though not varying at any place more than 700 feet.

The pending claim of R. H. May against the Guatemalan Government has been settled by arbitration, George F. B. Jenner, British Minister at Guatemala, who was chosen as sole arbitrator, having awarded $142,700 73 in gold to the claimant.

Various American claims against Hayti have been or are being advanced to the resort of arbitration.

As the result of negotiations with the Government of Honduras in regard to the indemnity demanded for the murder of Frank H. Peers, in Honduras, that government has paid $10,000 in settlement of the claim of the heirs.

The assassination of King Humbert called forth sincere expressions of sorrow from this Government and people, and occasion was fitly taken to testify to the Italian Nation the high regard here felt for the memory of the lamented ruler.

Lynching of Italians.

In my last message I referred at considerable length to the lynching of five Italians at Tallulah. Notwithstanding the efforts of the Federal Government, the production of evidence tending to inculpate the authors of this grievous offense against our civilization, and the repeated inquests set on foot by the authorities of the State of Louisiana, no punishments have followed. Successive grand juries have failed to indict. The representations of the Italian Government, in the face of this miscarriage, have been most temperate and just. Setting the principle at issue high above all consideration of merely pecuniary indemnification, such as this Government made in the three previous cases, Italy has solemnly invoked the pledges of existing treaties and asked that the justice to which she is entitled shall be meted in regard to her unfortunate countrymen in our territory with the same full measure she herself would give to any American were his reciprocal treaty rights contemned. I renew the urgent recommendations I made last year that Congress appropriately confer upon the Federal Courts jurisdiction in this class of international cases where the ultimate responsibility of the Federal Government may be involved, and I invite action upon the bills to accomplish this which were introduced in the Senate and House. It is incumbent upon us to remedy the statutory omission which has led and may again lead to such untoward results. I have pointed out the necessity and the precedent for legislation of this character. Its enactment is a simple measure of provisory justice toward the nations with which we, as a sovereign equal, make treaties requiring reciprocal observance.

While the Italian Government naturally regards such action as the primary and indeed the most essential element in the disposal of the Tallulah incident, I advise that in accordance with precedent and in view of the improbability of that particular case being reached by the bill now pending Congress make gracious provisions for indemnity to the Italian sufferers in the same form and proportion as heretofore.

In my inaugural address I referred to the general subject of lynching in these words:

"Lynchings must not be tolerated in a great and civilized country like the United States; courts, not mobs, must execute the penalties of the law. The preservation of public order, the right of discussion, the integrity of courts and the orderly administration of justice must continue forever the rock of safety upon which our Government securely rests."

This I most urgently reiterate and I again invite the attention of my countrymen to this reproach upon our civilization.

Japanese a Modern People.

The closing year has witnessed a decided strengthening of Japan's relations to other states. The development of her independent judicial and administrative functions under the treaties which took effect July 17, 1899, has proceeded without international friction, showing the competence of the Japanese to hold a foremost place among the modern peoples. In the treatment of the difficult Chinese problems, Japan has acted in harmonious concert with the other powers, and her generous co-operation materially aided in the joint relief of the beleaguered Legations in Pekin and in bringing about an understanding preliminary to a settlement of the issues between the powers and China. Japan's declarations in favor of the integrity of the Chinese Empire and the conservation of open world trade therewith have been frank and positive. As a factor for promoting the general interests of peace, order and fair commerce in the far East, the influence of Japan can hardly be overestimated.

The valuable aid and kindly courtesies extended by the Japanese Government and naval officers to the battle-ship Oregon are gratefully appreciated.

Complaint was made last Summer of the discriminatory enforcement of a bubonic quarantine against Japanese on the Pacific Coast and of interference with their travel in California and Colorado under the health laws of those states. The latter restrictions have been adjudged by a Federal court to be unconstitutional. No recurrence of either cause of complaint is apprehended.

Money Returned to Mexico.

No noteworthy incident has occurred in our relations with our important southern neighbors. Commercial intercourse with Mexico continues to thrive, and the two governments neglect no opportunity to foster their mutual interests in all practicable ways.

Pursuant to the declaration of the Supreme Court that the awards of the late joint commission in the La Abra and Weil claims were obtained through fraud, the sum awarded in the first case, $408,-000 06, has been returned to Mexico, and the amount of the Weil award will be returned in like manner.

