

PRESIDENT'S MESSAGE.

CUBAN QUESTION FORCIBLY DEALT WITH.

SPAIN IS THREATENED.

The United States Ready to Interfere in Its Own Way Unless a Speedy Cessation of Hostilities is Brought About—The Question Exhaustively Discussed in All Its Deplorable Features.

The Situation in Turkey Little Changed, But Reform Is Looked for—The Venezuelan Incident Practically Closed—Tariff and Financial Views Retorted—Offensive Partisanship.

The Congress of the United States: As representative of the people in the legislative branch of their government you have assembled at a time when the strength and excellence of the institutions and the fitness of our citizens to enjoy popular rule have been again made manifest. A political contest involving momentous consequences, fraught with feverish apprehension and creating aggressive passions, has been waged throughout our land and determined by the decree of free and independent suffrage, without disturbance of our tranquility or the least sign of weakness in our national structure.

When we consider these incidents and contemplate the peaceful obedience and many submission which have succeeded a heated clash of political opinions we discover abundant determination on the part of our countrymen to abide by every verdict of the popular will and to be controlled at all times by an abiding faith in the agencies established for the direction of the affairs of their government. Thus we permit to exhibit a patriotic disposition which entitles them to demand of those who undertake to make and execute their laws such faithful and unselfish service in their behalf as can only be prompted by a serious appreciation of the trust and confidence which the acceptance of public duty involves.

In obedience to a constitutional requirement, I herein submit to the Congress certain information concerning international affairs, with the suggestion of such legislation as in my judgment is necessary and expedient. To secure brevity and avoid tiresome narration, I shall omit many details concerning matters within federal control, which, though by no means unimportant, are more profitably discussed in departmental reports. I shall also further curtail this communication by omitting a minute recital of many minor incidents connected with our foreign relations which have heretofore found a place in executive messages, but are now contained in a report of the Secretary of State, which is herewith submitted.

TURKEY. At the outset of a reference to the more important matters affecting our relations with foreign powers, it would afford me satisfaction if I could assure the Congress that the disturbed condition in Asiatic Turkey had during the past year assumed a less hideous and bloody aspect, and that either as a consequence of the awakening of humane civilization or as the result of a desire to avoid the part of the great nations having the right by treaty to interfere for the protection of those exposed to the rage of mere bigotry and cruel fanaticism, the shocking features of the situation had been in some measure lessened.

Instead, however, of welcoming a softened disposition or protective intervention, we have been afflicted by continued and not unimportant reports of the wanton destruction of homes and the blood of innocent people and children, made martyrs to their profession of Christian faith. While none of our citizens in Turkey have thus far been killed or wounded, though often in the midst of dreadful scenes of danger, the safety of the future is by no means assured. Our government at home and our minister at Constantinople have left nothing undone to protect our missionaries in Ottoman territory, who constitute nearly the only Americans residing there, and have at the same time claimed our protection on the score of American citizenship.

Our efforts in this direction will not be relaxed, but the deep feeling and sympathy which have been aroused among our people ought not to so far blind their reason and judgment as to lead them to demand impossible things. The outbreaks of blind fury which led to murder and pillage in Turkey occur suddenly and without warning, and attempt on our part to force such a hostile presence there as might be effective for prevention or protection would not only be resisted by the Ottoman government, but would be regarded as an interference with the plans of the great nations who assert their exclusive right to intervene in their own time and method for the security of life and property in Turkey.

Several naval vessels stationed in the Mediterranean as a measure of caution and to furnish all possible relief and refuge in case of emergency. We have claims against the Turkish government for the pillage and destruction of missionary property at Harpoot and Marash during uprisings at these places. Thus far the validity of these demands has not been admitted through our minister. Prior to such outrages and in anticipation of danger we demanded protection for the persons and property of our missionary citizens in the localities mentioned, and notwithstanding that evidence exists of actual complicity of Turkish soldiers in the work of destruction and robbery. The facts as they now appear do not permit us to attribute the justice of these claims, and nothing will be omitted to bring about their prompt settlement. A number of Armenian refugees having arrived at our ports, an order has been issued for their reception, and the government permitting the wives and children of such refugees to join them here. It is hoped that hereafter no obstacle will be interposed to prevent the escape of all those who seek to avoid the perils which threaten them in Turkish dominions.

