

# PRESIDENT'S ANNUAL

## THE FINANCIAL QUESTION AND OUR FOREIGN RELATIONS.

**A Strong Plea to Congress for the Retirement of Greenbacks, Which Are Said to Have Caused the Depletion of the Gold Reserve Fund.**

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

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

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

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

### OUR FOREIGN RELATIONS.

**Questions That Have Arisen During the Past Year With Other Nations.**

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

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

Negotiations are progressing for a revival of the United States and Chilean claims commission, whose work was abruptly terminated last year by the expiration of the stipulated time within which amends could be made.

Chile is a step of great interest and importance, both in its direct consequences upon her own welfare, and as evincing the ascendancy of sound financial principles in one of the most influential of the South American republics.

### China and Japan.

The close of the momentous struggle between China and Japan, while relieving the diplomatic agents of this government from the delicate duty they undertook, at the request of both countries, of rendering such service to the subjects of either belligerent within the territorial limits of the other as our neutral position permitted, developed a domestic condition in the Chinese empire which has caused much anxiety and called for prompt and careful attention. Either as a result of a weak control by the central government over the provincial administrations, following a diminution of the traditional governmental authority under the stress of an overwhelming national disaster, or as a manifestation of the aversion of the Chinese population to all foreign ways and undertakings, there have occurred, in widely separated provinces of China, serious outbreaks of the old fanatical spirit against foreigners, which, unchecked by the local authorities, if not actually connived at by them, have culminated in mob attacks on foreign missionary stations, causing much destruction of property, and attended with personal injuries as well as loss of life. Although but one American citizen was reported to have been actually wounded, and although the destruction of property may have fallen more heavily upon the missionaries of other nationalities than our own, it plainly behooves this government to take the most prompt and decided action to guard against similar, or, perhaps, more dreadful calamities befalling the hundreds of Americans in that country.

The demands of the United States and other powers for the degradation and punishment of the responsible officials of the respective cities and provinces who, by neglect or otherwise, had permitted uprisings, and for the adoption of stern measures by the emperor's government for the protection

of the life and property of foreigners, were followed by the disgrace and dismissal of certain provincial officials found derelict in duty, and the punishment by death of a similar number of those adjudged guilty of participating in the outrages.

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

### The Waller Incident.

The customary cordial relations between this country and France have been undisturbed, with the exception that a full explanation of the treatment of John L. Waller by the expeditionary military authorities of France still remain to be given. Mr. Waller, formerly United States consul at Tamatave, remained in Madagascar after his term of office expired, and was, apparently, successful in procuring business concessions from the Hovas, of greater or less value.

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

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

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

### Competition With Germany.

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

### England's Behring Sea Policy.

Our relations with Great Britain, always intimate and important, have demanded, during the past year, a greater share of consideration than is usual. Several vexatious questions were left undetermined by the decision of the Behring sea arbitration tribunal. The application of the principles laid down by that august body has not been followed by the results they were intended to accomplish, either because the principles themselves lacked in breadth and definiteness, or because their execution has been more or less imperfect. Much correspondence has been exchanged between the two governments on the subject of preventing the exterminating slaughter of seals.

The insufficiency of the British patrol of Behring sea, under the regulations agreed on by the two governments, has been pointed out, and yet only two British ships have been on police duty during this season in these

waters. The need of a more effective enforcement of existing regulations, as well as the adoption of such additional regulations as experience has shown to be absolutely necessary to carry out the intent of the awards, have been earnestly urged upon the British government, but thus far without effective result. In the meantime, the depletion of the seal herds by means of pelagic hunting has so harmfully progressed, that, unless their slaughter is at once checked, their extinction, within a few years seems to be a matter of absolute certainty.

### Venezuelan Boundary Dispute.

It being apparent that the boundary dispute between Great Britain and the republic of Venezuela concerning the limits of British Guiana, was approaching an acute stage, a definite statement of the interest and policy of the United States, as regards the controversy, seemed to be required, both on its own account and in view of its relations with the friendly powers directly concerned. In July last, therefore, a dispatch was addressed to our ambassador at London for communication to the British government, in which the attitude of the United States was fully and distinctly set forth. The general conclusions therein reached and formulated are in substance that the traditional and established policy of this government is firmly opposed to a forcible increase by any European power of its territorial possessions on this continent; that this policy is as well founded in principle as it is strongly supported by numerous precedents; that as a consequence, the United States is bound to protest against the enlargement of area of British Guiana in derogation of the rights and against the will of Venezuela; that, considering the disparity in strength of Great Britain and Venezuela, the territorial dispute between them can be reasonably settled only by friendly, impartial arbitration, and that the resort to such arbitration should include the whole controversy, and is not satisfactory if one of the powers concerned is permitted to draw an arbitrary line through the territory in debate, and to declare that it will submit to arbitration only the portion lying on one side of it. In view of these conclusions, the dispatch in question called upon the British government for a definite answer to the question whether it would not submit the territorial controversy between itself and Venezuela, in its entirety, to impartial arbitration. The answer of the British government has not yet been received, but is expected shortly, when further communication on the subject will probably be made to congress.