A convention indefinitely extending the time for the labors for the United States and Mexican international (water) boundary commission has been signed.

International Arbitration.

It is with satisfaction that I am able to announce the formal notification at The Hague, on September 4, of the deposit of ratifications of the convention for the pacific settlement of the international disputes by 16 powers, namely, the United States, Austria, Belgium, Denmark, England, France, Germany, Italy, Persia, Portugal, Roumania, Russia, Siam, Spain, Sweden and Norway and The Netherlands. Japan also has since ratified the convention. The administrative council of the permanent court of arbitration has been organized, and it has adopted rules of order and a constitution for the International Arbitration Bureau. In accordance with article 23 of the convention providing for the appointment by each signatory power of persons of known competency in questions of international law as arbitrators I have appointed as members of this court, Hon. Benjamin Harrison, of Indiana, ex-President of the United States; Hon. Melville W. Fuller, of Illinois, Chief Justice of the United States; John W. Griggs, of New Jersey, Attorney-General of the United States, and Hon. George Gray, of Delaware, a Judge of the Circuit Court of the United States.

Incident of Mosquito Revolt.

As an incident of the brief revolution in the Mosquito district of Nicaragua, early in 1899, the insurgents forcibly collected from American merchants duties upon imports. On the restoration of order, the Nicaraguan authorities demanded a second payment of such duties on the ground that they were due to the titular government, and that their diversion had aided the revolt. This position was not accepted by us. After prolonged discussion a compromise was effected, under which the amount of the second payments was deposited with the British Consul at San Juan del Norte, in trust, until the two governments should determine whether the first payments had been made under compulsion of a de facto authority. Agreement as to this was not reached, and the point was waived by the act of the Nicaragua Government in requesting the British Consul to return the deposits to the merchants.

Menacing differences between several of the Central American states have been accommodated, our Ministers rendering good offices toward an understanding.

The Nicaragua Canal.

The important matter of an interoceanic canal has assumed a new phase. Adhering to its refusal to reopen the question of the forfeiture of the contract of the Maritime Canal Company, which was terminated for alleged nonexecution in October, 1898, the Government of Nicaragua has since supplemented that action by declaring the so-styled Eyre-Cragin option void for nonpayment of the stipulated advance. Protests in relation to these acts have been filed in the State Department, and are under consideration. Deeming itself relieved from existing engagements, the Nicaragua Government shows a disposition to deal freely with the canal question, either in the way of negotiations with the United States or by taking measures to promote the waterway. Overtures for a convention to effect the building of a canal under the auspices of the United States are under consideration. In the meantime, the views of Congress upon the subject in the light of the report of the committee appointed to examine the comparative merits of the various trans-isthmian ship canal projects may be awaited.

I commend to the early attention of the Senate the convention with Great Britain to facilitate the construction of such a canal, and to remove any objection which might arise out of the convention commonly called the Clayton-Bulwer treaty.

The Delagoa Bay Award.

The long-standing contention with Portugal growing out of the seizure of the Delagoa Bay Railway has been at last determined by a favorable award of the tribunal of arbitration at Berne to which it was submitted. The amount of the award, which was deposited in London awaiting arrangements by the Government of the United States and Great Britain for its disposal, has been recently paid over to the two governments.

A lately signed convention of extradition with Peru, as amended by the Senate, has been ratified by the Peruvian Congress.

Another illustration of the policy of this Government to refer international disputes to impartial arbitration is seen in the agreement reached with Russia to submit the claims of behalf of American sealing vessels seized in Behring Sea to determination by Mr. T. M. C. Asser, a distinguished statesman and jurist of The Netherlands.

Thanks are due to the Imperial Russian Government for kindly aid rendered by its authorities in Eastern Siberia to American missionaries fleeing from Manchuria.

Relations With Spain.

Satisfactory progress has been made toward the conclusion of a general treaty of friendship and intercourse with Spain in replacement of the old treaty, which passed into abeyance by reason of the late war. A new convention of extradition is approaching completion, and I would be much pleased were a commercial arrangement to follow. I feel that we should not suffer to pass an opportunity to reaffirm the cordial ties that existed between us and Spain from the time of our earliest independence, and to enhance the mutual benefits of that commercial intercourse which is natural between the two countries.

