TAFT IN MESSAGE URGES ECONOMY OF EXPENDITURES

President Taft's message to Congress follows:

To the Senate and the House of Representatives—The relations of the United States with all foreign governments have continued upon the normal basis of amity and good understanding and are very generally satisfactory.

Pursuant to the provisions of the general treaty of arbitration concluded between the United States and Great Britain, April 4, 1908, a special agreement was entered into between the two countries on January 27, 1909, for the submission of questions relating to the fisheries on the North Atlantic Coast to a tribunal to be formed from members of the permanent court of arbitration at The Hague.

In accordance with the provisions of the special agreement, the printed case of each government was on October 4 last submitted to the other and to the arbitral tribunal at The Hague, and the counter case of the United States is now in course of preparation.

The American rights under the fisheries articles treaty of 1818 have been a cause of difference between the United States and Great Britain for nearly 70 years. The interests involved are of great importance to the American fishing industry, and the final settlement of the controversy will remove a source of constant irritation and complaint. This is the first case involving such great international questions which has been submitted to the permanent court of arbitration at The Hague.

Boundary to Be Arbitrated.

The treaty between the United States and Great Britain concerning the Canadian international boundary concluded April 11, 1908, authorizes the appointment of two commissioners to define and mark accurately the international boundary line between the United States and the Dominion of Canada in the waters of the Passamaquoddy Bay, and provides for the exchange of briefs within the period of six months. The briefs were duly presented within the prescribed period, but as the commissioners failed to agree within six months after the exchange of the printed statements as required by the treaty, it has now become necessary to resort to the arbitration provided for in the article.

The International Fisheries Commission, appointed pursuant to and under the authority of the convention of April 11, 1908, between the United States and Great Britain, has completed a system of uniform and common international regulations for the protection and preservation of the food fishes in international boundary waters of the United States and Canada.

The regulations will be duly submitted to Congress with a view to the enactment of such legislation as will be necessary under the convention to put them into operation.

The convention providing for the settlement of international differences between the United States and Canada, including the apportionment between the two countries of certain of the boundary waters and the appointment of commissioners to adjust certain other questions, signed on the 11th day of January, 1909, and the ratification of which the Senate gave its advice and consent of March 3, 1909, has not yet been ratified on the part of Great Britain.

Commissioners have been appointed on the part of the United States to act jointly with commissioners on the part of Canada in examining into the question of obstructions in the St. John River between Maine and New Brunswick, and to make recommendations for the regulation of the uses thereof, and are now engaged in this work.

Negotiations for an international conference to consider and reach an arrangement providing for the preservation and protection of the fur seals in the North Pacific are in progress with the governments of Great Britain, Japan and Russia. The attitude of the governments interested leads me to hope for a satisfactory settlement of this question as the ultimate outcome of the negotiations.

Prize Court Law Uncertain.

The second peace conference recently held at The Hague adopted a convention for the establishment of an international prize court upon the joint proposal of delegations of the United States, France, Germany and Great Britain. The law to be observed by the tribunal in the decision of prize cases was, however, left in an uncertain and therefore unsatisfactory state. Article 7 of the convention provided that the court was to be governed by the provisions of treaties existing between the belligerents, but that in the absence of such provisions the court shall apply the rules of international law. If no generally recognized rule exists the court shall give judgment in accordance with the general principles of justice and equity. As, however, many questions in international maritime law are understood differently, and therefore interpreted differently in various countries, it was deemed advisable not to entrust legislative powers to the proposed court, but to determine the rules of law properly applicable in a conference of the representative maritime nations.

Pursuant to an invitation of Great Britain, a conference was held at London from December 2, 1908, to February 26, 1909, in which the following powers participated: The United States, Austria-Hungary, France, Germany, Great Britain, Italy, Japan, The Netherlands, Russia and Spain. The conference resulted in the declaration of London, unanimously agreed to and signed by the participating powers, concerning, among other matters, the highly important subjects of blockade, contraband, the destruction of neutral prizes, and continuous voyages.

The declaration of London is an eminently satisfactory codification of the international maritime law, and it is hoped that its reasonableness and fairness will secure its general adoption as well as remove one of the difficulties standing in the way of the establishment of an international prize court.

Maritime Subjects Open.

Under the authority given in the sundry civil appropriation act, approved March 4, 1909, the United States was represented at the international conference on maritime law at Brussels. The conference met on the 28th of September last and resulted in the signature of a preliminary draft of a convention for the unification of certain regulations with regard to maritime assistance and salvage and convention for the unification of certain rules with regard to collisions at sea.

