

# TAFT'S MESSAGE UP TO CONGRESS

President Breaks Record For Length of Document.

## DEFENDS PAYNE TARIFF ACT.

Deals With Panama Canal, Postal Savings Bank, Parcel Post and Conservation—Asks For Raise of Judicial Salaries—Recommendation For Fitting Honor For Peary.

Washington, Dec. 6.—The president sent the following message to congress today:

To the Senate and House of Representatives:

During the past year the foreign relations of the United States have continued upon a basis of friendship and good understanding.

The year has been notable as witnessing the peaceful settlement of two important international controversies before the permanent court of The Hague.

### Peace Commission.

Appreciating these enlightened tendencies of modern times, the congress at its last session passed a law providing for the appointment of a commission of five members to be appointed by the president of the United States to consider the expediency of utilizing existing international agencies for the purpose of limiting the armaments of the nations of the world by international agreement and of constituting the combined navies of the world an international force for the preservation of universal peace and to consider and report upon any other means to diminish the expenditures of government for military purposes and to lessen the probabilities of war.

The work of the international fisheries commission appointed in 1908, under the treaty of April 11, 1908, between Great Britain and the United States, has resulted in the formulation and recommendation of uniform regulations governing the fisheries of the boundary waters of Canada and the United States for the purpose of protecting and increasing the supply of food fish in such waters.

### The Far East.

The center of interest in far eastern affairs during the past year has again been China.

It is gratifying to note that the negotiations for a loan to the Chinese government for the construction of the trunk railway lines from Hankow southward to Canton and westward through the Yangtze valley, known as the Hukang loan, were concluded by the representatives of the various financial groups in May last and the results approved by their respective governments.

### Tariff Negotiations.

The new tariff law in section 2 respecting the maximum and minimum tariffs of the United States, which provisions came into effect on April 1, 1910, imposed upon the president the responsibility of determining prior to that date whether or not any undue discrimination existed against the United States and its products in any country of the world with which we sustained commercial relations.

The policy of broader and closer trade relations with the Dominion of Canada which was initiated in the adjustment of the maximum and minimum provisions of the tariff act of August, 1909, has proved mutually beneficial. It justifies further 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 Department of State.

All tariff negotiations, so vital to our commerce and industry, and the duty of jealously guarding the equitable and just treatment of our products, capital and industry abroad devolve upon 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.

An instrumentally indispensable to the unhampered and natural development of American commerce is merchant marine. All maritime and commercial nations recognize the importance of this factor. The greatest commercial nations, our competitors, jealously foster their merchant marine.

I alluded to this most important subject in my last annual message. It has often been before you, and I need not recapitulate the reasons for its recommendation. Unless prompt action be taken the completion of the Panama canal will find this the only great commercial nation unable to avail in international maritime business of this great contribution to the means of the world's commercial intercourse.

For many reasons 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.

### Estimates For Next Year's Expenses.

The final estimates for the year ending June 30, 1912, as they have been sent to the treasury on Nov. 29 of this year for the ordinary expenses of the government, including those for public buildings, rivers and harbors and the navy building program, amount to \$639,194,013.12. This is \$52,964,887.36 less than the appropriations for the fiscal year ending June 30, 1911. It is \$10,888,153.44 less than the total estimates, including supplemental estimates submitted to congress by the treasury for the year 1911, and is \$5,574,059.59 less than the original estimates submitted by the treasury for 1911.

These figures do not include the appropriations for the Panama canal, the policy in respect to which ought to be and is to spend as much each year as can be economically and effectively expended in order to complete the canal as promptly as possible, and therefore the ordinary motive for cutting down the expense of the government does not apply to appropriations for this purpose. It will be noted that the estimates for the Panama canal for the ensuing year are more than \$56,000,000, an increase of \$20,000,000 over the amount appropriated for this year, a difference due to the fact that the estimates for 1912 include something over \$19,000,000 for the fortification of the canal.

Against the estimates of expenditures, \$639,194,013.12, we have estimated receipts for next year \$880,000,000, making a probable surplus of ordinary receipts over ordinary expenditures of about \$50,000,000, or, taking into account the estimates for the Panama canal, which are \$56,920,847.69 and which will ultimately be paid in bonds, it will leave a deficit for the next year of about \$7,000,000 if congress shall conclude to fortify the canal. The cost of the fortifications is about \$19,000,000. Should there be no appropriations this year for fortifications then there would be, even including the Panama canal appropriation, a surplus of about \$12,000,000.