By the terms of the treaty of peace, the line bounding the ceded Philippine group on the southwest failed to include several small islands lying west of the Sulus, which have always been recognized as under Spanish control. The occupation of Sibutu and Cagayan, Sulu, by our naval forces elicited a claim on the part of Spain, the essential equity of which could not be gainsaid. In order to cure the defect of the treaty by removing all possible ground of future misunderstanding respecting the interpretation of its third article, I directed the negotiation of a supplementary treaty, which will be forthwith laid before the Senate, whereby Spain quits all title and claim of title to the islands named, as well as to any and all islands belonging to the Philippine Archipelago lying outside the lines described in said third article, and agrees that all such islands shall be comprehended in the cession of the archipelago as fully as if they had been expressly included within those lines. In consideration of this cession the United States is to pay Spain the sum of $100,000.

A bill is now pending to effect the recommendation made in my last annual message, that appropriate legislation be had to carry into execution article 8 of the treaty of peace with Spain, by which the United States assumed the payment of certain claims for indemnity of its citizens against Spain. I ask that action be taken to fulfill this obligation.

The King of Sweden and Norway has accepted the joint invitation of the United States, Germany and Great Britain to arbitrate claims growing out of losses sustained in the Samoan Islands in the course of military operations made necessary by the disturbances in 1899.

Our claims upon the Government of the Sultan for reparation for injuries suffered by American citizens in Armenia and elsewhere give promise of early and satisfactory settlement. His Majesty's good disposition in this regard has been evidenced b ythe issuance of an irade for rebuilding the American college at Harpoot.

RECIPROCITY TREATIES.

Temporary Arrangements Extended Until Congress Can Act.

The failure of action by the Senate at its last session upon the commercial conventions then submitted for its consideration and approval, although caused by the great pressure of other legislative business, has caused much disappointment to the agricultural and industrial interests of the country, which hoped to profit by their provisions. The conventional periods for their ratification having expired, it became necessary to sign additional articles extending the time for that purpose. This was requested on our part, and the other governments interested have concurred, with the exception of one convention, in respect to which no formal reply has been received.

Since my last communication to the Congress on this subject, special commercial agreements under the third section of the tariff act have been proclaimed with Portugal, with Italy, and with Germany. Commercial conventions under the general limitations of the fourth section of the same act have been concluded with Nicaragua, with Ecuador, with the Dominican Republic, with Great Britain on behalf of the Island of Trinidad, and with Denmark, on behalf of the Island of St. Croix. These will be early communicated to the Senate. Negotiations with other governments are in progress for the improvement and security of our commercial relations.

The policy of reciprocity so manifestly rests upon the principle of international equity and has been so repeatedly approved by the people of the United States that there ought to be no hesitation in either branch of the Congress in giving to it full effect. This Government desires to preserve the most just and amicable commercial relations with all foreign countries, unmoved by the industrial rivalries necessarily developed in the expansion of international trade. It is believed that the foreign governments generally entertain the same purpose, although in some instances there are clamorous demands upon them for legislation specifically hostile to American interests. Should those demands prevail, I shall communicate with the Congress with the view of advising such legislation as may be necessary to meet the emergency.

The exposition of the resources and products of the Western Hemisphere, to be held at Buffalo next year, promises important results, not only for the United States, but for the other participating countries. It is gratifying that the Latin-American States have evinced the liveliest interest, and the fact that an international American congress will be held in the City of Mexico, while the exposition is in progress encourages the hope of a larger display at Buffalo than might otherwise be practicable. The work of preparing an exhibit of our National resources is making satisfactory progress under the direction of different officials of the Federal Government and the various states of the Union have shown a disposition toward the most liberal participation in the enterprise.

The Bureau of the American Republics continues to discharge with the happiest results the important work of promoting cordial relations between the United States and the Latin-American countries, all of which are now active members of the International Union. The bureau has been instrumental in bringing about the agreement for another international American congress, which is to meet in the City of Mexico in October, 1901. The bureau's future for another term of 10 years is assured by the international compact, but the Congress will doubtless have much to do with shaping new lines of work and a general policy. Its usefulness to the interests of Latin-American trade is widely appreciated, and shows a gratifying development.

Utility of Consular Service.