The new projects of conventions which have not heretofore been considered in a diplomatic conference, namely, one concerning the limitation of the responsibility of shipowners and the other concerning marine mortgages and privileges, have been submitted by the conference to the different governments. The conference adjourned to meet again on April 11, 1910.

The International conference for the purpose of promoting uniform legislation concerning letters of exchange, which was called by the government of the Netherlands to meet at The Hague in September, 1909, has been postponed to meet at the capital in June, 1910. The United States will be appropriately represented in this conference under the provision therefor already made by Congress.

The cordial invitation of Belgium to be represented by a fitting display of American progress in the useful arts and inventions at the world's fair to be held at Brussels in 1910 remains to be acted upon by the Congress. Mindful of the advantages to accrue to our artisans and producers in competition with their continental rivals, I renew the recommendations heretofore made that provisions be made for acceptance of the invitation and adequate representation in the exposition.

CONGO ISSUE SEEMS MORE HOPEFUL.

Announced Reform Programme Is Augury of Better Things.

The question arising out of the Belgian annexation of the independent state of the Congo, which has so long and deeply preoccupied the attention of this Government and enlisted the sympathy of our best citizens, is still open, but in a more hopeful stage. This Government was among the foremost in the great work of uplifting the uncivilized regions of Africa and urging the extension of the benefits of civilization, education and fruitful, open commerce to that vast domain, and is a party to treaty engagements of all the interested powers, designed to carry out that great duty to humanity.

The way to better the original and adventitious conditions so burdensome to the natives and so destructive to their development has been pointed out, by observation and experience, not alone of American representatives, but by cumulative evidence from all quarters and by the investigations of Belgian agents. The announced programmes of reforms, striking at many of the evils said to exist, are an augury of better things. The attitude of the United States is one of benevolent encouragement, coupled with a hopeful trust that the good work, responsibly undertaken and zealously perfected to accomplishment of the results so ardently desired, will soon justify the wisdom that inspires them and satisfy the demands of humane sentiment throughout the world.

A convention between the United States and Germany, under which the nonworking provisions of the German patent law are made inapplicable to the patents of American citizens, was concluded on February 23, 1909, and is now in force. Negotiations for similar conventions looking to the placing of American inventors on the same footing as nationals have recently been initiated with other European governments whose laws require the local working of foreign patents.

ADVICE GIVEN FREELY TO LIBERIA.

Financial Embarrassment Results in Appeal to United States.

Under an appropriation made at the last session of Congress, a commission was sent on American cruisers to Monrovia to investigate the interests of the United States and its citizens in Liberia. Upon its arrival at Monrovia, the commission was enthusiastically received, and during its stay in Liberia was everywhere met with the heartiest expression of good will for the American Government and people, and the hope was repeatedly expressed on all sides that this Government might see its way clear to do something to relieve the critical position of the republic, arising in a measure from external as well as internal and financial embarrassments.

The Liberian government afforded every facility to the commission for ascertaining the true state of affairs. The commission also had conferences with representative citizens, interested foreigners and the representatives of foreign governments in Monrovia. Visits were made to various parts of the republic and to the neighboring British colony Sierra Leone, where the commission was received and conferred with the Governor.

It will be remembered that the interest of the United States in the Republic of Liberia springs from the historical fact of the foundation of the republic by the colonization of American citizens of the African race. In an early treaty with Liberia, there is a provision under which the United States may be called upon for advice or assistance. Pursuant to this provision and in the spirit of the moral relationship of the United States to Liberia, that republic last year asked this Government to lend assistance in the solution of certain of their national problems, and hence the commission was sent.

The report of our commissioners has just been completed, and is now under examination by the Department of State. It is hoped that there may result some helpful measures, in which case it may be my duty again to invite your attention to this subject.

SPITZBERGEN ISLES TO BE NEUTRAL.

Nations to Confer, United States Being Interested in Coal Measures.

The Norwegian government, by a note addressed on January 26, 1909, to the Department of State, conveyed an invitation to the Government of the United States to take part in a conference which, it is understood, will be held in February or March, 1910, for the purpose of devising means to remedy existing conditions in the Spitzbergen Islands.

This invitation was conveyed under the reservation that the question of altering the status of the islands as countries belonging to no particular state, and as equally open to the citizens and subjects of all states, should not be raised.

