

MUST MAINTAIN ARMY AND NAVY, SAYS PRESIDENT

In Message to Congress He Warns Against Unpreparedness; Urges New Banking Laws, Honors for Goethals.

Washington, Dec. 6.—President Taft today sent his message on fiscal, judicial, military and insular affairs to congress. It is the second of three or four messages the president has prepared for the present session of congress.

Referring to business conditions, the message says: "The condition of the country with reference to business could hardly be better. While the four years of the administration now drawing to a close have not developed great speculative expansion or a wide field of new investment, the recovery and progress made from the depressing conditions following the panic of 1907 have been steady and the improvement has been clear and easily traced in the statistics. The business of the country is now on a solid basis. Credits are not unduly extended, and every phase of the situation seems in a state of preparedness for a period of unexampled prosperity. Manufacturing concerns are running at their full capacity, and the demand for labor was never so constant and growing. The foreign trade of the country for this year will exceed \$4,000,000,000, while the balance in our favor of the excess of exports over imports will exceed \$500,000,000. More than half our exports are manufactures or partly manufactured material, while our exports of farm products do not show the same increase because of domestic consumption. It is a year of bumper crops; the total monetary value of farm products will exceed \$3,500,000,000. It is a year when the bushel or unit price of agricultural products has gradually fallen, and yet the total value of the entire crop is greater by over \$1,000,000,000 than we have known in our history."

Condition of the Treasury.
The message continues: "The condition of the treasury is very satisfactory. The total interest-bearing debt in 1913, \$1,717,000,000, of which \$1,451,000,000 constitute the Panama canal loan. The non-interest-bearing debt is \$278,000,000, including \$248,000,000 of greenbacks. We have in the treasury \$180,000,000 in gold coin as a reserve against the outstanding greenbacks; and in addition we have a cash balance in the treasury of a general fund of \$167,163,478.59, or an increase of \$26,976,569 over the general fund last year."

Receipts and Expenditures.
"For three years the expenditures of the government have decreased under the influence of an effort to economize. The estimate by the secretary of the treasury of the ordinary receipts, exclusive of postal revenues, for the year ending June 30, 1914, indicates that they will amount to \$7,400,000,000. The sum of the estimate of the expenditures for that same year, exclusive of Panama canal disbursements and postal disbursements payable from postal revenues is \$7,233,000,000, indicating a deficit of \$167,000,000. For the year ending June 30, 1913, similarly estimated receipts were \$6,677,000,000, while the total corresponding estimate of expenditures for that year, submitted through the secretary of the treasury to congress, amounted to \$6,666,000,000. This shows an increase of \$11,000,000 in the estimates for 1914 over the total estimate in 1913. This is due to an increase of \$25,000,000 in the estimate for rivers and harbors for the next year on projects and surveys authorized by congress; to an increase under the new pension bill of \$2,500,000; and to an increase in the estimates for expenses of the navy department of \$24,000,000. The estimate for the navy

department for the year 1914 included two battleships, Congress made provision for only one battleship, and therefore the navy department has deemed it necessary and proper to make an estimate which includes the first year's expenditure for three battleships in order to meet the need of the navy for the uncompleted ships now under construction.

"With the exceptions of three items, the estimates show a reduction this year below the total estimates for 1913 of more than \$2,000,000.

"The estimate for Panama canal construction for 1914 was \$17,000,000 less than for 1913.

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

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

"The only part of our monetary medium that has elasticity is the bank-note currency. The peculiar privileges of the law requiring national banks to maintain reserves and the call of the depositors operate to increase the money stringency when it arises rather than to expand the supply of currency and relieve it. It operates upon each bank and furnishes a motive for the withdrawal of currency from the channels of trade and industry, and the use of the reserve to expand the supply of currency to meet the exceptional demand.

"After the panic of 1907 congress realized that the present system was not adapted to the country's needs and that under it there was possible that might properly be avoided by legislative provision. Accordingly a monetary commission was appointed which made a report in February, 1912.

