

TAFT'S MESSAGE DELIVERED

President Recommends Tariff Reforms and Parcels Post, and Urges Ship Subsidy Measure.

The year has been notable as witnessing the peaceful settlement of two important international controversies before the permanent court of The Hague. The arbitration of the fisheries dispute between the United States and Great Britain, which has been the source of nearly continuous diplomatic correspondence since the fisheries convention of 1818, has given an award which is satisfactory to both parties.

The tribunal constituted at The Hague by the governments of the United States and Venezuela has completed its deliberations and has rendered an award in the case of the Orinoco Steamship Company against Venezuela.

The United States proposed that the international prize court, when established, should be endowed with a jurisdiction over an arbitral court of justice under and pursuant to the recommendation adopted by the last Hague conference. The replies received from the various powers to this proposal inspire the hope that this also may be accomplished within the reasonably near future.

Congress at its last session passed a law providing for the appointment of a commission of five members for the purpose of limiting the armaments of the nations of the world by international agreement. I have not yet made appointments to this commission because I have invited and am awaiting the expressions of certain governments as to their willingness to co-operate with us in the appointment of similar commissions.

Several important treaties have been negotiated with Great Britain in the past 12 months. A preliminary diplomatic agreement has been reached regarding the arbitration of pecuniary claims which each government has against the other. The convention, concluded January 1, 1902, between the United States and Great Britain, providing for the settlement of international differences between the United States and Canada, including the appointment of a joint commission of certain of the boundary waters and the appointment of commissioners to adjust certain other questions, has been ratified by both governments and proclaimed.

In November last the monarchy of Portugal was overthrown, a provisional republic was proclaimed and there was set up a de facto government which was promptly recognized by the United States for purposes of ordinary intercourse pending formal recognition by this and other powers. The new kingdom of Montenegro also was recognized.

The negotiations which have been undertaken for the amelioration of the conditions found in Liberia by the American commission are being brought to conclusion.

Relations with all Latin-America are satisfactory, their cordiality being manifested by the receptions accorded to special Embassies sent to the centennial celebrations of Argentina, Chile and Mexico. The International Bureau of American Republics is doing a broad and useful work. The successful mediation of the dispute between Peru and Ecuador has proven the value of cordial co-operation.

Negotiations regarding the refunding of the bonded debt of Honduras have been under way for more than a year, and it is now confidently believed, he says, that a short time will suffice to conclude an arrangement which will be satisfactory to foreign creditors and eminently advantageous to Honduras.

The President then reviews the rebellion in Nicaragua and "the unwarranted execution of two American citizens who had regularly enlisted in the ranks of the revolutionists," which involved the breaking off of all diplomatic relations with the Zelaya government, and adds:

The moderation and conciliatory spirit shown by the various factions gives ground for the confident hope that Nicaragua will soon take its rightful place among the law-abiding and progressive countries of the world.

It gratifies me exceedingly to announce that the Argentine Republic some months ago placed with American manufacturers a contract for the construction of two battleships and certain additional naval equipment. The extent of this work and its importance to the Argentine Republic make the placing of the bid an earnest of friendly feeling toward the United States.

Universal application has been given by negotiation, followed by 134 proclamations "embracing the entire commercial world," to the minimum tariff clause.

Marked advantages to the commerce of the United States were obtained through these tariff settlements. Foreign nations are fully cognizant of the fact that under section two of the tariff act the President is required, whenever he is satisfied that the treatment accorded by them to the products of the United States is not such as to entitle them to the benefits of the minimum tariff of the United States, to withdraw therefrom by proclamation, giving 90 days' notice, after which the maximum tariff will apply to their dutiable products entering the United States. In its general opinion this section of the tariff law has thus far proved a guarantee against commercial competition, although there are, however, unfortunately, instances where foreign governments deal arbitrarily with American interests within this jurisdiction in a manner injurious and inequitable to the United States.

The policy of brotherly relations with the Dominion of Canada, which was initiated in the adjustment of the maximum and minimum provisions of the tariff act of August, 1900, has proved mutually beneficial to both countries. Efforts for the readjustment of the commercial relations of the two countries, so that their commerce may follow the channels natural to contiguous countries and be commensurate with the steady expansion of trade and industry on both sides of the boundary line.