The European powers invited to this conference by the government of Norway were Belgium, Denmark, France, Germany, Great Britain, Russia, Sweden and The Netherlands.

The Department of State, in view of proofs filed with it in 1906, showing the American possession, occupation and working of certain coal-bearing lands in Spitzbergen, accepted the invitation, under the reservation above stated, and under the further reservation that all interests in those islands already vested should be protected and that there should be equality of opportunity for the future. It was further provided that membership in the conference on the part of the United States was qualified by the consideration that this Government would not become a signatory to any conventional arrangement concluded by the European members of the conference which would imply contributory participation by the United States in any obligation or responsibility for the enforcement of any scheme of administration which might be devised by the conference for the islands.

NEAR EAST CONDITIONS ARE BETTER.

Change in Turkey, Advance in Persia, Among Phenomena of Times.

His Majesty Mehmed V, Sultan of Turkey, recently sent to this country a special embassy to announce his accession. The quick transition of the government of the Ottoman empire from one of retrograde tendencies to a constitutional government, with a parliament and with progressive policies of reform and public improvement, is one of the important phenomena of our times. Constitutional government seems also to have made further advance in Persia.

These events have turned the eyes of the world upon the near East. In that quarter the prestige of the United States has spread widely through the peaceful influence of American schools, universities and missionaries. There is every reason why we should obtain a greater share of the commerce of the near East, since the conditions are more favorable now than ever before.

LATIN AMERICA BONDS CEMENTED.

Apprehension Diminishes as Governments Become More Stable.

One of the happiest events in recent Pan-American diplomacy was the pacific, independent settlement by the governments of Bolivia and Peru of a boundary difference between them which for some weeks threatened to cause war and even to entrain embitterments affecting other republics less directly concerned. From various quarters, directly or indirectly concerned with the intermediation of the United States, was sought to assist in a solution of the controversy. Desiring at all times to abstain from any undue mingling in the affairs of sister republics and having faith in the ability of the governments of Peru and Bolivia themselves to settle their differences in a manner satisfactory to themselves, which, viewed with magnanimity, would assuage all embitterment, this Government steadily abstained from being drawn into the controversy and was much gratified to find its confidence justified by events.

On the 9th of July next there will open at Buenos Ayres the fourth Pan-American conference. This conference will have a special meaning to the hearts of all Americans because round its date are clustered the anniversaries of the independence of so many of the American republics. It is not necessary for me to remind the Congress of the political, social and commercial importance of these gatherings. You are asked to make liberal appropriation for our participation. If this be granted, it is my purpose to appoint a distinguished and representative delegation qualified fittingly to represent this country and to deal with the problems of intercontinental interest which will there be discussed.

The Argentine Republic will also hold from May to November, 1910, at Buenos Ayres, a great international agricultural exhibition, in which the United States has been invited to participate. Considering the rapid growth of the trade of the United States with the Argentine Republic and the cordial relations existing between the two nations, together with the fact that it provides an opportunity to show deference to a sister republic on the occasion of the celebration of its national independence, the proper departments of this Government are taking steps to apprise the interests concerned of the opportunity afforded by this exhibition, in which appropriate participation by this country is so desirable. The designation of an official representative is also receiving consideration.

Investments Uniting Nations.

Today more than ever before American capital is seeking investment in foreign countries and American products are more and more generally seeking foreign markets. As a consequence there are American citizens and American interests to be protected on occasion by their government. These movements of men, of capital and of commodities bring peoples and governments closer together and so form bonds of peace and mutual dependency, as they must also naturally sometimes make passing points of friction.

The resultant situation inevitably imposes upon this Government vastly increased responsibilities. This Administration, through the Department of State and foreign service, is lending all proper support to legitimate and beneficial American enterprises in foreign countries, the degree of such support being measured by the National advantages to be expected. A citizen himself cannot by contract or otherwise divest himself of the right nor can this Government escape the obligations of his protection in his personal and property rights when these are unjustly infringed in a foreign country. To avoid ceaseless vexations it is proper that in considering whether American enterprise should be encouraged or supported in a particular country, the governments should give full weight, not only to the National, as opposed to the individual benefits to accrue; also to the fact whether or not the government of the country in question is in its administration and in its diplomacy faithful to the principle of moderation of equity and justice upon which alone depend international credit in diplomacy as well as in finance.