It is not essential to the preventing of smuggling that customs districts should be increased in number. The violation of the customs laws can be quite as easily prevented and much more economically by the revenue cutter service and by the use of the special agent traveling force of the treasury department.

Very great improvements have been made in respect to the mints and assay offices. Diminished appropriations have been asked for those whose continuance is unnecessary, and this year's estimate of expenses is \$326,000 less than two years ago.

In the bureau of engraving and printing great economies have been effected. Useless divisions have been abolished, with the result of saving \$440,000 this year in the total expenses of the bureau despite increased business.

### Revenues.

As the treasury department is the one through which the income of the government is collected and its expenditures are disbursed this seems a proper place to consider the operation of the existing tariff bill, which became a law Aug. 6, 1909. As an income producing measure the existing tariff bill has never been exceeded by any customs bill in the history of the country.

The corporation excise 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. In the original act provision was made for the publication of returns. This provision was subsequently amended by congress and the matter left to the regulation of the president. I have directed the issue of the needed regulations 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 by advertisement or otherwise. The returns of those corporations whose stock is not so listed or offered for sale are directed to be open to the inspection and examination of creditors and stockholders of the corporation whose record is sought. The returns of all corporations are subject to the inspection of any government officer or to the examination of any court, in which the return made by the corporation is relevant and competent evidence.

### The Payne Tariff Act.

The schedules of the rates of duty in the Payne tariff act have been subjected to a great deal of criticism, some of it just, more of it unfounded, and to much misrepresentation. The act was adopted in pursuance of a declaration by the party which is responsible for it that a customs bill should be a tariff for the protection of home industries, the measure of the protection to be the difference between the cost of producing the imported article abroad and the cost of producing it at home, together with such addition to that difference as might give a reasonable profit to the home producer.

### The Basis for the Criticism of this

tariff is that in respect to a number of the schedules the declared measure was not followed, but a higher difference retained or inserted by way of undue discrimination in favor of certain industries and manufactures.

Little, if any, of the criticism of the tariff has been directed against the protective principle above stated, but the main body of the criticism has been based on the charge that the attempt to conform to the measure of protection was not honestly and sincerely adhered to.

### Tariff Board.

The time in which the tariff was prepared undoubtedly was so short as to make it impossible for the congress and its experts to acquire the information necessary strictly to conform to the declared measure. In order to avoid criticism of this kind in the future and for the purpose of more nearly conforming to the party promise congress at its last session made provision at my request for the continuance of a board created under the authority of the maximum and minimum clause of the tariff bill and authorized this board to expend the money appropriated under my direction for the ascertainment of the cost of production at home and abroad of the various articles included in the schedules of the tariff. The tariff board thus appointed and authorized has been diligent in preparing itself for the necessary investigations. The hope of those who have advocated the use of this board for tariff purposes is 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. The halt in business and the shock to business due to the announcement that a new tariff bill is to be prepared and put in operation will be avoided by treating the schedules one by one as occasion shall arise for a change in the rates of each and only after a report upon the schedule by the tariff board competent to make such report.

It is not likely that the board will be able to make a report during the present session of congress on any of the schedules, because a proper examination involves an enormous amount of detail and a great deal of care, but I hope to be able at the opening of the new congress, or at least during the session of that congress, to bring to its attention the facts in regard to those schedules in the present tariff that may prove to need amendment.

The carrying out of this plan, of course, involves the full co-operation of congress in limiting the consideration in tariff matters to one schedule at a time, because if a proposed amendment to a tariff bill is to involve a complete consideration of all the schedules and another revision then we shall only repeat the evil from which the business of this country has in times past suffered most grievously by stagnation and uncertainty, pending a resettlement of a law affecting all business directly or indirectly, and the effect of which no wise business man would ignore in new projects and new investments.