The Argentine battleship contracts, like the subsequent important one for Argentine railway equipment and those for Cuban government vessels, secured for our manufacturers largely through the good offices of the Department of State.

The efforts of that department to secure for citizens of the United States equal opportunities in the markets of the world and to expand American commerce have been most successful. The volume of business obtained in new fields of competition and upon new lines is already very great, and Congress is urged to continue to support the Department of State in its endeavors for further trade expansion.

I cannot leave this subject without emphasizing the necessity of such legislation as will make possible and convenient the establishment of American banks and branches of American banks in foreign countries, especially in Latin-America.

Another instrumentally indispensable to the unhampered and natural development of American commerce is merchant marine. All maritime and commercial nations, our competitors, jealously foster their merchant marine. Perhaps nowhere is the need for rapid and direct mail, passenger and freight communication quite so urgent as between the United States and Latin-America. We can secure in no other quarter of the world such immediate benefits in friendship and commerce as would flow from the establishment of direct lines of communication with the countries of Latin-America.

Unless prompt action be taken the completion of the Panama Canal will find this the only great commercial nation unable to avail itself of this great contribution to the

strength of the world's commercial intercourse.

Quite aside from the commercial aspect, it would be a great benefit to the world if we could find the existing population necessary as a natural naval reserve and where could we find, in case of war, the transports and subsidiary vessels without which we have no fleet? I cannot too strongly urge upon the Congress the passage of a measure by mail subsidy or other subvention adequate to guarantee the establishment and rapid development of an American merchant marine, the restoration of the American flag to its ancient place upon the seas.

The extension of civil service rules to the Consuls and the gradual acquisition of diplomatic residences abroad are advised.

Every effort has been made by each department chief to reduce the estimated cost of his department for the ensuing fiscal year ending June 30, 1912. These estimates present the smallest sum which will maintain the departments, bureaus and offices of the Government and meet its other obligations under existing law, and a cut of these estimates would result in embarrassment to the executive branch of the Government in the performance of its duties. This remark does not apply to the rivers and harbors estimate, except to those for expenses of maintenance and the meeting of obligations, under authority of Congress, nor does it apply to the public buildings bill nor the Navy building programme.

The President says that "as an income-producing measure the existing tariff bill never has been exceeded by any customs bill in the history of the country." He continues:

The corporate income tax, proportioned to the net income of every business corporation in the country, has worked well. The tax has been easily collected. Its prompt payment indicates that the incidence of the tax has not been heavy. It offers, moreover, an opportunity for knowledge by the Government of the general condition and business of all corporations and that means by far the most important part of the business of the country. The provision made for the publication of the returns. This provision was subsequently amended by Congress and the matter left to the regulation of the President. I have directed the necessary regulations to be issued and have made it possible for the public generally to know from an examination of the record, the returns of all corporations, the stock of which is listed on any public stock exchange or is offered for sale to the general public. The returns of those corporations whose stock is not so offered for sale are directed to be open to the inspection and examination of the stockholders of the corporation whose record is held.

The President reviews the creation of the Tariff Commission, created in the hope "that the question of the rate of a duty imposed shall become more of a business question and less of a political question, to be ascertained by experts of long training and accurate knowledge." He indicates that the Board will not be able to report at this session, but he hopes to be able to present results at the opening of the new Congress. He renews his advocacy of the plan, of which he says:

It facilitates the removal of noteworthy defects in an important law without disturbance of business prosperity, which is even more important than the application of comfort of the people than the elimination of instances of injustice in the tariff.

Whether or not the protective policy is to be continued, the duty of protection to be accorded to our home industries, questions which the people must decide through their chosen representatives; but whatever policy is adopted, it is clear that the necessary legislation should be based on an impartial, thorough and continuous study of the facts.