The Pan-American policy of this Government has long been fixed in its principles and remains unchanged. With the changed circumstances of the United States and of the republics to the south of us, most of which have great natural resources, stable government and progressive ideals, the apprehension of which gave rise to the Monroe Doctrine, may be said to have nearly disappeared and neither the doctrine as it exists nor any other doctrine of American policy should be permitted to operate for the perpetuation of irresponsible government, the escape of just obligations or the insidious allegation of dominating ambitions on the part of the United States. Besides the fundamental doctrines of our Pan-American policy there have grown up a realization of political interests, community of institutions and ideals and a flourishing commerce. All these bonds will be greatly strengthened as time goes on and as increased facilities, such as the great bank soon to be established in Latin-America, supply the means for building up the colossal intercontinental commerce of the future.

My meeting with President Diaz and the greeting exchanged by both American and Mexican soil, I hope, to signalize the close and cordial relations which will bind together this Republic and the great republic immediately to the south, between which there is so vast network of material interest.

Venezuelan Relations Cordial.

I am happy to say that all but one of the cases which for so long vexed our relations with Venezuela have been settled within the past few months and that under the enlightened regime now directing the government of Venezuela, provision has been made for arbitration of the remaining cases before The Hague tribunal.

On July 30, 1909, the government of Panama agreed after considerable negotiation to indemnify the relatives of the American officers and sailors who were brutally treated, one of them having been killed by the Panama police this year.

The sincere desire of the Panama government to do away with a situation where such an accident could occur is manifest in the recent request, in compliance with which this Government has lent the services of an officer of the Army to be employed by the government of Panama as instructor of police.

The sanitary improvements and public works undertaken in Cuba prior to the present administration of that government, in the success of which the United States is interested under the treaty, are reported to be making good progress and, since the Congress provided for the continuance of the reciprocal commercial arrangement between Cuba and the United States, assurance has been received that no negotiations injuriously affecting the situation will be undertaken without consultation.

The collection of the customs of the Dominican republic through the general receiver of customs appointed by the President of the United States, in accordance with the convention of February 8, 1907, has proceeded in an uneventful and satisfactory manner. The customs receipts have decreased, owing to disturbed political economic conditions, and to a very natural curtailment of imports in view of the anticipated revision of the Dominican tariff schedule. The payments to the fiscal agency of the United States for the service of the bonded railways, as provided by the convention, have been regularly and promptly made and satisfactory progress has been made in carrying out the provisions of the convention looking toward the completing of the adjustment of the debt and the acquirement by the Dominican government of certain concessions and the monopolies which have been a burden to the commerce of the country. In short, the receivership has demonstrated its ability, even under unfortunate economic and political conditions, to do the work for which it was intended.

Chile Agrees to Protocol.

This Government was obliged to intervene diplomatically to bring about arbitration or settlement of the claim of the Emery Company against Nicaragua which it had long before agreed should be arbitrated. A settlement of this troublesome case was reached by the signature of a protocol on September 18.

Many years ago diplomatic intervention became necessary for the protection of the American claim of Alsop & Co. against the government of Chile. The government of Chile has frequently admitted obligation in the case and had promised this Government to settle it. There had been two abortive attempts to settle through arbitration, which failed through lack of jurisdiction. Now, happily, as the result of the recent diplomatic negotiations, the governments of the United States and of Chile, actuated by the sincere desire to free from any stain those cordial and friendly relations upon which both set such store, have agreed by a protocol to submit the controversy to definitive settlement by His Britannic Majesty Edward VII.

ZELAYA CAUSE OF MOST CONTENTION.

Complaints Nearly All Directed Against Nicaraguan Government.

Since the Washington conventions of 1907 were recommended to the Government of the United States as the consulting and advising party, this Government has been almost continuously called upon by one or another, and in turn by all of the five Central American republics to exert its influence for the maintenance of the conventions. Nearly every complaint has been against the Zelaya government of Nicaragua, which has kept Central America in constant tension or turmoil. The responses made to the representations of Central American republics as due from the United States on account of its relation to the Washington convention, have been at all times conservative, and have avoided as far as possible any semblance of interference, although it is very apparent that the considerations of geographic proximity to the Canal Zone and of the very substantial American interests in Central America give to the United States a special position in the zone of these republics and the Carbbean Sea.

I need not rehearse here the patient efforts of this Government to promote peace and welfare among these republics, efforts which are fully appreciated by the majority of them who are loyal to their true interest. It would be no less unnecessary to rehearse here the sad tale of unspeakable barbarities and oppression alleged to have been committed by the Zelayan government. Recently two Americans were put to death by order of President Zelaya himself. They were officers in the organized forces of a revolution which had continued many weeks, during which the greater part of about half of the republic, and as such, according to the modern enlightened practice of civilized nations, they were entitled to be dealt with as prisoners of war.