Our recently appointed consul Erzerum is at his post and discharging the duties of his office, though for some unaccountable reason his formal exequatur from the Sultan has not been issued. I do not believe that the present somber prospect in Turkey will be long permitted to offend the sight of Christendom. It so mars the human and enlightened civilization that belongs to the close of the nineteenth century that it seems hardly possible that the earnest demand of good people throughout the Christian world for its corrective treatment will remain unanswered.

CUBA. The insurrection in Cuba still continues, with all its perplexities. It is difficult to perceive that any progress has thus far been made toward the pacification of the island or that the situation of affairs as depicted in my last annual message has in the least improved. It Spain still holds Havana and the

seaports and all considerable towns, the insurgents still roam at will over at least two-thirds of the island country. If the determination of Spain to pursue her policy of force seems to strengthen with the lapse of time, and is evidenced by her unhesitating devotion of largely increased military and naval forces to the task, there is much reason to believe that the insurrection has gained in point of numbers and character and resources, and are none the less inflexible in their resolve not to succumb without practically securing the great projects for which they took up arms. If Spain has yet re-established her authority, neither have the insurgents yet made good their title to be regarded as an independent state. Indeed, as the contest has gone on, the pretense that civil government exists on the island except so far as Spain is able to maintain it, has been practically abandoned.

Spain does keep on foot such a government, more or less imperfect, in the large towns and their immediate suburbs. But, outside of these, the entire country is subject to the given over to anarchy or is subject to the military occupation of one or the other party. It is reported, indeed, on reliable authority that, at the demand of the commander-in-chief of the insurgent army, the Cuban government has now given up all attempt to exercise its functions, leaving that government confessedly (what there is the best reason for supposing it always to have been in fact) a government merely on paper.

Were the Spanish armies able to meet their antagonists in the open, or in pitched battle, prompt and decisive results might be looked for, and the immense superiority of the Spanish forces in numbers, discipline and equipment would hardly fail to tell greatly to their advantage. But they are called upon to face a foe that shuns general engagements, that can choose and does choose its own ground, that from the nature of the country is able to hold its own with pleasure, and that fights only from ambush and when all the advantages of position and numbers are on its side. In a country where all that is indispensable to life in the way of food clothing and shelter is so easily obtainable, especially by those born and bred on the soil, it is obvious that there is hardly a limit to the time during which hostilities of this sort may be prolonged. As a result, as in all cases of prolonged strife, the passions of the combatants grow more and more inflamed and excesses on both sides are more frequent and more deplorable.

They also are participated in by bands of marauding adventurers, who, now in one party and now in the name of the other, as may best suit the occasion, harass the country at will and plunder its wretched inhabitants for their own advantage. Such a state of affairs would inevitably entail immense destruction of property even if it were the policy of both parties to prevent it as far as practicable. But while such seemed to be the original policy of the Spaniards, it has now apparently been abandoned, and is acting upon the same theory as the insurgents, namely that the exigencies of the contest require the wholesale annihilation of property, that it may protect the government and the people. It is to the same end that in pursuance of general orders, Spanish garrisons are now being withdrawn from plantations and the rural population required to concentrate in fortified towns.

The sure result would seem to be that the industrial value of the island is fast diminishing and that unless there is a speedy and radical change in existing conditions, it will soon disappear altogether. That value cannot be restored by the mere cessation of hostilities, and the capacity already much reduced by interruptions to tillage which have taken place during the last two years. It is reliably asserted that should these interruptions continue during the current year, and practically extend, as is now threatened, to the entire sugar producing territory of the island, so much time and so much money will be required to restore the island to its former condition, that it is extremely doubtful if capital can be induced to even make the attempt.

The spectacle of the utter ruin of an adjoining country by nature, one of the most fertile and productive in the world, and the engagement of the serious attention of the government and people of the United States under any circumstances. In point of fact, they have a concern with it which is by no means of a wholly sentimental or philanthropic character. It lies so near to us that it is hardly separated from our country. Our actual pecuniary interest in it is second only to that of the people and government of Spain. It is reasonably estimated that in the last year, from 1895 to 1896, \$30,000,000 of capital is invested in plantations, in railroad, mining and other business enterprises on the island. The volume of trade between the United States and Cuba, which in 1893 amounted to \$100,000,000, and in 1894, the year before present insurrection broke out, amounted to nearly \$90,000,000. Besides this large pecuniary interest staked in the island, the United States has an interest inextricably involved in the present contest in other ways both vexatious and costly.

