THE PRESIDENT'S ANNUAL MESSAGE

CAUSES OF THE PRESENT FINAN-CIAL CONDITIONS IS MADE THE CHIEF TOPIC.

SUGGESTS REMEDIES FOR ILLS

CONTROL OF CORPORATIONS AND RAILROADS TO PREVENT OVERCAPITALIZATION.

Believes This Would Solve the Problem Together with Provision for More Elastic Currency-Recommends Postal Banks and Asks for Legislation Along Many Lines.

Washington, Dec. 3. - President Roosevelt's annual message to congress voluminous document of nearly 30,000 words, by far the longest message he has ever submitted to congress. The opening subject of the message is the financial condition of the country. and for which the president lays much of the blame upon unscrupulous stock speculators, and says:

"In any large body of men, however, there are certain to be some who are dishonest, and if the conditions are such that these men prosper or commit their misdeeds with impunity, their example is a very evil thing for the community. Where these men are busi-ness men of great sagacity and of temperament both unscrupulous and reck-less, and where the conditions are such that they act without supervision or control and at first without effective check from public opinion, they delude many innocent people into making investments or embarking in kinds business that are really unsound. When the misdeeds of these successfully dishonest men are discovered, suf-fering comes not only upon them, but upon the innocent men whom they have misled. It is a painful awakening whenever it occurs; and, naturally when it does occur those who suffer are apt to forget that the longer it was deferred the more painful it would be In the effort to punish the guilty it is both wise and proper to endeavor so far as possible to minimize the distress of those who have been misled by the guilty. Yet it is not possible to refrain because of such distress from striving to put an end to the misdeeds that are the ultimate causes of the suffering, and, as a means to this end, where possible to punish those re-sponsible for them. There may be honest differences of opinion as to many governmental policies; but surely there can be no such differences as to the need of unflinching perseverance in the war against successful dishonesty."

He quotes at length from his message of last year in which he advo-cated federal control of corporations doing interstate business, and believes that in such control would be found the remedy for overcapitalization and stock speculation which he believes have brought about the present financial conditions. He says:

"Our steady aim should be by legislation, cautiously and carefully underbut resolutely persevered in, to assert the sovereignty of the national government by affirmative action.

"This is only in form an innovation In substance it is merely a restoration for from the earliest time such regulation of industrial activities has been recognized in the action of the lawmaking bodies; and all that I propose meet the changed conditions in such manner as will prevent the commonwealth abdicating the power it has always possessed, not only in this country, but also in England before and since this country became a separate

Federal Control of Railroads Is Favored.

"No small part of the trouble that we have comes from carrying to an extreme the national virtue of self-re-liance, of independence in initiative and action. It is wise to conserve this virtue and to provide for its fullest exercise compatible with seeing that lib-erty does not become a liberty to wrong others. Unfortunately, this is the kind of liberty that the lack of all effective regulation inevitably breeds. The founders of the constitution provided that the national government should have complete and sole control There was of interstate commerce. then practically no interstate business save such as was conducted by water, and this the national government at once proceeded to regulate in thorough-going and effective fashion. Conditions have now so wholly changed that the interstate commerce by water is insignificant compared with the amount that goes by land, and almost all big business concerns are now engaged in interstate commerce. As a result, it can be but partially and imperfectly controlled or regulated by the action of any one of the several states; such ac tion inevitably tending to be either too drastic or else too lax, and in either case ineffective for purposes of justice. Only the national government can in thoroughgoing fashion exercise the This does not mean needed control. that there should be any extension of federal authority, for such authority already exists under the constitution in amplest and most far-reaching form; but it does mean that there should be an extension of federal activity. This is not advocating centralization. It is merely looking facts in the face, and realizing that centralization in business has a'ready come and can not be avoided or undone, and that the public at large can only protect itself from cer tain evil effects of this business centralization by providing better methods for the exercise of control through the authority already centralized in the national government by the constitu-tion itself. There must be no halt in the healthy constructive course of action which this nation has elected to pursue, and has steadily pursued, during the last six years, as shown both in the legislation of the congress and the administration of the law by the department of justice. The most vital need is in connection with the railroads As to these, in my judgment there should now be either a national incorporation act or a law licensing railway companies to engage in interstate com merce upon certain conditions. The law should be so framed as to give to the interstate commerce commission power to pass upon the future issue of securities, while ample means should be provided to enable the commission, whenever in its judgment it is necessary, to a physical valuation of any railroad. As I stated in my message to the congress a year ago, railroads should be given power to enter into agree-