Exact Truth Being Sought.

At the date when this message is printed this Government has terminated diplomatic relations with the Zelaya government charge d'affaires, and is intending to take such future steps as may be found most consistent with its dignity, its duty to American interests and its moral obligations to Central America and to civilization. It may be necessary for me to bring this subject to the attention of the Congress in a special message.

The International Bureau of American Republics has carried on an important and increasing work during the last year. In the exercise of its peculiar functions as an international agency, maintained by all the American republics for the development of Pan-American commerce and friendship, it has accomplished a great practical good which could be done in the same way by no individual department or bureau of one government, and is, therefore, deserving of your liberal support.

The fact that it is about to enter a new building, erected through the munificence of an American philanthropist, and the contributions of all the American nations, will enhance its efficiency. Administration and expense of maintenance will naturally be much augmented, further entitles it to special consideration.

FAR EAST POLICY IS NOT CHANGED.

Open Door Maintained in China, to America's Advantage.

In the Far East this Government preserves unchanged its policy of supporting the principle of equality of opportunity and scrupulous respect for the integrity of the Chinese empire, to which policy are pledged the interested powers of both East and West. By the treaty of 1903, China has undertaken the abolition of the likin, with a moderate and proportionate raising of the customs tariff, along with currency reforms. These reforms being of manifest advantage to foreign commerce, as well as to the interests of China, this Government is endeavoring to facilitate these measures and the needful acquiescence of the treaty powers.

When it appeared that China's likin revenues were to be hypothecated to foreign bankers in connection with a great railway project, it was obvious that the governments whose bankers hold this loan would have a certain direct interest in the question of the carrying out by China of the reforms in question. Because this railroad loan represented a practical and real application of the open-door policy, through co-operation with China by interested powers, as well as because of its relations to the reforms referred to above, the Administration deemed American participation to be of great National interest. Happily, when it was as a matter of broad policy urged that this opportunity should not be lost, the indispensable instrumentality presented itself when a group of American bankers of international reputation and great resources agreed at once to share in the loan upon precisely such terms as this Government should approve. The chief of those terms was that American railway material should be upon an exact equality with that of the other nations joining in the loan in the placing of orders for the whole railway system.

After months of negotiation, the equal participation of America seems at last assured. It is gratifying that America will thus take its share in this extension of these great highways of trade and to believe that such activities will give a real impetus to our commerce, and will prove a practical corollary to our historic policy in the Far East.

Opium Reforms Progressing.

The Imperial Chinese government, in pursuance of its decision to devote funds from the portion of the indemnity remitted to them to sending students to this country, has already completed arrangements for carrying out this purpose, and a considerable body of students have arrived to take up their work in our schools and universities. No one can doubt the happy effect the associations formed by these representative young men will have when they return to take up their work in the progressive development of their country. The results of the opium conference held at Shanghai last Spring, at the invitation of the United States, have been laid before the Government.

The report shows that China is making remarkable progress and admirable efforts and welfare among these republics, efforts which are fully appreciated by the majority of them who are loyal to their true interest. It would be no less unnecessary to rehearse here the sad tale of unspeakable barbarities and oppression alleged to have been committed by the Zelayan government. Recently two Americans were put to death by order of President Zelaya himself. They were officers in the organized forces of a revolution which had continued many weeks, during which the greater part of about half of the republic, and as such, according to the modern enlightened practice of civilized nations, they were entitled to be dealt with as prisoners of war.

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RECOMMENDATIONS AND STATEMENTS IN TAFT'S MESSAGE

PRESIDENT TAFT reviews the treaty of arbitration with Great Britain with reference to the boundary fisheries differences. The boundary issue is to be arbitrated further, owing to delay in the agreement of the commissioners, and fisheries regulations have been agreed upon which require legislation by Congress to make them operative.

Satisfaction is expressed with the declaration of London in respect of the codification of the international maritime law on the subjects of blockade, contraband, the destruction of neutral prizes and continuous voyages, and it is hoped that the code will be adopted generally.

In the Near East recent reforms in Turkey and the advance of constitutional government in Persia give reason to believe that American commerce will share increased advantages.

Pacific settlement by Bolivia and Peru of their boundary differences is regarded as a gratifying sign of increasing stability of peace in South America.

Liberal appropriation for the Buenos Ayres Exposition next July is urged.