The message favors the passage of the bill amending the Volunteer act, and provision for a commission to determine a comprehensive policy for the organization of the Regular Army, the organized militia and the volunteer forces. More competent officers of the rank of Captain are needed to lead the militia units that it may be prepared in time of emergency. Another bill, the adoption of which is urged, is the one providing for 60 more Army Engineers. "The shortage of supply of such officers," the message says, "delays important river and harbor work and important fortification work. I earnestly recommend the passage of this bill which passed the House at the last session and is now pending in the Senate."

Of fortifications, the message says: I have directed that an estimate for appropriation for the improvement of coast defenses in the United States should be reduced to a minimum, while those for the completion of the needed fortifications at Corregidor in the Philippine Islands and at Pearl Harbor, in the Hawaiian Islands, should be expedited as much as possible. The proposition to make Olongapo and Subig Bay the naval base of the Pacific was given up, and it is to be treated merely as a supply station, while the fortifications in the Philippines are to be largely confined to Corregidor Island and the adjacent islands which command entrance to Manila Bay and which are being rendered impracticable from land and sea attack.

The Pacific naval base has been transferred to Pearl Harbor, in the Hawaiian Islands. This necessitates the heavy fortification of the harbor and the establishment of an important military station near Honolulu. I urge that all the estimates made by the War Department for these purposes be approved by Congressional appropriation. Completion of the Panama Canal within the time set, January 1, 1915, and within the estimated cost, \$75,000,000, is assured. The slides reported in the Culebra cut are due to disintegration of igneous rock in exposure to the air and will require additional allowance of 10,000,000 yards of material to be removed. This offers no serious obstacle, but would have been so grave in the case of a sea level canal as to have "taxed the patience of the American people." The President reiterates his opinion that the canal should be fortified.

On the subject of tolls to be charged, he quotes the opinion of an expert that "a dollar a net ton would not drive business away from the canal, but that a higher rate would do so." He adds:

In determining what the tolls should be we certainly ought not to insist that for a good many years to come they should amount to enough to pay the interest on the investment of \$100,000,000 which the United States has made in the construction of the canal. We ought not to do this at first, because the benefits to be derived by the United States for this expenditure are not to be measured solely by a return upon the investment. If it were then the construction might well have been left to private enterprise. It was because an adequate return upon the money invested could not be expected immediately, or in the near future, and because there were peculiar political advantages to be derived from the construction of the canal, that it necessarily fell to the Government to advance the money and perform the work. In addition to the benefit to our naval

strength, the canal greatly increases the trade facilities of the United States. It will undoubtedly cheapen the rates of transportation in all freight between the eastern and western seaboard and it will greatly increase that trade by reason of the reduction in its cost. Then, if we are to have a coast of arms without a body of troops, the routes of the world's trade shall be through the Panama Canal, we must recognize that we have an active competitor in the Suez Canal. Then, too, there are the routes of the world's trade shall be through the Tehuantepec railroad and by other railroads and freight routes in Central America to the Atlantic side.

In all these cases the question whether the tolls to be used and its tonnage increased would be determined later by the charge for its use. My own impression is that the tolls ought not to exceed \$1 per net ton. On January 1, 1911, the toll on the Suez Canal was to be 7 francs and 25 centimes for one net ton by Suez Canal measurement, which is a modification of Danube measurement. A dollar a ton will secure, under the figures above, a total revenue for the Panama Canal of nearly \$7,000,000. The cost of maintenance and operation is estimated to exceed \$3,000,000. Ultimately, of course, with the normal increase in the income will be the normal increase in the interest charges upon the investment.

On the whole, I should recommend that within certain limits the President be authorized to fix the tolls of the canal and adjust them to what seems to be commercial necessity.

The maintenance of the completed canal is discussed at length. Mr. Taft would add to the equipment facilities for furnishing drydock, fuel, repairs and supply facilities to the trade of the world. This should be undertaken by the Government rather than by private enterprise, Mr. Taft believes. He adds:

I cannot close this reference to the canal without suggesting the addition to the interstate commerce law a provision prohibiting interstate commerce railroads from owning or controlling ships engaged in trade through the Panama Canal. I believe that such a provision is needed to give the people of the United States the benefits of the competition in trade between the eastern and western seaboard which this canal will be constructed to secure.