ents, subject to these agreements be-

ing made public in minute detail and to

the consent of the interstate commerce commission being first obtained, the national government assumes proper control of interstate commerce, in the exercise of the authority it already possesses, it will be impossible either to give to or to get from the railroads full justice. The railroads and all other great corporations will do well to recognize that this control must come; the only cuestion is as to what governmental body can most wisely exercise it. The courts will determine the limits within which the federal authority can exercise it, and there will still remain ample work within each state for the railway commission of that state; and the national interstate commerce commission will work in harmony with the several state commissions, each within its own province, to achieve the desired end.

Control of Interstate Business Concerns Urged.

"Moreover, in my judgment there should be additional legislation looking to the proper control of the great business conderns engaged in interstate business, this control to be exercised for their own benefit and prosperity no less than the protection of investors and of general public. As I have repeatedly said in messages to congress and elsewhere, experience has definitely shown not merely the unwisdom but the futility of endeavoring to put a stop to all busi-ness combinations. Modern industrial conditions are such that combination is not only necessary but inevitable. It is so in the world of business just as it is so in the world of labor, and it is as idle to desire to put an end to all corpora-tions, to all big combinations of capital, as to desire to put an end to combina tions of labor. Corporation and labor union alike have come to stay, Each if properly managed is a source of good and not evil. Whenever in either there is evil, it should be promptly held to account; but it should receive hearty enouragement so long as it is properly managed. It is profoundly immoral to put or keep on the statute books a law, nominally in the interest of public morality, that really puts a premium upon public immorality, by undertaking to forbid honest men from doing what must be done under modern business conditions, so that the law itself provides that its own infraction must be the condition precedent upon business success. To aim at the accomplishment of too much usually means the accomplishment of too lit tle, and often the doing of positive damage.

The antitrust law should not be repealed; but it should be made both more efficient and more in harmony with actual conditions. It should be so amended as to forbid only the kind of combination which does harm to the general public, such amendment to be accompanied by, or to be an incident of, a grant of supervisory power to the government over these big corporations engaged in inter-state business. This should be accompanied by provision for the compulsory publication of accounts and the subjec tion of books and papers to the inspec tion of the government officials. A beginning has already been made for such supervision by the establishment of the bureau of corporations.

"The antitrust law should not prohibit combinations that do no injustice to the public, still less those the existence of which is on the whole of benefit to the public. But even if this feature of the iaw were abolished, there would remain as an equally objectionable feature the difficulty and delay now incident to its enforcement. The government must now submit to irksome and repeated delays before obtaining a final decision of the courts upon proceedings instituted, and even a favorable decree may mean an empty victory. Moreover, to attempt to control these corporations by lawsuits means to impose upon both the department of justice and the courts an im-possible burden; it is not feasible to carry on more than a limited number of such suits. Such a law to be really effective must of course be administered by an executive body, and not merely by means of lawsuits. The design should be prevent the abuses incident to the tion of unhealthy and improper combina-tions, instead of waiting until they are in existence and then attempting to destroy them by civil or criminal proceed-

Investing Public Should He Amply Safeguarded.

ings.