In the Far East the Government continues its policy "of supporting the principle of equality of opportunity and scrupulous respect for the integrity of the Chinese empire." Participation by American capital in a Chinese railway loan has been brought about upon the basis of an agreement that Americans shall have equal opportunity with other nations in the furnishing of material and supplies.

Investigation of the opium question in China leads to the recommendation that the manufacture, use and sale of opium in this country be controlled more vigorously by legislation.

Revision of the existing treaty with Siam is under consideration.

Reorganization of the consular service upon lines that will permit the establishment of special divisions to embrace special localities and trade problems is advised. Secretaries in the diplomatic service should be placed in line of promotion to the grade of minister, for the betterment of the service.

Economy of expenditure is urged with great earnestness. The indicated deficit for 1910 is $73,075,620, which the Secretary of the Treasury proposes to meet by the proceeds of a bond issue to cover the cost of the Panama Canal. The canal cost will be more than double the estimates originally made, due to enlargement of plans, to underestimates made in the first instance of the quantity of work required, and to recent large increases in the cost of labor and materials. In view of the threatened deficit, the departments have been directed to curtail their estimates. As a result, those estimates will be less by $55,663,000 than the total appropriations for the current fiscal year. The Secretary estimates that there will be a small surplus of $712,000 for the fiscal year ending June 30, 1911.

Thorough reorganization of bureaus is advised as a measure of economy. The cost of permanent legislation should be reduced. There is much room for improvement in the cost and efficiency of administration in the departments. Reclassification of the civil service and of the compensation of various positions should be ordered.

Civil pensions and the retirement of superannuated employes are indorsed.

It is suggested, in view of efforts now being made by the Government to bring to justice the wrongdoers in the sugar-fraud cases, that a Congressional investigation, by giving immunity and otherwise, might prove an embarrassment in securing the conviction of the guilty ones.

Retention of the power of the Executive granted by the maximum and minimum clause of the tariff law is favored. The belief that a tariff war is likely to result is deprecated. President Taft conceives that the power was granted to the President with the hope that the maximum duties might never be applied in any case.

Attention is invited to the necessity for a bill providing for the "elimination" of a definite proportion of the least efficient officers of the Army. This is required to give the more efficient better opportunities to win command, and to rid the service of certain officers who show insufficient aptitude and yet do not subject themselves to court-martial for technical violation of duty.

An extensive naval base should be made in Pearl Harbor, near Honolulu; not in the Philippines.

Our coast defenses are in some respects even more elaborate than would be needed to stop an enemy's fleet. Additional fortification of the mouth of the Chesapeake, however, is pressingly needed.

Estimates for the Navy have been curtailed $38,000,000, as compared with estimates last year; and Army estimates are $45,000,000 lower. This has been accomplished by stopping all military progress temporarily. The Army is not to be recruited to its authorized strength, and naval estimates include only two first-class battleships and one supply vessel.

Speaking of the delays of the law, the President says that the jurisdiction of the Supreme Court should be further cut down, so as to confine it to statutory and constitutional questions. Federal procedure should be revised, and authority is asked for the appointment of a commission to examine into the question and make recommendations.

Injunctions without notice should not be issued except where irreparable injury would result from delay, and then should cease by statute to be of force in seven days after being granted.

To Congress is commended the subject of increasing postal revenues by imposing a higher charge upon magazines and periodicals than upon newspapers, proportionate to the longer haul entailed by the first-named class of patronage.

Postal savings banks are urged, without waiting for the report of the monetary commission.

Ship subsidy is earnestly indorsed.

Separate statehood for New Mexico and Arizona is favored, in accordance with platform promises, but Congress, in its enabling act, should provide that the new state constitutions shall be adopted separately from the election of state officers.

Government of Alaska by commission is advised. The President believes that its vast expanse, compared with its population and the "floating character" of that population make it "altogether unfitting to provide for a popular election of the legislative body."

Transfer of the lighthouse board to a civilian bureau is recommended.

Transportation of persons across National and state boundaries for purposes of prostitution can be legally prohibited by Federal statute, the President believes, and he recommends appropriate laws, with the appropriation of $50,000 to enable the Government to suppress the "white slave" trade.

Creation of a Federal Bureau of Health is asked.

Concluding, President Taft finds the country prosperous, and he declares that the fact that a rise in prices has taken place "almost wholly in those products of factory and farm in respect to which there has been no increase in the tariff or, in many instances, a very considerable reduction," indicates that the increased cost of living cannot be blamed upon the tariff.