The duties of the Department of Justice have been greatly increased by legislation enacted in the interest of the general welfare of the people and extending its activities into avenues plainly within the constitutional jurisdiction, but which it has not been thought wise or necessary for the General Government heretofore to occupy." The organization has been so improved that a vast amount of business has been disposed of. Particular attention is called to prosecutions of "bucket shops," frauds which have misused the mailing privilege and violations of the anti-trust law.

Recommendation of a federal incorporation act is renewed. Congress is urged to pay promptly just claims against the Government, delays in the payment of which injure the reputation of the Government as an honest debtor. Simpler judicial procedure is advised. The message says:

One great crying need in the United States is cheapening the cost of litigation by simplifying judicial procedure and expediting final judgment. Under present conditions, the poor man is at a woeful disadvantage in legal contest with a corporation or rich opponent. The necessity for the reform exists both in the United States Courts and in all state courts. In order to bring it about, however, it naturally falls to the Government to remove its own obstacles, to furnish a model to all states. A legislative commission appointed by joint resolution of Congress to revise the procedure in the United States Courts has as yet made no report.

Under the law the Supreme Court of the United States has the power and is given the duty to frame the equity rules of procedure which are to obtain in the Federal Courts of first instance. In view of the heavy burden of legal business which that court has had to carry, with one or two of its members incapacitated through ill health, it has not been able to take up problems of improving the equity procedure, which has practical importance in its own right. Reorganization of the court in 1789. It is reasonable to expect that with all the vacancies upon the court filled, it will take up the question of cheapening and simplifying the procedure in equity rules in the courts of the United States. The equity business is much more important in the Federal Courts, and I may add, much the more expensive. I am strongly convinced that the best method of legal procedure which that court is to empower the Supreme Court to do it through the medium of the rules of the court, as in equity. This is the way in which it has been done in England and thoroughly in the United States. The procedure of procedure in the English court today make a model for the reform of other systems.

No man ought have as a matter of right a review of his case by the Supreme Court. The United States has a court of appeals, but a court of first instance and on review by a court of appeals. The proper and chief usefulness of the Supreme Court, and especially of the Supreme Court of the United States, is to be exercised before it, so to expound the law and especially the fundamental law—the Constitution—as to furnish precedents for the inferior courts in future litigation and for the United States in its relations with other nations and the performance of their legal duties. Therefore, any provisions for review of cases by the Supreme Court that cast upon that court the duty of passing on questions of legal procedure, which are questions of particular forms of instruments, like indictments, or wills, or contracts, decisions not of general application or importance, merely burden the court and render more difficult its highest function. The Supreme Court is now carrying an unnecessary burden of appeals of this kind, and I earnestly urge that it be removed.

I wish to renew my urgent recommendation that the law which shall regulate the issuing of injunctions in equity without notice in accordance with the best practice now in vogue in the courts of the United States, be amended so that the importance, first because it has been promised, and second because it will deprive those who now complain of certain alleged abuses in the improper issuing of injunctions without notice of their best ground for further amendment and will take away all semblance of support for the extremely radical legislation they propose, which will be most prejudicial to the public interest, the foundation of judicial power, and a legal and cruel social restraint, the secondary boycott.

I further recommend to Congress the passage of the bill now pending for the increase of salaries of the Federal judges. The cost of living is such, especially in the large cities, that even the salaries fixed in the proposed bill will enable the incumbents to accumulate little, if anything, to support their families after their death.

The postal savings bank system will be extended gradually. The application of business principles has resulted in the return of \$1,500,000 of the \$7,500,000 appropriated to cover the estimated deficit. The Postmaster-General's estimates for the present year are so low as to be within the expected revenue.

First, second and third-class postmasters should be placed in the classified service. The message adds: It is more logical to do this than to classify the fourth-class postmasters, who are usually small and the postmasters are necessarily small men who must combine other business with their postal duties. To classify first, second and third-class postmasters would require the passage of an act changing the method of their appointment so as to take away the necessity for the advice and consent of the Senate.