Many Cubans reside in this country, and indirectly promote the insurrection through the press by public meetings, by the purchase and shipment of arms, by the raising of funds, and by other means which the spirit of our institutions and the tenor of our laws do not permit to be made the subject of investigation and prosecution. Some of these Cubans at heart and in all their feelings and interests, have taken out papers as naturalized citizens of the United States, a proceeding resorted to with a view to possess the franchise by this government, and not unnaturally regarded with much indignation by the country of their origin. The insurgents are undoubtedly encouraged and supported by the widespread sympathy of large portions of this country, and indirectly felt for every struggle for better and freer government, and which in the case of the more adventurous and restless elements of our population, leads in only too many instances to personal and personal participation in the contest.

The result is that this government is constantly called upon to protect American citizens, to claim damages for injuries to persons and property, to demand explanations and apologies for the acts of Spanish officials whose zeal for the repression of rebellion sentiments blinds them to the immunities belonging to the unoffending citizens of this country.

It follows from the same causes that the United States is compelled to actively police a long line of sea coast against unlawful expeditions, the escape of which the utmost vigilance will not certainly suffice to prevent. These inevitable entanglements of the United States with the rebellion in Cuba, the large American property interests affected and considerations of philanthropy and humanity in general, have led to a vehement demand in various quarters for some sort of positive intervention on the part of the United States. It was at first proposed that belligerent rights should be accorded to the insurgents, a proposition no longer urged, because utterly impracticable operation clearly perilous and injurious to our own interests. It has since been and is now sometimes contended that the independence of the insurgents should be recognized, and that the Spanish government of the island may be, no other exists there, unless the will of the military officer in temporary command of a particular district can be dignified as a species of government. It is now also suggested that the United States should buy the island, a suggestion possibly worthy of consideration if there were any evidence of a desire or willingness on the part of Spain to relinquish her claims. It is urged, finally, that all other methods failing, the existing intercession in Cuba should be terminated by our intervention, even at the cost of a war between the United States and Spain, which is not certain to result in a prophecy could be neither large in its proportions nor doubtful in its issue. The correctness of this forecast need be neither affirmed nor denied. The United States has no right to interfere in the internal affairs of a nation, which plainly dictates that right and might should be the rule of its conduct.

Further, though the United States is not a nation to which peace is a necessity, it is, in truth, the most pacific of powers and desires nothing so much as to live at amity with all the world. Its own ample and diversified domains satisfy all its longings for peace and security, and it has no desire to prevent the casting of any covetous eyes upon neighboring regions, however attractive. That our conduct towards Spain and her dominions has constituted no exception to this policy, and that we have been guided by the course of our government, not only thus far during the present insurrection, but during the ten years that followed the rising at Yara in 1894. No other great power, it may safely be said, under circumstances of similar perplexity, would have manifested the same restraint and the same patient endurance.

It may also be said that this persistent attitude of the United States towards Spain in connection with Cuba will unquestionably evince no slight respect and regard for Spain on the part of the American people. They in truth do not forget her connection with the discovery of the Western Hemisphere, nor do they underestimate the great qualities of the Spanish people, nor fail to fully recognize their splendid patriotism and their chivalrous devotion to the national flag. The cheerful resolution with which vast bodies of men are sent across thousands of miles of ocean and an enormous debt accumulated, that the costly position of the gem of the West Indies should be held in the name of the Spanish crown. And yet neither the government nor the people of the United States have shut their eyes to the course of events in Cuba or have failed to realize the existing conditions, and the necessity of doing so to the present revolt from the authority of Spain, grievances recognized by the Queen Regent and by the Cortes, voiced by the most patriotic and enlightened of Spanish statesmen, without prejudice or partiality, and approved by the legislative branch of the Spanish government.

It is in the assumed temper and disposition of the Spanish government, not to be reconciled to the loss of the island, that this government has hoped to discover the most promising and effective means of composing the present strife, with honor and advantage to Spain, and with the achievement of all the reasonable objects of the insurrection. It would seem that if Spain would offer to Cuba genuine independence, a complete autonomy, and would satisfy all rational requirements of her Spanish subjects, there should be no just reason why the pacification of the island might not be accomplished. It would at once stop the conflict, which is now consuming the resources of the island and making it worthless for whatever purpose it might be desired. It would, in fact, place the possessions of Spain without touching her honor, which will be consulted rather than impugned by the adequate redress of admitted grievances. It would put the people of the island in a position to elect their own representatives within their own control, without severing the natural and ancient ties which bind them to the mother country, and would yet enable them to test their capacity for self government under the most favorable conditions.