"The report of the commission presents a plan that ought to command support. It is a plan that requires modification in various of its provisions in order to make the security against abuses by combinations among the banks impossible. But in the face of the existing necessity that there is for improvement in our present system, it is a plan that is worthy of consideration. It is a plan that is worthy of consideration. It is a plan that is worthy of consideration.

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

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

Army Reorganization.
"Our small army now consists of 33,809 men, excluding the 5000 Philippine scouts. Leaving out of consideration the Coast Artillery force, whose position is fixed in our various seacoast defenses, and the present garrisons of our various insular possessions, we have today within the continental United States a mobile army of only about 35,000 men. This little force must be still further drawn upon to supply the new garrisons for the great naval base which is being established at Pearl Harbor, to the Hawaiian islands, and to protect the locks now rapidly approaching completion at Panama. The forces remaining in the United States are now scattered in nearly 50 posts, situated for a variety of historical reasons, in 24 states. These posts contain only fractions of regiments, averaging less than 100 men each. In time of peace it has been our historical policy to administer these units separately by a geographical organization. In other words, our army in time of peace has never been a united organization, but merely a collection of groups of companies, battalions and regiments, and the first task in time of war has been to create out of these scattered units an army fit for effective teamwork and cooperation.

"Hitherto there has been no difference of policy in the treatment of the organization of our foreign garrisons from those of troops within the United States. The difference of situation is vital, and the foreign garrison should be prepared to defend itself at an instant's notice against a foe who may command the sea. Unlike the troops in the United States, it cannot count upon reinforcement or recruitment. It is an outpost, upon which will fall the brunt of the first attack in case of war. The historical policy of the United States of carrying its regiments during time of peace at half strength has no application to our foreign garrisons. During the past year this defect has been remedied as to the Philippine garrison. The former garrison of 13 reduced regiments has been replaced by a garrison of six regiments at full strength, giving fully the same number of riflemen at an estimated economy in cost of

maintenance of over \$1,000,000 per year. This garrison is to be permanent. Its regimental units, instead of being transferred periodically back and forth from the United States, will remain in the islands. The officers and men composing these units will, however, serve tours of tropical detail as usual, thus involving no greater hardship upon the personnel and greatly increasing the effectiveness of the garrison. A similar policy is proposed for the Hawaiian and Panama garrisons as fast as the barracks or them are completed. I strongly urge upon congress that the necessary appropriations for this purpose should be promptly made. It is, in my opinion, of first importance that these national outposts, upon which a successful home defense will primarily depend, should be finished and placed in effective condition at the earliest possible day.

Citizenship for Porto Rico.
"In Porto Rico, the failure thus far to grant American citizenship continues to be the only ground of dissatisfaction. The bill conferring such citizenship has passed the house of representatives and is now awaiting the action of the senate. I believe that the passage of this bill, I believe that the demand for citizenship is just, and that it is amply earned by sustained loyalty on the part of the inhabitants of the island. But it should be remembered that the demand must be, and in the minds of most Porto Ricans is, entirely dissociated from any thought of statehood. I believe that no substantial approved public opinion in the United States or in Porto Rico contemplates statehood for the island as the ultimate form of relation between us. I believe that the aim to be striven for is the fullest possible allowance of legal and fiscal self-government, with American citizenship as the bond between us; in other words, a relation analogous to the present relation between Great Britain and such self-governing colonies as Canada and Australia.

"The bill is pending in congress, which revolutionizes the carefully worked out systems of government under which the Philippine islands are now governed and which proposes to render them virtually autonomous at once and absolutely independent in eight years. Such a proposal can only be founded on the assumption that we have now discharged our trust toward the Philippine people and our responsibility for them to the world, and that they are now prepared for self-government as well as national sovereignty. A thorough and unbiased knowledge of the facts clearly shows that such assumptions are absolutely without justification. It is my belief that there is no substantial difference of opinion among any of those who have had the responsibility of facing Philippine problems in the administration of the islands, and I believe that no one to whom the future of this people is a responsible concern can counsel a policy fraught with the direct consequences to those on whose behalf it is ostensibly urged.