The inquiries which the members of the tariff board made during the last summer into the methods pursued by other governments with reference to the fixing of tariffs and the determination of their effect upon trade show that each government maintains an office or bureau, the officers and employees of which have made their life work the study of tariff matters, of foreign and home prices and cost of articles imported and the effect of the tariff upon trade, so that whenever a change is thought to be necessary in the tariff law this office is the source of the most reliable information as to the propriety of the change and its effect.

I am strongly convinced that we need in this government just such an office and that it can be secured by making the tariff board already appointed a permanent tariff commission, with such duties, powers and emoluments as it may seem wise to congress to give. It has been proposed to enlarge the board from three to five. The present number is convenient, but I do not know that an increase of two members would be objectionable.

I recommend that congress establish a commission to determine as early as practicable a comprehensive policy for the organization, mobilization and administration of the regular army, the organized militia and the volunteer forces in the event of war.

### Need For Additional Officers.

One of the great difficulties in the prompt organization and mobilization of militia and volunteer forces is the absence of competent officers of the rank of captain to teach the new army, by the unit of the company, the business of being soldiers and of taking care of themselves so as to render effective service. This need of army officers can only be supplied by provisions of law authorizing the appointment of a greater number of army officers than are needed to supply the commands of regular army troops now enlisted in the service.

In order that the militia of each state should be properly drilled and made more like the regular army, regular army officers should be detailed to assist the adjutant general of each state in the supervision of the state militia. But this is impossible unless provision is made by congress for a very considerable increase in the number of company and field officers of the army.

### Fortifications.

I have directed that the estimates 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.

### Philippine Islands.

During the last summer at my request the secretary of war visited the Philippine Islands and has described his trip in his report. He found the islands in a state of tranquility and growing prosperity, due largely to the change in the tariff laws which has opened the markets of America to the products of the Philippines and has opened the Philippine markets to American manufactures.

### Panama Canal.

At the instance of Colonel Goethals, the army engineer officer in charge of the work on the Panama canal, I have just made a visit to the isthmus to inspect the work done and to consult with him on the ground as to certain problems which are likely to arise in the near future. The progress of the work is most satisfactory. If no unexpected obstacle presents itself the canal will be completed well within the time fixed by Colonel Goethals—to wit, Jan. 1, 1915—and within the estimate of cost, \$375,000,000.

Among questions arising for present solution is the decision whether the canal shall be fortified. I have already stated to the congress that I strongly favor fortification, and I now reiterate this opinion and ask your consideration of the subject in the light of the report already before you made by a competent board.

If in our discretion we believe modern fortifications to be necessary to the adequate protection and policing of the canal, then it is our duty to construct them. We have built the canal. It is our property. By convention we have indicated our desire for and indeed undertaken its universal and equal use. It is also well known that one of the chief objects in the construction of the canal has been to increase the military effectiveness of our navy.

Failure to fortify the canal would leave the attainment of both these aims in the position of rights and obligations which we should be powerless to enforce and which could never in any other way be absolutely safeguarded against a desperate and irresponsible enemy.

In determining what the tolls in the canal 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 \$400,000,000 which the United States has made in the construction of the canal. We ought not to do this, first, because the benefits to be derived by the United States from this expenditure are not to be measured solely by a return upon the investment.

My own impression is that the tolls ought not to exceed \$1 per net ton. On Jan. 1, 1911, the tolls in the Suez canal are 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 gross annual income from the Panama canal of nearly \$7,000,000. The cost of maintenance and operation is estimated to exceed \$5,000,000.

The next question that arises is as to the maintenance, management and general control of the canal after its completion. It should be premised that it is an essential part of our navy establishment to have the coal, oil and other ship supplies, a drydock and repair shops conveniently located with reference to naval vessels passing through the canal. Now, if the government for naval purposes is to undertake to furnish these conveniences to the navy, and they are conveniences equally required by commercial vessels, there would seem to be strong reasons why the government should take over and include in its management the furnishing not only to the navy, but to the public, drydock and repair shop facilities and the sale of coal, oil and other ship supplies.

The maintenance of a lock canal of this enormous size in a sparsely populated country and in the tropics, where the danger from disease is always present, requires a large and complete and well trained organization with full police powers, exercising the utmost care.