It has been objected on the one side that Spain should not promise autonomy until her insurgent subjects lay down their arms. On the other side, that promised autonomy, however liberal, is insufficient, because without assurance of the promise being fulfilled. But the reasonableness of a requirement by Spain, of unconditional surrender on the part of the insurgent Cubans before their autonomy is conceded is not altogether apparent. It is a requirement of the kind which the situation—the stability two years' duration has given to the insurrection; the feasibility of its prolongation in the nature of things, and as shown by past experience the utter impossibility of its termination, make the present strife is speedily composed; above all, the rank abuses which all parties in Spain, all branches of her government and all her leading public men concede to exist and profess to reform. Facing such circumstances, to withhold the proffered reforms until the parties demanding them put themselves at mercy by throwing down their arms, has the appearance of neglecting the greatest of perils and inviting the most serious of dangers. It is a professed willingness to grant reforms. The objection on behalf of the insurgents—that promised reform cannot be relied upon—must of course be considered, though we have no right to assume that the government of Spain, that anything Spain undertakes to do for the relief of Cuba will not be done according to both the spirit and the letter of the undertaking.

It is, however, realizing that suspicious and precautions on the part of the weaker of two combatants are always natural and not always unjustifiable, being sincerely desirous in the interest of both as well as on the score of humanity, that the Cuban problem should be solved with the least possible delay, it was intimated by this government to the government of Spain some months ago that if a satisfactory measure of home rule were tendered to the Cuban insurgents, and would be accepted by them upon a guaranty of their execution, the United States would endeavor to find a way not objectionable to Spain of furnishing such guaranty. While the Cuban government is not permitted to be received from the Spanish government, it is believed to be not altogether unwelcome, while, as already suggested, no reason is perceived why it should not be approved by this government, and that it is not unreasonably to bring about the insurrectionary cooperation of the island. It is, therefore, fervently hoped on all grounds that earnest efforts for heading the breach between Spain and the insurgent Cubans, upon the lines above indicated, will be made by the government, and pushed to an immediate successful issue. The friendly offices of the United States, either in the manner above outlined or in any other way consistent with our constitutional and legal principles, will be at the disposal of either party.

Whatever circumstances may arise, our policy and our interests would constrain us to object to the acquisition of the island or to the intervention of a third party. It should be added that it cannot be reasonably assumed that the hitherto expectant attitude of the United States will be indefinitely maintained.

While we are anxious to accord all due respect to the sovereignty of Spain, we cannot view the pending conflict in all its features and properly apprehend our inevitable relations to it and its possible results without considering that such an unusual and unprecedented condition as will fix a limit to our patient waiting for Spain to end the conflict, either alone and in her own way, or with our friendly cooperation.

When we are called upon to deal successfully with the insurrection has become manifest, and it is demonstrated that her sovereignty is extinct in Cuba for all purposes of its rightful existence, and when a state of anarchy has been established, we should make them depend upon the precise conditions then existing, and they should not be determined upon without giving careful heed to every consideration involving honor and interest. It is now suggested that we should draw into such an unusual and unprecedented condition as will fix a limit to our patient waiting for Spain to end the conflict, either alone and in her own way, or with our friendly cooperation.

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arise should plainly lead us to avoid their creation, either through a careless disregard of present duty or even an undue stimulation of our passions. It is a duty which we have deemed not amiss to remind the Congress that a time may arrive when a correct policy and a care for our interests as well as a regard for the interests of other nations and their citizens, joined by consideration and a desire to see the rich and fertile country intimately related to us, spared from complete devastation, will constrain our government to such action as will subserve the interests thus involved and at the same time promise to Cuba and its inhabitants an opportunity to enjoy the blessings of peace.

VENEZUELA. The Venezuelan boundary question has ceased to be a matter of difference between Great Britain and the United States, their respective governments having agreed upon the substantial provisions of a treaty between Great Britain and Venezuela submitting the whole controversy to arbitration. The provisions of the treaty are so eminently just and fair that the consent of Venezuela thereto may confidently be anticipated.