The practical utility of the Consular service in obtaining a wide range of information as to the industries and commerce of other countries, and the opportunities thereby afforded by introducing the sale of our goods have kept steadily in advance of the notable expansion of our foreign trade, and abundant evidence has been furnished, both at home and abroad, of the fact that the Consular reports, including many from our diplomatic representatives, have to a considerable extent pointed out ways and means of disposing of a great variety of manufactured goods which otherwise might not have found sale abroad. Testimony of foreign observers to the commercial efficiency of the Consular corps seems to be conclusive, and our own manufacturers and exporters highly appreciate the value of the service rendered, not only in the printed reports, but also in the individual efforts of Consular officers to promote American trade.

An increasing part of the work of the bureau of foreign commerce, whose primary duty it is to compile and print the reports, is to answer inquiries from trade organizations, business houses, etc., as to conditions in various parts of the world, and, notwithstanding the smallness of the force employed, the work has been so systematized that responses are made with such promptitude and accuracy as to elicit flattering encomiums. The experiment of printing the Consular reports daily for immediate use by trade bodies, exporters and the press, which was begun in January, 1898, continues to give general satisfaction.

AGAIN TREASURY SURPLUS

Increased Receipts and Diminished Expenses of the Government.

It is gratifying to be able to state that the surplus revenues for the fiscal year ended June 30, 1900, were $79,527,009 18. For the six preceding years we had only deficits, the aggregate of which from 1894 to 1899, inclusive, amounted $283,022,-291 14. The receipts for the year from all sources, exclusive of postal revenues, aggregated $567,240,851 59, and expenditures for all purposes, except for the administration of the Postal Department, aggregated $487,713,791 71. The receipts from customs were $233,164,871 16, an increase over the preceding year of $27,096,579 41. Receipts from internal revenue were $295,-327,926 76, an increase of $21,890,705 25 over 1899. The receipts from miscellaneous sources were $38,748,053 97, as against $36,-294,976 92 for the previous year.

It is gratifying also to note that during the year a considerable reduction is shown in the expenditures of the Government. The War Department expenditures for the fiscal year 1900 were $134,-774,767 78, a reduction of $95,065,489 69 over those of 1899. In the Navy Department the expenditures were $55,953,077 72 for the year 1900, as against $63,942,104 25 for the preceding year, a decrease of $7,989,026 53. In the expenditures on account of Indians there was a decrease in 1900 over 1899 of $2,620,694 38; and in the civil and miscellaneous expenses for 1900 there was a reduction of $12,418,065 74.

Because of the excess of revenues over expenditures, the Secretary of the Treasury was enabled to apply bond and other securities to the sinking fund to the amount of $56,544,556 06. The details of the sinking fund are set forth in the report of the Secretary of the Treasury, to which I invite attention. The Secretary of the Treasury estimates that the receipts for the current fiscal year will aggregate $559,000,000, and the expenditures $500,000,000, leaving an excess of revenues over expenditures of $60,000,000.

The present condition of the Treasury is one of undoubted strength. The available cash balance November 30 was $129,-202,794 50. Under the form of statement prior to the financial law of March 14 last, this would have been included in the statement of available cash) gold coin and bullion held for the redemption of United States notes. If this form were pursued, the cash balance, including the present gold reserve of $150,000,000, would be $288,203,794 50. Such balance November 30, 1899, was $296,465,391 55.

In the general fund, which is wholly separate from the reserve and trust funds, there was on November 30, $76,-699,073 15 in gold coin and bullion, to which should be added $12,957,300 in gold certificates, subject to issue, against which there is held in the division of redemption gold coin and bullion making a total holding of free gold amounting to $82,047,373 15.

It will be the duty, as I am sure it will be the disposition of the Congress, to provide whatever further legislation is needed to insure the continued parity under all conditions between our two forms of metallic money, silver and gold.

Our surplus revenues have permitted the Secretary of the Treasury since the close of the fiscal year to call in the funded loan of 1891 continued at 2 per cent in the sum of $25,361,500. To and including November 30, $22,458,100 of these bonds have been paid. This sum, together with the amount which may accrue from further redemptions under the call, will be applied to the sinking fund.