I am aware that this is inviting from the Senate a concession in respect to its quality which has heretofore been taken, but it is not perfect. The motive of the proposal with a false civic pride to induce the passing of census returns in order to increase the population of a particular city has been strong enough to lead to fraud in respect to a few cities in this country, and I have directed the Attorney-General to proceed with all the vigor possible against those who are responsible for these frauds.

They have been discovered and they will not interfere with the accuracy of the census, but it is of the highest importance that official inquiry of this sort should not be embarrassed by fraudulent conspiracies in some private or local interest.

The Commissioner of Corporations has just completed the first part of a report on the lumber industry in the United States. This part does not treat of the question of a trust or combination in the manufacture of lumber, a subject to be dealt with later. The Commissioner does find, however, a change in the ownership of the standing timber of the United States other than the Government timber, that calls for serious attention.

The direct investigation made by the Commissioner covered an area which contains 80 per cent of the privately owned timber of the country. His report shows that one-half of the timber in this area is owned by 200 individuals and corporations; and that there is a very extensive inter-ownership of stock, as well as of the timber, among those who own a majority of this timber, a relationship which might lead to a combination for the maintenance of a price that would be very detrimental to the public interest and would create the necessity of removing all tariff obstacles to the free lumber importation from other countries.

The making of matches from phosphorus should be discouraged by the imposition of a heavy federal tax, the President believes, because of the trifling diseases incident to the process, and because matches can be made of materials wholly innocuous.

The message recommends a law providing that no laborer or mechanic doing any part of the work contemplated in a contract of the United States for a contractor or any subcontractor shall be required or permitted to work more than eight hours in any one calendar day.

The President declares that immigration into this country is increasing each year. He deprecates the proposed enlargement of the buildings at Ellis Island for the purpose of permitting the examination of more immigrants a day than are now examined. "It," he says, "is understood that no more immigrants can be taken in at New York than are now taken in, and the steamship companies thus are given a reason and a motive for transferring immigrants to other ports, we can be confident that they will be better distributed throughout the country. Everything which tends to send the immigrants west and south into rural life helps the country."

The recommendation of the Secretary in which he urges that the law may be amended so as to discourage the separation of families is, I think, a good one.

The President says that the importance of the Civil Service law is increasing and recommends that power be given him to extend its operation to all local officers under the Treasury Department, the Department of Justice, the Postoffice Department, the Interior Department and the Department of Commerce and Labor. Certainty of tenure, he believes, would result in better service. A better system of promotions ought to be devised.

The message comments upon the difference between the administrative efficiency of the work of the Government and that of a private corporation. He adds:

The president of a private corporation doing so vast a business as the Government transacts would, through competent specialists maintain the closest scrutiny of the comparative efficiency and the comparative cost in each division or department of business. He would know precisely what the duties and the activities of each bureau or division are in order to prevent overlapping. No adequate machinery at present exists for supplying the President of the United States with such information respecting the business for which he is responsible.

About 40 persons were injured, several of them fatally, in a collision on an English railroad.

The National Immigration commission recommends increased restrictions and exclusion of Hindus.

An Umpqua Indian known as Indian Dan died on the Siuslaw reservation in Oregon at the age of 115 years.

A new gem recently discovered has been named "morganite" in honor of J. P. Morgan. It is a brilliant rose color.

Broker James A. Patton and others have been indicted on a charge of attempting to monopolize the cotton industry.

The War department has discovered and is manufacturing a new and very powerful explosive for use in submarine mines.

Catherine Barker, aged 14, of Chicago, has become heiress to \$30,000,000 by the death of her father, a rich car manufacturer.

The District Court of Appeals at Washington has decided that a person with one-sixteenth negro blood is a negro under the law.

Government officials seized 5,000 pounds of "canned" eggs in Chicago and declared them unfit for use. A test showed 34,000,000 bacteria in a single teaspoonful.

Sportsmen about Spokane are to engage in a hunting contest for the extermination of animals that prey upon others, such as cougars, wildcats, lynx, mink, coyotes and hawks.

An auto containing five persons plunged over a 200-foot cliff near Santa Barbara, Cal. Three of the party escaped by jumping but the other two were badly injured.

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