Negotiations for a treaty of general arbitration for all differences between Great Britain and the United States are far advanced, and it is expected that a successful consummation at an early date.

TREASURY DEPARTMENT. The secretary of the treasury reports that during the fiscal year ended June 30, 1896, the receipts of the government from all sources amounted to \$409,475,408.78. During the same period its expenditures were \$434,678,654.48. The excess of expenditures over receipts thus amounted to \$25,203,245.70. The ordinary expenditures during the year were \$4,015,852.21 less than during the preceding fiscal year. Of the receipts of the government, \$150,921,751.67, and from internal revenue \$146,830,615.66. The receipts from customs show an increase of \$7,863,134.22 over those from the same source for the fiscal year ended June 30, 1895, and an increase of \$1,000,000 in the receipts from internal revenue an increase of \$3,554,537.91.

The value of our imported dutiable merchandise during the last fiscal year was \$369,757,470, and the value of free goods imported was \$1,000,000. The total value of goods imported was \$370,757,470, being an increase of \$6,523,075 in the value of dutiable goods, and \$91,231,034 in the value of free goods over the preceding year.

Our exports of merchandise, foreign and domestic, during the year ended June 30, 1896, being an increase over the preceding year of \$75,068,773. The average ad valorem duty paid on dutiable goods imported during the year was 39.94 per cent, and on free and dutiable goods taken together, 20.55 per cent.

The cost of collecting our internal revenue was 2.78 per cent against 2.81 per cent for the fiscal year ending June 30, 1895. The total production of distilled spirits, wine, and brandy, was \$5,568,703 taxable gallons, being an increase of 6,639,130 gallons over the preceding year. There was also an increase of 1,443,076 gallons of spirits, produced from fruit as compared with the preceding year. The number of barrels of beer produced was 35,859,250 as against 33,589,784 produced in the preceding fiscal year, being an increase of 2,269,466 barrels.

OTHER DEPARTMENTS. The report of the secretary of war exhibits satisfactory conditions in the several branches of the public service entrusted to his charge. The various recommendations of the several departments are being considered, and the attorney general presents a detailed and interesting statement of the important work done under his supervision during the last fiscal year. The ownership and management of the government of penitentiaries for the confinement of the convicted in United States courts of violations of federal laws, which for many years has been a subject of executive recommendation, has been a light which has been realized by the utilization of the abandoned military posts at Fort Leavenworth as a United States penitentiary.

This is certainly a movement in the right direction, but it ought to be at once supplemented by the rebuilding or extensive enlargement of this improvised prison and the construction of at least one more, to be located in the southern states. The number of the Leavenworth penitentiary is so limited that the expense of its maintenance, calculated at a per capita rate upon the number of prisoners it can accommodate, does not make an economical exhibit, and would if it were larger and better adapted to its purposes, but I am thoroughly convinced that economy, humanity and a proper sense of responsibility and duty towards those whom we punish for violations of federal law dictate that the federal government should have the entire control and management of the penitentiaries where convicted violators are confined. It appears that since the transfer of the Fort Leavenworth military prison to its new uses the work previously done by prisoners confined there, and for which expensive machinery has been provided, has been discontinued. On all grounds it is exceedingly desirable that the work be continued in this penitentiary be allowed to resume work of this description.

Our postoffice department is in good condition and the exhibit made of its operations during the fiscal year ended June 30, 1896, if allowance be made for imperfections in the laws applicable to it is very satisfactory. The total receipts during the year were \$92,499,296.40. The total expenditures were \$90,625,208.84, exclusive of \$1,328,889.56 for the purchase of postage stamps. The receipts for transportation and credited on their debt to the government. There was an increase of receipts over the previous year of \$5,116,080.21, or 7.1 per cent, and an increase of expenditures of \$3,824,042.04, or 4.4 per cent. The deficit was \$1,679,956.19 less than that of the preceding year. The chief expenditures of the postal service are regulated by law and are not in the control of the executive.

The deficit for the last year, although much less than that of the last and preceding years, emphasizes the necessity for legislation to correct the growing abuse of second-class rates, to which the deficit is largely attributable. The transmission at the rate of one cent a pound of serial libraries, advertising sheets, "house organs" (periodicals advertising some particular "house" or institution), sample copies, and the like, is a very serious drain on the treasury. This subject is discussed at considerable length and reforms urgently recommended.