The law of March 14, 1900, provides for refunding into 2 per cent 30-year bonds, payable principal and interest in gold coin of the present standard value, that portion of the public debt represented by the 3 per cent bonds of 1908, the 4 per cents of 1907 and the 5 per cents of 1904, of which there was outstanding at the date of said laws $839,145,930. The holders of the old bonds presented them for exchange between March 14 and November 30, to the amount of $364,943,750. The net saving to the Government on these transactions aggregated $9,196,256.

Another effect of the operations, as stated by the Secretary, is to reduce the charge upon the Treasury for the payment of interest from the dates of the refunding to February 1, 1904, by the sum of more than $7,000,000 annually. From February 1, 1904, to July 1, 1907, the annual interest charge will be reduced by the sum of more than $5,000,000 and for the 13 months ending August 1, 1908, by about $1,000,000. The full details of the refunding are given in the annual report of the Secretary of the Treasury.

Benefit of New Banking Act.

The beneficial effect of the financial act of 1900 as far as it relates to the modification of the National banking act is already apparent. The provisions for the incorporation of National banks with a capital of not less than $25,000 in places not exceeding 3000 inhabitants has resulted in the extension of banking facilities to many small communities hitherto unable to provide themselves with banking institutions under the National system. There were organized from the enactment of the law up to and including November 20, 389 National banks, of which 226 were with capital less than $50,-000 and 103 with capital of $50,000 or more.

It is worthy of mention that the greater number of banks being organized under the new law are in sections where the need of banking facilities has been most pronounced. Iowa stands first with 30 banks of the smaller class, while Texas, Oklahoma, Indian Territory and the Middle and Western sections of the country have also availed themselves largely of the privileges under the new law.

A large increase in National bank circulation has resulted from the provision of the act which permits National banks to issue circulating notes to the par value of the United States bonds deposited as security instead of only 90 per cent thereof as heretofore. The increase in circulating notes from March 14 to November 30 is $77,889,570. The party in power is committed to such legislation as will better make the currency responsive to the varying needs of business at all seasons and in all sections.

Our Foreign Trade.

Our foreign trade shows a remarkable record of commercial and industrial progress. The total of imports and exports for the first time in the history of our country exceeded $2,000,000,000. The exports are greater than they have ever been before, the total for the fiscal year 1900 being $1,394,483,082, an increase over 1899 of $167,469,780, an increase over 1898 of $163,600,752, over 1897 of $342,489,526 and greater than 1896 by $551,876,144. The growth of manufactures in the United States is evidenced by the fact that exports of manufactured products largely exceed those of any previous year, their value for 1900 being $433,851,756 against $339,592,146 in 1899, an increase of 28 per cent. Agricultural products were also exported during 1900 in greater volume than in 1899, the total for the year being $835,-858,123 against $784,776,142 in 1899.

The imports of the year amounted to $849,941,184, an increase over 1899 of $153,-792,655. This increase is largely in materials for manufacture and is in response to the rapid development of manufacturing in the United States. While there was imported for use in manufactures in 1900 material to the value of $79,768,972 in excess of 1899, it is reassuring to observe that there is a tendency toward decrease in the importation of articles manufactured ready for consumption, which in 1900 formed 15.17 per cent of the total imports against 15.54 per cent in 1899 and 21.09 per cent in 1896.

Reduction of Internal Revenue.

I recommend that the Congress at its present session reduce the internal revenue taxes imposed to meet the expenses of the war with Spain in the sum of $30,000,000. This reduction should be secured by the remission of those taxes which experience has shown to be the most burdensome to the industries of the people.

I especially urge that there be included in whatever reduction is made the legacy tax on bequests for public uses of a literary, educational or charitable character.

American Shipping.

American vessels during the past three years have carried about 9 per cent of our exports and imports. Foreign ships should carry the least, not the greatest, part of American trade. The remarkable growth of our steel industries, the progress of shipbuilding for the domestic trade and our steadily maintained expenditures for the Navy have created an opportunity to place the United States in the first rank of commercial maritime powers. Besides realizing a proper National aspiration, this will mean the establishment and healthy growth along all our coasts of a distinctive National industry, expanding the field for profitable employment of labor and capital. It will increase the transportation facilities and reduce freight charges on the vast volume of products brought from the interior to the seaboard for export, and will strengthen an arm of the National defense upon which the founders of the Government and their successors have relied. In again urging immediate action by the Congress on measures to promote the American shipping and foreign trade I direct attention to the recommendations on the subject in previous messages, and particularly to the opinion expressed in the message of 1899:

"I am satisfied the judgment of the country favors the policy of aid to our merchant marine which will broaden our commerce and markets and upbuild our sea-carrying capacity for the products of agriculture and manufacture, which, with the increase of our Navy, mean more work and wages to our countrymen, as well as a safeguard to American interests in every part of the world."