I cannot close this reference to the canal without suggesting as a wise amendment to the interstate commerce law a provision prohibiting interstate commerce railroads from owning or controlling ships engaged in the trade through the Panama canal. I believe such a provision may be needed to save to the people of the United States the benefits of the competition in trade between the eastern and western seaboard which this canal was constructed to secure.

### Department of Justice.

I am glad to say that under the appropriations made for the department of justice the attorney general has so improved its organization that a vast amount of litigation of a civil and criminal character has been disposed of during the current year. This will explain the necessity for slightly increasing the estimates for the expenses of the department. His report shows the recoveries made on behalf of the government, of duties fraudulently withheld, public lands improperly patented, fines and penalties for trespass, prosecutions and convictions under the anti-trust law and prosecutions under interstate commerce law.

I invite especial attention to the prosecutions under the federal law of the so called "bucket shops" and of those schemes to defraud in which the use of the mail is an essential part of the fraudulent conspiracy, prosecutions which have saved ignorant and weak members of the public and are saving them millions of dollars.

The violations of the anti-trust law present perhaps the most important litigation before the department, and the number of cases filed shows the

activity of the government in enforcing that statute.

### Judicial Procedure.

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 a legal contest with a corporation or a rich opponent. The necessity for the reform exists both in United States courts and in all state courts. In order to bring it about, however, it naturally falls to the general government by its example 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.

I am strongly convinced that the best method of improving judicial procedure at law 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.

### Relief of Supreme Court From Unnecessary Appeals.

No man ought to have as a matter of right a review of his case by the supreme court. He should be satisfied by one hearing before a court of first instance and one review by a court of appeals. The proper and chief usefulness of the supreme court, and especially the supreme court of the United States, is in the cases which come 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 executive officers in the construction of statutes 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 evidence and the construction of particular forms of instruments, like indictments or wills or contracts, decisions not of general application or importance, merely clog and burden the court and render more difficult its higher function, which makes it so important a part of the framework of our government. The supreme court is now carrying an unnecessary burden of appeals of this kind, and I earnestly urge that it be removed.

### Judicial Salaries.

I further recommend to congress the passage of the bill now pending for the increase in the salaries of the federal judges, by which the chief justice of the supreme court shall receive \$17,500 and the associate justices \$17,000, the circuit judges constituting the circuit court of appeals shall receive \$10,000 and the district judges \$9,000. The positions they occupy ought to be filled by men who have shown the greatest ability in their professional work at the bar, and it is the poorest economy possible for the government to pay salaries so low for judicial service as not to be able to command the best talent of the legal profession in every part of the country.

### Wiping Out of Postal Deficit.

For many years there has been a deficit in the operations of the post office department which has been met by appropriation from the treasury. The appropriation estimated for last year from the treasury over and above the receipts of the department was \$17,500,000. I am glad to record the fact that of that \$17,500,000 estimated for \$11,500,000 were saved and returned to the treasury. It is gratifying to report that the reduction in the deficit has been accomplished without any curtailment of postal facilities.

Upon the recommendation of the postmaster general I have included in the classified service all assistant postmasters, and I believe that this giving a secure tenure to those who are the most important subordinates of postmasters will add much to the efficiency of their offices and an economical administration.

### The Franking Privilege.

The unrestricted manner in which the franking privilege is now being used by the several federal services and by congress has laid it open to serious abuses.

### Parcels Post.

With respect to the parcels post, I respectfully recommend its adoption on all rural delivery routes and that eleven pounds, the international limit, be made the limit of carriage in such post. The postoffice department has a great plant and a great organization, reaching into the most remote hamlet of the United States, and with this machinery it is able to do a great many things economically that if a new organization were necessary it would be impossible to do without extravagant expenditure. That is the reason why the postal savings bank can be carried on at a small additional cost and why it is possible to incorporate at a very inconsiderable expense a parcels post in the rural delivery system.

### Peary.

I unite with the secretary in the recommendation that an appropriation be made to construct a suitable crypt at Annapolis for the custody of the remains of John Paul Jones.

The unparalleled achievement of Peary in reaching the north pole, April 6, 1909, approved by critical examination of the most expert scientists, has added to the distinction of our navy, to which he belongs, and reflects credit upon his country. His unique success has received generous acknowledgment from scientific bodies and institutions of learning in Europe and America. I recommend fitting recognition by congress of the great achievement of Robert Edwin Peary.