Navy. The work of the navy department and its present conditions are fully exhibited in the report of the secretary. The construction of vessels for our new navy has been accelerated by the present administration upon the general lines previously adopted, the department having seen no necessity for radical changes in prior methods under which the work was found to be progressing in a more highly businesslike manner. It has been decided, however, to provide in every ship building contract that the builder should pay all trial expenses, and it has also been determined to pay no speed premiums in future contracts.

FIVE CIVILIZED TRIBES. The condition of affairs among the five civilized tribes who occupy large tracts of land in the Indian Territory, and who have governments of their own, has assumed such an aspect as to render it almost indispensable that there should be an entire change in the relations of these Indians to the general government. This seems to be necessary in furtherance of their own interests as well as for the protection of non-Indian

residents in their territory. A commission organized and empowered under several recent laws is now negotiating with these Indians for the relinquishment of their country and the transfer of their common lands to the general government, and aiding in the settlement of the troublesome question of tribal membership. The reception of their first offers of negotiations was not encouraging; but through patience and such conduct on their part as demonstrated that their intentions were friendly and in the interest of the best prospect of success has become more promising. The efforts should be to save the Indians from the consequences of their own mistakes and improvidence, and to secure to the real Indian his rights as against intruders and professed friends who profit by his retrogression.

A change is also needed to protect life and property through the operations of courts conducted according to strict justice and strong enough to enforce their mandates. As a sincere friend of the Indian I am exceedingly anxious that these reforms should be accomplished with the consent and aid of the tribes, and that no necessity may be presented for radical or drastic legislation. I hope, therefore, that the commission now conducting negotiations will soon be able to report that progress has been made and a friendly adjustment of existing difficulties.

PACIFIC RAILROADS. On January 11, 1897, with the amount already matured, more than \$13,000,000 of the principal of the subsidiary bond issued by the United States in aid of the construction of the Union Pacific railroad, including the Kansas line, and more than \$6,000,000 of like bonds, issued in aid of the Central Pacific railroad, including those issued to the Western Railway company will have fallen due and been paid or must on that day be paid by the government. Without any reference to the application of the sinking fund now in the treasury this will create such a default on the part of the companies to the government as will give it the right to institute proceedings to foreclose its mortgage lien. In addition to this indebtedness which will be due January 1, 1897, there will mature between that date and January 1, 1899 the remaining principal of such subsidiary bonds which must also be met by the government. These amounts to more than \$20,000,000 on account of the Union Pacific line and exceeds \$21,000,000 on account of the Central Pacific line.

The case of the Union Pacific company, the situation has become especially urgent. Proceedings have been instituted to foreclose a first mortgage upon those aided parts of the main line upon which the Government holds a second and subordinate mortgage. In consequence of the increased loadings and increasing complications, added to the default occurring on the first day of January, 1897, a condition will be presented at that date, so far as this company is concerned, that must emphasize the magnitude of the act of 1887 and give to executive duty under its provisions a more imperative aspect.

Unless Congress shall otherwise direct or shall have previously determined upon a different solution of the problem there will hardly appear to exist any reason for delaying beyond the date of the default above mentioned such executive action as will promote the interests of the public and relieve the government from the loss threatened by further inaction.

OFFENSIVE PARTISANSHIP. The progress made in civil service reform furnishes a cause for the utmost congratulation. It has survived the doubts of its friends as well as the rancor of its enemies; and has gained a permanent place among the agencies destined to cleanse our politics and improve, economize and elevate the public service. There are now in the competitive classified service upwards of 84,000 places. More than half of these have been in the service since the inauguration of March 4, 1893. A most radical and sweeping extension was made by executive order dated the 6th day of May, 1895. And if fourth class postmasterships are not included in the list of positions to be classified, it may be said that all positions contemplated by the civil service law are now classified. Abundant reasons exist for including these postmasterhips, based upon economy, improved service, and the quiet and efficient methods of the act of 1887, but I earnestly hope that Congress will, without increasing postoffice appropriations, so adjust them as to permit in practice the classification of the postmasterhips to the end that through this process the result desired may to a limited extent be accomplished.