The attention of the Congress is invited to the recommendation of the Secretary of the Treasury in his annual report for legislation in behalf of the Revenue Cutter Service, and favorable action is urged.

Recommendation as to Trusts.

In my last annual message to the Congress, I called attention to the necessity for early action to remedy such evils as might be found to exist in connection with combinations of capital organized into trusts, and again invite attention to my discussion on the subject at that time, which concluded with these words:

"It is apparent that uniformity of legislation upon this subject in the several states is much to be desired. It is to be hoped that such uniformity, founded in a wise and just discrimination between what is injurious and what is useful and necessary in business operations, may be obtained, and that means may be found for the Congress within the limitations of its constitutional power so to supplement an effective code of state legislation as to make a complete system of laws throughout the United States adequate to compel a general observance of the salutary rules to which I have referred.

The whole question is so important and far-reaching that I am sure no part of it will be lightly considered, but every phase of it will have the studied deliberation of the Congress, resulting in wise and judicious action. Restraint upon such combinations as are injurious, and which are within Federal jurisdiction, should be promptly applied by Congress.

CONDITION IN PHILIPPINES

Recommendations for a Civil Government for the Islands.

In my last annual message I dwelt at some length upon the condition of affairs in the Philippines. While seeking to impress upon you that the grave responsibility of the future government of those islands rests with the Congress of the United States, I abstained from recommending at that time a specific and final form of government for the territory actually held by the United States forces, and in which, as long as the insurrection continues, the military arm must necessarily be supreme. I stated my purpose, until the Congress shall have made known the formal expression of its will, to use the authority vested in me by the Constitution and the statutes to uphold the sovereignty of the United States in these distant islands, as in all other places where our flag rightfully floats, placing to that end at the disposal of the Army and Navy all the means which the liberality of the Congress and the people have provided. No contrary expression of the will of the Congress having been made, I have steadfastly pursued the purpose so declared, employing the civil arm as well toward the accomplishment of pacification and the institution of local governments within the lines of authority and law.

Progress in the hoped-for direction has been favorable. Our forces have successfully controlled the greater part of the islands, overcoming the organized forces of the insurgents, and carrying order and administrative regularity to all quarters. What opposition remains is for the most part scattered, obeying no concerted plan of strategic action, operating only by the methods common to the traditions of guerrilla warfare, which, while ineffective to alter the general control now established, are still sufficient to beget insecurity among the populations that have felt the good results of our control, and thus delay the confirmement upon them of the fuller measures of local self-government, of education and of industrial and agricultural development which we stand ready to give them.

By the Spring of this year the effective opposition of the dissatisfied Tagals to the authority of the United States was virtually ended, thus opening the door for the extension of a stable administration over much of the territory of the archipelago. Desiring to bring this about, I appointed in march last a civil commission, composed of the Hon. William H. Taft, of Ohio; Professor Dean C. Worcester, of Michigan; Hon. Luke E. Wright, of Tennessee; Hon. Henry C. Ide, of Vermont, and Professor Bernard Moses, of California. The aims of their mission and the scope of their authority are clearly set forth in instructions of April 7, 1900, addressed to the Secretary of War, to be transmitted to them.

Instructions for Commission.

In the message transmitted to the Congress December 5, 1899, I said, speaking of the Philippine Islands:

"As long as the insurrection continues, the military arm must necessarily be supreme. But there is no reason why steps should not be taken from time to time to inaugurate governments essentially popular in their form as fast as territory is held and controlled by our troops. To this end I am considering the advisability of the return of the commission, or such members thereof as can be secured, to aid the existing authorities and facilitate this work throughout the islands."