"The congress has the power to charter orporations to engage in interstate and foreign commerce, and a general law can e enacted under the provisions of which existing corporations could take out federal charters and new federal corpora-tions could be created. An essential prodsion of such a law should be a method of predetermining by some federal board or commission whether the applicant for a federal charter was an association or ombination within the restrictions of the federal law. Provision should also be made for complete publicity in all matters affecting the public and complete protec-tion to the investing public and the shareholders in the matter of issuing corporate securities. If an incorporation law is not deemed advisable, a license act for big interstate corporations might be enacted; or a combination of the two might be tried. The supervision established might se analogous to that now exercised ove national banks. At least, the antitrust act should be supplemented by specific prohibitions of the methods which perience has shown have been of most service in enabling monopolistic combinations to crush out competition. The real owners of a corporation should be comselled to do business in their own name The right to hold stock in other corporashould heareafter be denied to interstate corporations, unless on approval by the proper government officials, and prerequisite to such approval should be the listing with the government of all owners and stockholders, both by the corporation owning such stock and by the corporations in which such stock is

"To confer upon the national govern-nent, in connection with the amendment advocate in the antitrust law, power of upervision over big business concerns engaged in interstate commerce. benefit them as it has benefited the national banks. In the recent business risis it is noteworthy that the instituwhich failed were institutions which were not under the supervision and control of the national government. Those which were under national control stood the test.

"National control of the kind above advocated would be to the benefit of every well-managed rallway. From the standpoint of the public there is need for additional tracks, aditional terminals, and improvements in the actual handling of the railroads, and all this as rapidly as possible. Ample, safe, and speedy transportation facilities are even more neces-sary than cheap transportation. Therefore, there is need for the investment of money which will provide for all these things while at the same time securing as fas as is possible better wages and shorter hours for their employes. There-fore, while there must be just and reasonable regulation of rates, we should be the first to protest against any arbitrary and unthinking movement to cut them down without the fullest and most careful consideration of all interests cerned and of the actual needs of the Only a special body of men acting for the national government un-der authority conferred upon it by the congress is competent to pass judgment on such a matter.

Greater Elasticity in Currency Is Urged.

The president quotes extensively from his last message in dealing with the di-

says:

"I again urge on the congress the need

of immediate attention to this live.
We need a greater elasticity in our currency; provided, of course, that we recogsecure currency. There must always be the most rigid examination by the national authorities. Provision should be made for an emergency currency. The emergency issue should, of course, be made with an effective guaranty, and upon conditions carefully prescribed by the government. Such emergency issue must be based on adequate securities approved by the government, and must be issued under a heavy tax. This would permit currency being issued when the demand for it was urgent, while securing its re-tirement as the demand fell off. It is worth investigating to determine whether officers and directors of national banks should ever be allowed to loan to them-Trust companies should be sub ject to the same supervision as banks; legislation to this effect should be en-acted for the District of Columbia and the territories

"Yet we must also remember that ever the wisest legislation on the subject can only accomplish a certain amount. No legislation can by any possibility guarantee the business community against the results of speculative folly any more than it can guarantee an individual against the results of his extravagance. When an individual mortgages his house to buy an automobile he invites disaster; and when wealthy men, or men who pose as such, or are unscrupulously or foolishly eager to become such, indulge in reckless spec ulation-especially if it is accompanied by dishonesty—they jeopardize not only their own future but the future of all their in-nocent fellow-citizens, for they expose the whole business community to panic and distress."

He advises against any general tariff legislation this session of congress, and

'In a country of such phenomenal growth as ours it is probably well that every dozen years or so the tariff laws should be carefully scrutinized so as to see that no excessive or improper bene-fits are conferred thereby, that proper revenue is provided, and that our foreign trade is encouraged. There must always be as a minimum a tariff which will not only allow for the collection of an ample revenue but which will at least make good the difference in cost of production here and abroad; that is, the difference in the labor cost here and abroad, for the well-being of the wage-worker must ever be a cardinal point of American policy. The question should be approached purely from a business standpoint; both the time and the manner of the change being such as to arouse the minimum of agi-tation and disturbance in the business world, and to give the least play selfish and factional motives. consideration should be to see that the sum total of changes represent the pub-lic good. This means that the subject cannot with wisdom be dealt with in the year preceding a presidential election, be-cause as a matter of fact experience has conclusively shown that at such a time it is impossible to get men to treat it from the standpoint of the public good. In my judgment the wise time to deal with the matter is immediately after such election.