### For Eight Hour Day.

It seems to me from the past history that the government has been committed to a policy of encouraging the

limitation of the day's work to eight hours in all works of construction initiated by itself, and it seems to me illogical to maintain a difference between government work done on government soil and government work done in a private establishment.

### Workmen's Compensation.

In view of the keen, widespread interest now felt in the United States in a system of compensation for industrial accidents to supplant our present thoroughly unsatisfactory system of employers' liability (a subject the importance of which congress has already recognized by the appointment of a commission), I recommend that the international congress on industrial insurance be invited to hold its meeting in 1913 in Washington and that an appropriation of \$10,000 be made to cover the necessary expenses of organizing and carrying on the meeting.

### Safety Appliances and Provisions.

The protection of railroad employees from personal injury is a subject of the highest importance and demands continuing attention.

### Negro Exposition.

I also renew my recommendation that steps be taken looking to the holding of a negro exposition in celebration of the fiftieth anniversary of the issuing by Mr. Lincoln of the emancipation proclamation.

### Conservation.

Nothing can be more important in the matter of conservation than the treatment of our forest lands. Speaking generally, the government has reserved of the existing forests about 70 per cent of all the timberlands of the government. Within these forests (including 26,000,000 acres in two forests in Alaska) are 192,000,000 acres, of which 160,000,000 acres are in the United States proper and include within their boundaries something like 22,000,000 acres that belong to the states or to private individuals. We have, then, excluding Alaska forests, a total of about 144,000,000 acres of forests belonging to the government which are being treated in accord with the principles of scientific forestry.

The law now prohibits the reservation of any more forest lands in Oregon, Washington, Idaho, Montana, Colorado and Wyoming except by act of congress. I am informed by the department of agriculture that the government owns other tracts of timberland in these states which should be included in the forest reserves. I recommend to congress that the limitation herein imposed be repealed. In the present forest reserves there are lands which are not properly forest land and which ought to be subject to homestead entry.

### Coal Lands.

The next subject, and one most important for your consideration, is the disposition of the coal lands in the United States and in Alaska. At the beginning of this administration there were classified coal lands in the United States amounting to 5,476,000 acres, and there were withdrawn from entry for purposes of classification 17,867,000 acres. Since that time there have been withdrawn by my order from entry for classification 78,977,745 acres, making a total withdrawal of 96,844,745 acres. Meantime of the acres thus withdrawn 10,661,889 have been classified and found not to contain coal and have been restored to agricultural entry and 4,726,691 acres have been classified as coal lands, while 79,969,239 acres remain withdrawn from entry and await classification. In addition 237,000 acres have been classified as coal lands without prior withdrawal, thus increasing the classified coal lands to 10,429,372 acres.

The question as to how great an area ought to be included in a lease to one individual or corporation is not free from difficulty, but in view of the fact that the government retains control as owner I think there might be some liberality in the amount leased, and that 2,500 acres would not be too great a maximum. The leases should only be granted after advertisement and public competition.

The secretary of the interior thinks there are difficulties in the way of leasing public coal lands. I entirely approved his stating at length in his report the objections in order that the whole subject may be presented to congress, but after a full consideration I favor a leasing system and recommend it.

The needed oil and gas law is essentially a leasing law. In their natural occurrence oil and gas cannot be measured in terms of acres, like coal, and it follows that exclusive title to these products can normally be secured only after they reach the surface. Oil should be disposed of as a commodity in terms of barrels of transportable product rather than in acres of real estate.

### Water Power Rates.

The water power sites subject to one that calls for new legislation. It has been thought that there was danger of combination to obtain possession of all the power sites and to unite them under one control. Whatever the evidence of this or lack of it, at present we have had enough experience to know that combination would be profitable, and the control of a great number of power sites would enable the holders or owners to raise the price of power at will within certain sections, and the temptation would promptly attract investors, and the danger of monopoly and extortion would not be a remote one.

However this may be, it is the plain duty of the government to see to it that in the utilization and development of all this immense amount of water power conditions shall be imposed that will prevent extortionate charges, which are the usual accompaniment of monopoly.