### Martial Law Defined.

Early in January last an uprising against the government of Hawaii was promptly suppressed. Martial law was forthwith proclaimed, and numerous arrests were made of persons suspected of being in sympathy with the royalist party. Among these were several citizens of the United States, who were either convicted by a military court and sentenced to death, imprisonment, or fine, or were deported without trial. The United States, while denying protection to such as had taken the Hawaiian oath of allegiance, insisted that martial law, though altering the forms of justice, could not supersede justice itself, and demanded a stay of execution until the proceedings had been submitted to this government and knowledge obtained therefrom that our citizens had received fair trial. The death sentences were subsequently commuted, or were remitted on condition of leaving the islands. The cases of certain Americans arrested and expelled by arbitrary order, without formal charge or trial, have had attention, and in some instances have been found to justify remonstrance and a claim for indemnity, which Hawaii has not thus far conceded.

### Lynching of Italians in Colorado.

The deplorable lynching of several Italian laborers in Colorado was naturally followed by international representations, and I am happy to say that the best efforts of the state, in which the outrages occurred, have been put forward to discover and punish the authors of this atrocious crime. The dependent families of some of the unfortunate victims invite, by their deplorable condition, gracious provision for their needs.

### The New Japan.

Japan has furnished abundant evidence of her vast gain in every trait and characteristic which constitute a nation's greatness. We have reason for congratulation in the fact that the government of the United States by the exchange of liberal treaty stipulations with the new Japan, was the first to recognize her wonderful advance, and to extend the consideration and confidence due to her national enlightenment and progressive character.

### Guatemalan Boundary Dispute.

The boundary dispute which lately threatened to embroil Guatemala and Mexico, has happily yielded to pacific counsel, and its determination has, by the joint agreement of the parties, been submitted to the sole arbitration of the United States minister to Mexico. The commission appointed under the convention of February 18, 1889, to set new monuments along the boundary between the United States and Mexico, has completed its task.

### Mosquito Indian Nation.

In last year's message I narrated, at some length, the jurisdictional questions then freshly arisen in the Mosquito Indian strip of Nicaragua. Since that time, by the voluntary act of the Mosquito nation the territory reserved to them has been incorporated with Nicaragua, the Indians formally subjecting themselves to be governed by the general laws and regulations of the

republic, instead of by their own customs and regulations, and thus availing themselves of a privilege secured to them by the treaty between Nicaragua and Great Britain of January 28, 1860.

After the extension of uniform Nicaraguan administration to the Mosquito strip, the case of the British vice-consul, Hatch, and of several countrymen, who had been summarily expelled from Nicaragua and treated with considerable indignity, provoked a claim by Great Britain upon Nicaragua for pecuniary indemnity, which, upon Nicaragua's refusal to admit liability, was enforced by Great Britain. While the sovereignty and jurisdiction of Nicaragua was in no way questioned by Great Britain, the former's arbitrary conduct, in regard to British subjects, furnished the ground for this proceeding.

### Dealing With the Czar.

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

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

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

### Treaty With Samoa.

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

### Cuban Insurrection.

Cuba is again gravely disturbed. An insurrection, in one respect more active than the last preceding revolt which continued from 1868 to 1878, now exists in a large part of the eastern interior of the island, menacing even some population on the coast, besides deranging the commercial exchanges of the island, of which our country takes the predominant share, this flagrant condition of hostilities, by arousing sentimental sympathy and inciting adventurous support among our people, has entailed earnest effort on the part of this government to enforce obedience to our neutrality laws, and to prevent the territory of the United States from being abused as a vantage ground from which to aid those bearing arms against Spanish sovereignty.

Whatever may be the traditional sympathy of our countrymen, as individuals, with a people who seem to be struggling for larger autonomy and greater freedom, and as such sympathy naturally must be in behalf of our neighbors, yet the plain duty of our government is to observe in good faith the recognized obligations of international relationships. The performance of this duty should not be made more difficult by a disregard on the part of our citizens of the obligations growing out of their allegiance to their country, which should restrain them from violating as individuals, the neutrality which the nation of which they are members is bound to observe in its relations to friendly sovereign states. Though neither the warmth of our people's sympathy with the Cuban insurgents, nor our loss and material damage, consequent upon the futile endeavors thus far made to restore peace and order, nor any shock our humane responsibility may have received from the cruelties, which appear to especially characterize this sanguinary and fiercely conducted war, have in the least shaken the determination of the government to honestly fulfill every international obligation, yet it is to be earnestly hoped, on every ground, that the devastation of armed conflict may speedily be stayed, and order and quiet restored to the distracted island, bringing in their train the activity and thrift of peaceful pursuits.