Special messages are promised later upon the conservation of the National resources, the anti-trust and interstate commerce laws, the reorganization of the Navy, and Nicaragua.

YEAR'S DEFICIT WILL BE $73,075,620.

Secretary's Proposal to Pay Out of Bond Issue Approved.

Perhaps the most important question presented to this Administration is that of economy of expenditures and sufficiency of revenue. The deficit of the last fiscal year and the certain deficit of the current year prompted Congress to throw a greater responsibility upon the Executive and the Secretary of the Treasury than had heretofore been declared by statute. This declaration imposes upon the Secretary of the Treasury the duty of assembling all the estimates of the executive departments, bureaus and offices, of the expenditures necessary in the ensuing fiscal year, and of making an estimate of the revenues of the Government for the same period; and if a probable deficit is thus shown, it is made the duty of the President to recommend the method by which such deficit can be met.

The report of the Secretary shows that the ordinary expenditures for the current fiscal year ending June 30, 1910, will exceed the estimated receipts by $34,075,620. If to this deficit is added the sum to be disbursed for the Panama Canal, amounting to $38,000,000, and which will be paid on the public debt, the deficit of ordinary receipts and expenditures will be increased to a total deficit of $73,075,620. This deficit the Secretary proposes to meet by the proceeds of bonds issued to pay the cost of constructing the Panama Canal. I approve this proposal.

Canal to Be Completed in 1915.

The policy of paying for the construction of the Panama Canal, not out of current revenue, but by bond issue, was adopted in the Spooner act of 1902, and there seems to be no good reason for departing from the principle by which a part at least of the burden of the cost of the canal shall fall upon our posterity who are to enjoy it; and there is all the more reason for this view because the actual cost to date of the canal, which is now half done and when will be completed January 1, 1915, shows that the cost of engineering and construction will be $297,766,000, instead of $139,705,200, as originally estimated. In addition to engineering and construction, the other expenses, including sanitation and government, and the amount paid for the properties, the franchise and the privilege of building the canal, increase the cost by $75,435,000, to more than $375,201,000.

The increase in the cost of engineering and construction is due to a substantial enlargement of the plan of construction by widening the canal 100 feet in the Culebra cut, and by increasing the dimensions of the locks, to the underestimate of the quantity of the work to be done by the original plan, and to an underestimate of the cost of labor and materials, both of which have greatly enhanced in price since the original estimate was made.

In order to avoid a deficit for the ensuing fiscal year, I directed the heads of departments in the preparation of their estimates to make them as low as possible, consistent with imperative Governmental necessity. The result has been, as I am advised by the Secretary of the Treasury, that the estimates for the expenses of the Government for the next fiscal year ending June 30, 1911, are less than appropriations for this current fiscal year by $42,818,000.

So far as the Secretary of the Treasury is able to form a judgment as to the future income and compare it with the expenditures for the next fiscal year ending June 30, 1911, and excluding payments on account of the Panama Canal, which doubtless will be taken up by bonds, there will be a surplus of $35,951,000.

In the present estimates the needs of the departments and of the Government have been cut to the quick, so to speak, and any assumption on the part of Congress, so often made in times past, that the estimates have been prepared with the expectation that they may be reduced, will result in seriously hampering proper administration.

Economy of Two Kinds.

The Secretary of the Treasury points out what should be carefully noted in respect to this reduction in governmental expenses for the next fiscal year, that economies are of two kinds—first, there is a saving in the permanent administration of the departments, bureaus and offices of the Government, and, second, there is a present reduction in expenses by a postponement of projects and improvements that ultimately will have to be carried out, but which are now delayed with the hope that additional revenue in the future will permit their execution without procuring a deficit.

It has been impossible in the preparation of estimates greatly to reduce the cost of permanent legislation. This cannot be done without a thorough reorganization of the bureaus, offices and departments. For the purpose of securing information which may enable the executive and the legislative branches to unite in a plan for the permanent reduction of the cost of governmental administration, the Treasury Department has instituted an investigation by one of the most skilled expert accountants in the United States. The result of his work in two or three bureaus, which, if extended to the entire Government, must occupy two or more years, has been to show much room for improvement and opportunity for substantial reductions in the cost and increased efficiency of administration. The object of the investigation is to devise means to increase the average efficiency of each employe. There is great room for improvement toward this end, not only by the reorganization of bureaus and departments and in the avoidance of duplication, but also in the treatment of the individual employe.