"To give effect to the intention thus expressed I have appointed Hon. William Taft, of Ohio; Professor Dean C. Worcester, of Michigan; Hon. Luke E. Wright, of Tennessee; Hon. Henry C. Ide, of Vermont, and Professor Bernard Moses, of California, Commissioners to the Philippine Islands to continue and perfect the work of organizing and establishing civil government already commenced by the military authorities subject in all respects to any laws which Congress may hereafter enact.

"The Commissioners named will meet and act as a board, and the Hon. William Taft is designated as president of the board. It is probable that the transfer of authority from military commanders to civil officers will be gradual and will occupy a considerable period. Its successful accomplishment and the maintenance of peace and order in the meantime will require the most perfect cooperation between the civil and military authorities in the islands, and both should be directed during the transition period by the same executive department. The Commission will therefore report to the Scretary of War, and all their actions will be subject to your approval and control.

"You will instruct the Commission to proceed to the City of Manila, where they will make their principal office, and to communicate with the military Governor of the Philippine Islands, whom you will at the same time direct to render to them every assistance within his power in the performance of their duties. Without hampering them by too specific instructions, they should in general be enjoined, after making themselves familiar with the conditions and needs of the country, to devote their attention in the first instance to the establishment of municipal governments in which the natives of the island, both in the cities and in the rural communities, shall be afforded the opportunity to manage their local affairs to the fullest extent of which they are capable, and subject to the least degree of supervision and control which a careful study of their capacities and observations of the workings of native control shows to be consistent with the maintenance of law, order and loyalty.

"The next subject in order of importance should be the organization of government in the larger administrative divisions corresponding to counties, departments or provinces, in which the common interests of any of several municipalities falling within the same tribal lines, or the same natural geographical limits, may best be subserved by a common administration. Whenever the Commission is of the opinion that the condition of affairs in the islands is such that the central administration may safely be transferred from military to civil control, they will report the conclusion to you with their recommendations as to the form of central government to be established for the purpose of taking over the control.

"Beginning the 1st day of September, 1900, the authority to exercise, subject to my approval, through the Secretary of War, that part of the power of government in the Philippine Islands which is of a legislative nature, is to be transferred from the military government of the islands to this Commission, to be thereafter exercised by them in the place and stead of military government under such rules and regulations as you shall prescribe, until the establishment of the civil central government for the islands contemplated in the last foregoing paragraph, or until Congress shall otherwise provide. Exercise of this legislative authority will include the making of rules and orders having the effect of law for the raising of revenue by taxes, customs duties and imposts; the appropriation and expenditure of public funds of the island; the establishment of an educational system throughout the islands; the establishment of a system to secure an efficient civil service; the organization and establishment of courts; the organization and establishment of municipal and departmental governments, and all other matters of a civil nature for which the military Governor is now competent to provide by rules or orders of a legislative character.

"The Commission will also have power during the same period to appoint to office such officers under the judicial, educational and civil service system and in the municipal and departmental governments as shall be provided for. Until the complete transfer of control, the military Governor will remain the chief executive head of the government of the islands, and will exercise the executive authority now possessed by him and not herein expressly assigned to the Commission: subject, however, to the rules and orders enacted by the Commission in the exercise of legislative powers conferred upon them. In the meantime the municipal and departmental governments will continue to report to the military Governor and be subject to his administrative supervision and control, under your direction, but that supervision and control will be confined within the narrowest limits consistent with the requirements, that the powers of government in the municipalities and departments shall be honestly and effectively exercised, and that law and order and individual freedom shall be maintained.

"All legislative rules and orders, establishments of government and appointments to office by the commission will take effect immediately, or at such times as they shall designate, subject to your approval and action upon the coming in of the commissioners' reports, which are to be made from time to time as their action is taken. Wherever civil governments are constituted under the direction of the commission, such military posts, garrisons and forces will be continued for the suppression of insurrection and brigandage and the maintenance of law and order as the military commander shall deem requisite, and the military forces shall be at all times subject, under his orders, to the call of the civil authorities for the maintenance of law and order and the enforcement of their authority.

"In the establishment of municipal governments the commission will take as the basis of their work the governments established by the Military Governor under his order of August 8, 1899, and under the report of the board constituted by the Military Governor by his order of January 29, 1900, to formulate and report a plan of municipal government of which His Honor, Cayetano Arellano, president of the Audiencia, was chairman; and they will give to the conclusions of that board the weight and consideration which the high character and distinguished abilities of its members justify.