The civil service rules as amended during the last year provide for an exhibit and a uniform method of promotion, basing eligibility to better positions upon demonstrated efficiency and faithfulness. The absence of fixed rules on this subject has been a serious defect in the system, and more apparent, its other benefits have been better appreciated. The advantage of civil service methods in their business aspects are too well understood to require argument. Their application has become a necessity for the efficient management of the government. But those who gain through the operation of these methods should be made to understand that the non-partisan scheme through which they receive their appointments is not a favor from them by way of reciprocity, non-partisan and faithful performance of duty under every administration, and cheerful fidelity to every chief. While they should be encouraged to show devotion to their rights of citizenship and to support through their suffrages the political beliefs they honestly profess, who loves political turmoil and contention, or who is content with a grudging and passive administration not representing his political views, should be promptly and fearlessly dealt with in such a way as to furnish a warning to others who may be likewise disposed.

THE TARIFF LAW. I desire to recur to the statements elsewhere made concerning the government's receipts and expenditures for the purpose of venturing upon some suggestions touching the tariff law and the operation of it. This statute took effect on the 25th day of August, 1894, and has since its short-comings as a complete measure of tariff reform. It must be conceded that it has opened the way to a freer and greater exchange of commodities between us and other countries, and thus furnished a wider market for our products and manufactures.

The only entire year during which this law has been in force ended on the 30th day of June, 1896. In that year our imports increased over those of the previous year more than \$5,000,000, while the value of the domestic products we exported and which found markets abroad was nearly \$70,000,000 more than during the preceding year.

The situation was such on December last, people of articles coming to them from abroad for their useful use should only be increased through tariff changes to an extent necessary to meet the expenses of the government, and that all those who claim tariff charges may be laid upon such articles beyond the necessities of government revenue, and with the additional purpose of so increasing their price in our markets as to give American manufacturers and producers a more profitable opportunity, must agree that our tariff laws are only primarily justified as sources of revenue to enable the government to meet the necessary expenses of its maintenance, and that to its sufficiency in this aspect the present law can by no means fall under just condemnation. During the only complete fiscal year of its operation it has yielded only \$5,000,000 more revenue than was received from tariff duties in the preceding year. There was, nevertheless, a deficit between our receipts and expenses of a little more than \$25,000,000. This, however, was not unexpected.

The situation was such on December last, people of articles coming to them from abroad for their useful use should only be increased through tariff changes to an extent necessary to meet the expenses of the government, and that all those who claim tariff charges may be laid upon such articles beyond the necessities of government revenue, and with the additional purpose of so increasing their price in our markets as to give American manufacturers and producers a more profitable opportunity, must agree that our tariff laws are only primarily justified as sources of revenue to enable the government to meet the necessary expenses of its maintenance, and that to its sufficiency in this aspect the present law can by no means fall under just condemnation. During the only complete fiscal year of its operation it has yielded only \$5,000,000 more revenue than was received from tariff duties in the preceding year. There was, nevertheless, a deficit between our receipts and expenses of a little more than \$25,000,000. This, however, was not unexpected.

ceived and readily account for the difference between this estimate of the secretary and the actual deficiency as well as for a continued deficit.

Indeed, it must be confessed that we could hardly have had a more unfavorable period than the last two years for the collection of tariff revenue. We cannot reasonably hope that our receipts from this source will be depressed will be sudden, but it has already set in with a promise of acceleration and continuance. I believe our present tariff law, if followed a fair opportunity, will in the near future yield a revenue which, with reasonably economical expenditures, will overcome all deficiencies.

In the meantime no deficit that has occurred or may occur need excite or disturb us. To meet any such need we have in the treasury, in addition to the gold reserve of \$100,000,000, a surplus of more than \$128,000,000 applicable to payment of the expenses of the government, and which must, unless expended for that purpose, remain a useless hoard, or, if not extravagantly wasted, must in any event be perverted from the purpose of its exaction from our people, the payment, therefore, of any deficiency in the revenue from this fund is nothing more than the diversion of legitimate use. It is immeasurably better to appropriate our surplus to the payment of justifiable expenses than to allow it to become an invitation to reckless appropriations and extravagant expenditures.

I suppose it will not be denied that under the present law our people obtain the necessities of a comfortable existence at a cheaper rate than formerly. This is a matter of supreme importance, since it is the palpable duty of every just government to make the burdens of taxation as light as possible. The people should not be required to relinquish this privilege of cheaper living except under the reform of their government's necessity made plainly manifest.