Under the present system, it constantly happens that two employes receive the same salary when the work of one is far more difficult and important and exacting than that of the other. Superior ability is not rewarded or encouraged. As the classification is now entirely by salary, an employe often rises to the highest class while doing the easiest work, for which alone he may be fitted. An investigation ordered by my predecessor resulted in the recommendation that the civil service be reclassified according to the kind of work, so that the work requiring most application and knowledge and ability shall receive most compensation. I believe such a change would be fairer to the whole force, and would permanently improve the personnel of the service. More than this, every reform directed toward the improvement of the average efficiency of Government employes must depend upon the ability of the Executive to eliminate from the Government service those who are inefficient for any cause, and as the degree of efficiency in all the departments is much lessened by the retention of old employes who have outlived their energy and usefulness, it is indispensable to any proper system of economy that provision be made so that their separation from the service shall be easy and inevitable. It is impossible to make such provisions unless there is adopted a plan of civil pensions.

Civil Pensions Urged.

Most of the great industrial corporations and many of the well-conducted railways in this country are coming to the conclusion that a system of pensions for old employes, and the substitution therefor of younger and more energetic servants, promotes both economy and efficiency of administration.

I am aware that there is a strong feeling in both houses of Congress, and also in the country, against the establishment of civil pensions, and that this has naturally grown out of the heavy burden of military pensions, which it has always been the policy of our Government to assume; but I am strongly convinced that no other practical solution of the difficulties presented by the superannuation of civil servants can be found than that of a system of civil pensions.

The business and expenditures of the Government have expanded enormously since the Spanish War, but as the revenues have increased in nearly the same proportion as the expenditures until recently, the attention of the public and of those responsible for the Government has not been fastened upon the question of reducing the cost of administration. We cannot, in view of the advancing prices of living, hope to save money by a reduction in the standard of salaries paid. Indeed, if any change is made in that regard, an increase rather than a decrease will be necessary; and the only means of economy will be in reducing the number of employes and in obtaining a greater average of efficiency from those retained in the service.

Close investigation and study ceded to make definite recommendations in this regard will consume at least two years. I note with much satisfaction the organization in the Senate of a committee on public expenditures, charged with the duty of conducting such an investigation, and I tender to that committee all the assistance which the executive branch of the Government can possibly render.

INQUIRY WOULD DEFEAT JUSTICE.

Congress Gets Hint to Let Sugar Fraud Cases Alone.

I regret to refer to the fact of the discovery of extensive frauds in the collection of the customs revenue at New York City, in which a number of subordinate employes in the weighing and other departments were directly concerned, and in which the beneficiaries were the American Sugar Refining Company and others. The fraud consisted in the payment of duty on underweights of sugar. The Government has recovered from the American Sugar Refining Company all that it is known to have been defrauded of. The sum was received in full of the amount due, which might have been recovered by civil suit against the beneficiaries of the fraud, but it was an express reservation in the contract of settlement by which the settlement should not interfere with or prevent the criminal prosecution of every one who was found to be subject to the same.

Criminal prosecutions are now proceeding against a number of the Government officers. The Treasury Department and the Department of Justice are exerting every effort to discover all the wrongdoers, including the officers and employes of the companies who may have been privy to the frauds. It would seem to me that an investigation of the frauds by Congress at present, pending the probing of the Treasury Department and the Department of Justice as proposed, might, by giving immunity and otherwise, prove an embarrassment in securing conviction of the guilty parties.

TARIFF WAR IS NOT IN PROSPECT.

Power of President to Be Exercised With Due Caution.

Two features of the new tariff act call for special reference. By virtue of the clause known as the "maximum and minimum" clause, it is the duty of the Executive to consider the laws and practices of other countries with reference to the importation into those countries of the products and merchandise of the United States, and when the Executive finds such laws and practices not to be unduly discriminatory against the United States, the minimum provided in the bill are to go into force. Unless the President makes such a finding, then the maximum duties provided in the bill, that is, an increase of 25 per cent ad valorem over the minimum duties, are to be in force.

Fear has been expressed that this power conferred, and duly imposed on the Executive is likely to result in a tariff war. I beg to express the hope and belief that no such result need be anticipated. The discretion granted to the Executive by the terms "unduly discriminatory" is wide. In order that the maximum duty shall be charged against the imports from a country, it is necessary that he shall find on the part of the country not only discriminations in its laws or the practice under them against the trade of the United States, but that the discriminations found shall be undue; that is, without good and fair reason.

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