"In the constitution of departmental or provincial governments they will give especial attention to the existing government of the Island of Negros, constituted with the approval of the people of that Island under the order of the military Governor of July 22, 1899, and after verifying so far as may be practicable the reports of the successful working of that government, they will be guided by the experience thus acquired, so far as it may be applicable to the condition existing in other portions of the Philippines. They will avail themselves to the fullest degree practicable of the conclusions reached by the previous commission to the Philippines.

"In the distribution of powers among the governments organized by the commission, the presumption is always to be in favor of the smaller sub-division, so that all the powers which can properly be exercised by the municipal government shall be vested in that government, and all the powers of a more general character which can be exercised by the departmental governments shall be vested in that government, so that in the governmental system which is the result of the process, the central government of the island, following the example of the distribution of the powers between the states and the National Government of the United States, shall have no direct administration, except of matters of purely general concern, and shall have only such supervision and control over local governments as may be necessary to secure and enforce faithful and efficient administration by local officers.

"The many different degrees of civilization and varieties of custom and capacity among the people of the different islands preclude very definite instruction as to the part which the people shall take in the selection of their own officers; but these general rules are to be observed:

"That in all cases the municipal officers who administer the local affairs of the people are to be selected by the people, and that wherever officers of more extended jurisdiction are to be selected in any way, natives of the island are to be preferred, and if they can be found competent and willing to perform the duties, they are to receive the offices in preference to any others.

"It will be necessary to fill some offices for the present with Americans, which, after a time, may be filled by natives of the island. As soon as practicable a system for ascertaining the merit and fitness of candidates for civil offices should be put in force. An indispensable qualification for all offices and positions of trust and authority in the island must be absolute and unhampered; authority and power to remove and punish any officer deviating from the standard must at all times be retained in the hands of the central authority of the island.

"In all of the forms of government and administrative provisions which they are authorized to prescribe, the commission should bear in mind that the government which they are establishing is designed, not for our satisfaction or for the expression of our theoretical views, but for the happiness, peace and prosperity of the people of the Philippine Islands, and the measures adopted should be made to conform to their customs, their habits and even their prejudices, to the fullest extent consistent with the accomplishment of the indispensable requisites of just and effective government. At the same time, the commission should bear in mind and the people of the island should be made plainly to understand that there are certain great principles of government which have been made the basis of our governmental system, which we deem essential to the rule of law and the maintenance of individual freedom and of which they have unfortunately been denied the experience possessed; that there are also certain practical rules of government which we have found to be essential to the preservation of these great principles of liberty and law, and that these principles and these rules of government must be established and maintained in their island for the sake of their liberty and happiness, however much they may conflict with the customs or laws of procedure with which they are familiar.

"It is evident that the most enlightened thought of the Philippine Islands fully appreciates the importance of these principles and rules, and they will inevitably within a short time command universal assent. Upon every division and branch of the government of the Philippines, therefore, must be imposed three inviolable rules—that no person shall be deprived of life, liberty or property without due process of law; that private property shall not be taken for public use without just compensation; that in all criminal prosecutions the accused shall enjoy the right to a speedy and public trial, to be informed of the nature and cause of the accusation, to be confronted with the witnesses against him, to have compulsory process for obtaining witnesses in his favor, and to have the assistance of counsel for his defense; that excessive bail shall not be required nor excessive fines imposed, nor cruel and unusual punishment inflicted; that no person shall be put twice in jeopardy for the same offense, or be compelled in any criminal case to be a witness against himself; that the right to security against unreasonable searches and seizures shall not be violated; that neither slavery nor involuntary servitude shall exist, except as a punishment for crime; that no bill of attainder or ex post facto law shall be passed; that no law shall be passed abridging the freedom of speech or of the press, or of the rights of the people peaceably to assemble and petition the government for a redress of grievances; that no law shall be made respecting an establishment of religion or prohibiting the free exercise thereof, and that the free exercise and enjoyment of religious profession and worship without discrimination or preference shall forever be allowed.

"It will be the duty of the commission to make a thorough investigation into the titles to the large tracts of land held or claimed by individuals or by religious orders; into the justice of the claims and complaints made against such landholders by the people of the island or any part of the people, and to seek by wise and peaceable measure a just settlement of the contro-

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