### The Ottoman Empire.

Occurrences in Turkey have continued to excite alarm concerning the reported massacre of Christians in Armenia, and the development there and in other districts of a spirit of fanatic hostility to Christian influences naturally excited apprehension for the safety of the devoted men and women who, as dependents of the foreign missionary societies in the United States, reside

in Turkey under the guarantee of law and usage, and in the legitimate performance of their educational and religious mission. No efforts have been spared in their behalf and their protection in person and property has been earnestly and vigorously enforced by every means within our power.

I regret, however, that an attempt on our part to obtain better information concerning the true condition of affairs in the disturbed quarters of the Ottoman empire, by sending thither the United States consul at Sivas, was thwarted by the objections of the Turkish government. This movement on our part was in no sense meant as a gratuitous entanglement of the United States in the so-called Eastern question, nor as an officious interference with the right and duty which belong, by treaty, to certain great European powers, and which called for their intervention in political matters affecting the good government and religious freedom of the non-Mosulman subjects of the sultan, but it arose solely from our desire to have an accurate knowledge of the conditions, and our efforts to care for those entitled to our protection.

The presence of our naval vessels, which are now in the vicinity of the disturbed localities, affords opportunities in a measure of familiarity with the condition of affairs, and will enable us to take suitable steps for the protection of any interests of our countrymen within reach of our ships, which might be found imperiled.

The Ottoman government has lately issued an imperial decree, exempting forever from taxation any American college for girls at Scutari. Repeated assurances have also been obtained, by our envoy at Constantinople, that similar institutions maintained and administered by our countrymen shall be secured in the enjoyment of all rights, and that our citizens throughout the empire shall be protected. The government, however, in view of existing circumstances, is far from relying upon such assurances as the limit of its duty.

### THE NATION'S FINANCES.

**The Question Reviewed and the Causes Leading to the Bond Issues.**

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

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

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

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

coin, and to use the proceeds for the purposes contemplated by the statute. In May, 1878, and before the day thus appointed for the redemption and retirement of these notes, another statute was passed forbidding their further cancellation and retirement. Some of them had, however, been previously redeemed and cancelled upon the issue of additional national bank circulation, as permitted by the law of 1873, so that the amount outstanding at the time of the passage of the act forbidding their further retirement was \$346,681,016.

The law of 1878 did not stop at dictating prohibiting, but contained in addition the following express provision: "And when any of said notes may be redeemed, or be received into the treasury, under any law from any source whatever, and shall belong to the United States, they shall not be retired, cancelled or destroyed, but they shall be reissued and paid out again and kept in circulation."

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

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

There had been issued and sold \$100,000,000 of bonds authorized by the resumption act of 1875, the proceeds of which, together with the other gold in the treasury, created a gold fund deemed sufficient to meet the demand which might be made upon it for the redemption of outstanding United States notes. This fund, together with such gold as might be from time to time in the treasury available for the purpose, has been since our gold reserve, and \$100,000,000 has been regarded as an adequate amount to accomplish its object. This fund amounted January 1, 1879, to \$114,193,360, and though, thereafter, constantly fluctuating, it did not fall below that sum until July, 1882. In April, 1893, for the first time since its establishment, this reserve amounted to less than \$100,000,000, containing at that date only \$97,011,330.

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

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

The notes on November 1, 1890 when the law compelling the monthly purchase of silver was repealed amounted to more than \$155,000,000. The notes of this description now outstanding, added to the United States notes still undiminished by redemption or cancellation, constitute a volume of gold obligations amounting to near \$500,000,000. These obligations, of the instruments, which, ever since, have had a gold reserve, have been used to deplete it.

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

In consequence of these conditions the gold reserve, on February 1, 1893, was reduced to \$85,438,377, having lost more than \$31,000,000 during the preceding nine months, or since April, 1893. Its replenishment being necessary, and no other manner of accomplishing it being possible, resort was had to the issue and sale of bonds provided by the resumption act of 1875. Fifty millions of these bonds were so yielding \$68,628,295.71, which was added to the reserve fund of gold then on hand. As a result of this operation this reserve, which had suffered by withdrawals in the meantime, stood

at \$154,066,672.71, or \$68,628,295.71 more than when it was first reduced to \$85,438,377. This reserve, which had suffered by withdrawals in the meantime, stood