"If the task we have undertaken is higher than that assumed by other nations, it is our duty to demand even more patience. We must not forget that we found the Philippines wholly untrained in government. Up to our advent all other experience sought to repress rather than encourage political power. It takes long time and much experience to ingrain political habits of steadiness and efficiency. Popular self-government ultimately must rest upon common habits of thought and upon a reasonably developed public opinion. No such foundations for self-government, let alone independence, are now present in the Philippine islands. Disregarding even their racial heterogeneity and the lack of ability to think as a nation, it is sufficient to point out that under liberal franchise suffrage only about 1 per cent of the Philippine vote and only 1 per cent of the people are said to read the public press. To confer independence upon the Philippines now, is, therefore, to subject the great mass of their people to the domination of a small oligarchy and, probably, exploiting minority. Such a course will be as cruel to those people as it would be shameful to us.

"A present declaration even of future independence would retard progress by the dissemination and disorder it would arouse. On our part it would be a disingenuous attempt, under the guise of

confering a benefit on them, to relieve ourselves from the heavy and difficult burden which thus far we have borne bravely and consistently sustaining. It would be a disguised policy of evasion. It would make the helpless Philippine people the football of oriental politics, under the pretence of a guaranty of their independence, which we would be powerless to enforce.

Regulation of Water Power.
"There are pending before congress a large number of bills proposing to grant privileges of erecting dams for the purpose of creating water power in our navigable rivers. The expediency of these bills has brought out an important defect in the existing general dam act. That act does not, in my opinion, grant sufficient power to the federal government in dealing with the construction of such dams to exact protective conditions in the interest of navigation. It does not permit the federal government, as a condition of its permit, to require that a part of the value thus created shall be applied to the further general improvement and protection of navigation in these great rivers. I believe that the utilization of this by-product of water power, created in the course of the same improvement, and that the general dam act should be so amended as to make this possible.

The Panama Canal.
"During the past year the work of construction upon the canal has progressed most satisfactorily. About 87 per cent of the excavation work has been completed, and more than 93 per

cent of the concrete for all the locks is in place. In view of the great labor cost which has been manifested as to some slides in the Culebra cut, I am glad to say that the report of Colonel Goethals should allay any apprehension on this point. It is gratifying to note that none of the slides which occurred during this year would have interfered with the passage of ships had the canal, in fact, been in operation, and when the slope pressures will have been finally adjusted, and the growth of vegetation will minimize erosion in the banks of the cut, the slide problem will be practically solved and an ample stability assured for the Culebra cut.

"Although the official date of the opening has been set for January 1, 1914, the canal will, in fact, soon present indications, be opened for shipping during the latter half of 1913. No fixed date can as yet be set, but shipping interests will be advised as soon as assurances can be given that ves-

sels can pass through without unnecessary delay.

"As the completion of the canal grows near, and as the wonderful executive work of Colonel Goethals becomes more conspicuous in the eyes of the country and of the world, it seems to me wise and proper to make provision by law for such reward to him as may be commensurate with the service that he has rendered to his country. I suggest that this reward take the form of an appointment of Colonel Goethals as a major general in the army of the United States, and that the law authorizing such appointment be accompanied with a provision permitting his designation as chief of engineers upon the retirement of the present incumbent of that office.

Many Fishermen Drown.
(United Press Special Wire.)
Lisbon, Dec. 6.—That at least 82 fishermen perished in a storm which

swent the Portuguese canal last Monday is reported here today by survivors. A fleet numbering nearly a hundred small craft was completely destroyed.

The Curtis Picture Opera under auspices of the Visiting Nurse association, Baker theatre, matinee and night, Friday, December 13. Tickets for sale at Baker theatre boxoffice.

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