rivalry of competing industries, the influence of the despotic doctrine that the internal development of a nation is promoted and its wealth increased by a policy, which in undertaking to reserve its home markets for the exclusive use of its own producers, necessarily obstructs this class in foreign markets, and prevents free access to the products of the world; the desire to retain trade in time-worn ruts, regardless of the inexorable laws of new needs and changed conditions of demand and supply, and our own halting tardiness in inviting a free exchange of commodities, and by this means imperiling our footing in the external markets naturally open to us, have created a situation somewhat injurious to American export interests not only in Germany, where they are perhaps most noticeable, but in adjacent countries.

The Protection of the Sealing Herds.

The coronation of the czar of Russia, at Moscow, in May next, invites the ceremonial participation of the United States, and in accordance with usage and diplomatic propriety, our minister to the imperial court has been directed to represent our government on this occasion.

Correspondence is on foot touching the practice of Russian consuls within the jurisdiction of the United States to interrogate citizens as to their race and religious faith, and upon ascertaining thereof to deny to Jews authentication of passports or legal documents for use in Russia. Inasmuch as such a proceeding imposes a disability, which, in the case of a succession to property in Russia, may be found to infringe the treaty rights of our citizens, and which is an obnoxious invasion of our territorial jurisdiction, it has elicited fitting remonstrance, the result of which, it is hoped, will remove the cause of complaint.

The pending claims of sealing vessels of the United States, seized in Russian waters remain unadjusted. Our recent convention with Russia establishing a modus vivendi as to imperial jurisdiction in such cases has prevented further difficulty of this nature.

Control of Samoa.

In my last two annual messages I called the attention of congress to the position occupied as one of the parties to a treaty or agreement by which we became jointly bound with England and Germany to so interfere with the government and control Samoa as in effect to assume the management of its affairs. May 9, 1894, I transmitted to the senate a special message, with accompanying documents, giving information on the subject and emphasizing the opinion I have at all times entertained that our situation in this matter was inconsistent with the mission and traditions of our government, in violation of the principles we profess, and in all its phases, mischievous and vexatious. I again press this subject upon the attention of congress and ask for such legislative action, or expression, as will lead the way to our relief from obligations both irksome and unnatural.