FINANCIAL. This reference to the condition and prospects of our revenues naturally suggests an allusion to the weakness and vices of our financial methods. They have been frequently pressed upon our attention in the Congress in previous executive communications, and the inevitable danger of their continued toleration pointed out. Without now repeating these details, I cannot refrain from again earnestly presenting the necessity of the prompt reform of the existing system to every rule of sound finance and shown by experience to be fraught with the gravest peril and perplexity. The terrible civil war which shook the foundations of our government, more than any other calamity brought in its train the destruction of property, the wasting of our country's substance, and the estrangement of brethren. These are now past and forgotten. Even the distressing loss of life, which is so dearly bought a sacred memory, which fosters patriotic sentiment and keeps alive a tender regard for those who nobly died. And yet there remains with us to-day, in full strength, the memory of a feature of our financial necessity not only unaltered by our present circumstances, but manifestly a disturbing menace to business security and an ever present agent of monetary distress. Because we may be enjoying a temporary relief from its depressing influence this should not lull us into a false security or lead us to forget the suddenness of past visitation. I am more convinced than ever that we can have no assured financial security until the government currency obligations upon which gold may be demanded from the treasury are withdrawn from circulation and cancelled. This might be done at once, and the government would be relieved of long term bonds bearing a low rate of interest, or by their redemption with the proceeds of such bonds.

In default of this, however, it would be a step in the right direction if currency obligations redeemable in gold whenever so redeemed should be cancelled instead of being renewed. This operation would be a relief, but it would improve present conditions. National banks should redeem their own notes. They should be allowed to issue circulation to the par value of bonds deposited as security for their redemption, and the rate on their circulation should be reduced to one-fourth of 1 per cent. The entire case may be presented by the statement that the day of sensible and sound financial methods is at hand, and that the government should abandon the banking business and the accumulation of funds, and confine its monetary operations to the receipts of money contributed by the people for its support, and to the expenditure of such money for the people's benefit. Our business interests and all good citizens long for rest from feverish agitation, and the inauguration by the government of a reformed financial policy will surely be a relief to the people and certain the rewards of labor and industry.

TRUSTS. Another topic in which our people rightfully take a deep interest may be here briefly considered. I refer to the expansion of trusts and other huge aggregations of capital the object of which is to monopolize the supply of some particular branch of trade, industry or commerce, and to stifle wholesome competition. When these are defended it is usually on the ground that though they increase profits, they also increase production and thus benefit the public. It must be remembered, however, that a reduction of prices to the people is not one of the real objects of these organizations, nor is the tendency necessarily in that direction. It occurs in a particular case it is only because it accords with the purposes or interests of those managing their scheme. Such occasional results fall short of compensating the palpable evils charged to the account of trusts and monopolies. Their tendency is to crush out individual independence, and to hinder and to prevent the free use of human faculties and the full development of human character.

Though Congress has attempted to deal with this matter by legislation, the laws passed for that purpose thus far have proved ineffective, not because of any lack of disposition or attempt to enforce them, but simply because the laws themselves as interpreted by the courts do not reach the difficulty. If the insufficiencies of existing laws can be remedied by further legislation, it should be done. The fact must be recognized, however, that all the power of Congress on this subject may fall short of its purpose because of inherent obstacles, and also because of the complex character of our governmental system, which, while making the federal authority supreme, and while there, has carefully limited that sphere by means and bounds which cannot be transgressed. The decision of our highest court on this precise question renders it quite doubtful whether the evils of trusts and monopolies can be adequately treated through federal action unless they seek directly and purposely to include in their objects transportation or intercourse between states or between the United States and foreign countries.

It does not follow, however, that this is the limit of the remedy that may be applied. Even though it may be found that federal authority is not broad enough to fully reach the case, there can be no doubt of the power of the several states to act effectively in the premises and there should be no reason to doubt their willingness to judiciously exercise such power. In concluding this communication its last words shall be an appeal to the Congress for the most efficient economy in the expenditure of the money it holds in trust for the people. The way to perplexing extravagance is easy, but a return to frugality is difficult. While, however, it is considered that those who bear the burdens of taxation have no guaranty of honest care in the fidelity of their reliable servants, the duty of all possible retrenchment is plainly manifest.

GROVER CLEVELAND.
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