He asks for the repeal of the tariff or paper and wood pulp.

He reviews and enlarges upon his previous recommendations for the enact-ment of federal inheritance and income tax laws.

Attention is called to the prosecution of wealthy offenders against the national laws, and in this connection he asks that the laws under which these prosecutions are brought be strengthened and made more definite.

The Use and the Abuse of Injunctions.

"Instances of abuse in the granting of injunctions in labor disputes continue to injunctions in tabor disputes continue to occur, and the resentment in the minds of those who feel that their rights are being invaded and their liberty of action and of speech unwarrantably restrained continues to grow. Much of the attack on the use of the process of injunction is without warrant; but I am con strained to express the belief that for some of it there is warrant. This question is becoming more and more of prime importance, and unless the courts will themselves deal with it in effective man It is certain ultimately to demand some form of legislative action. It would be most unfortunate for our social welfare if we should permit many honest and law-abiding citizens to feel that they had just cause for regarding our courts with hostility. I earnestly com-mend to the attention of the congress this matter, so that some way may be devised which will limit the abuse of injunctions and protect those rights which time to time it unwarrantably invades. Moreover, discontent is often expressed with the use of the process of injunction by the courts, not only in la bor disputes, but where state laws are concerned. I refrain from discussion this question as I am informed that it will soon receive the consideration of the supreme court.

Of other legislation in the interest o labor he favors federal inspection of railroads; providing limited but definite comfor accidents to all workmen employed in any way by the government

"The constitutionality of the employers liability act passed by the preceding congress has been carried before the courts In two jurisdictions the law has been de clared unconstitutional, and in three juris-dictions its constitutionality has been affirmed. The question has been carried to the supreme court, the case has been heard by that tribunal, and a decision is expected at an early date. In the event that the court should affirm the consti tutionality of the act, I urge further legislation along the lines advocated in m message to the preceding congress. The practice of putting the entire burden of loss of life or limb upon the victim or the victim's family is a form of social injustice in which the United States stands unenviable prominence. In both our federal and our state legislation we have, with few exceptions, scarcely gone farther than the repeal of the fellow-servant principle of the old law of liability, and in some of our states even this slight medification of a complete outgrown principle has not yet been se

He favors the extension of the eight hour law to all departments of the government, and to all work carried on government. He urges legislation for the compulsory investigation of industrial disputes, and says:

"The need for some provision for such investigation was forcibly illustrated during the past summer. A strike of telegraph operators seriously interfered with telegraphic communication, caus ing great damage to business interests serious inconvenience to the genpublic. Appeals were made to me eral from many parts of the country, from city councils, from boards of trade, from chambers of commerce, and from labor organizations, urging that steps be taken to terminate the strike. Everything that could with any propricty be done by a representative of the government was done without avail, and for weeks the public stood by and suffered without recourse of any kind Had the machinery existed and had there been authority for compulsory investigation of the dispute, the public would have been placed in possession of the merits of the controversy, opinion would probably have brought about prompt aujustment. "It is idle to hold that without good

rect subject of currency legislation, and laws evils such as child labor, as the over-working of women as the fall-ure to protect employes from loss of life or limb, can be effectively reached. any more than the evils of rebates and stock-watering can be reached without good laws. To fall to stop these prac tices by legislation means to honest men into them, because other-wise the dishonest who surely will take advantage of them will have everything their own way. If the states correct these evils, well and good; but the nation must stand ready to aid

Inland Waterway Systems Should Be Deevloped.

"The conservation of our national resources and their proper use constitute the fundamental problem which underlies almost every other problem of our national life. We must maintain for our civilization the adequate material basis without which that civilization cannot exist. We must show foresight, we must look ahead. As a nation we not only enjoy a wonderful measure of present prosperity but if this prosper-ity is used aright it is an earnest of future success such as no other nation will have. The reward of foresight for this nation is great and easily foretold. But there must be the look ahead. there must be a realization of the fact that to waste, to destroy, our natural resources, to skin and exhaust the land instead of using it so as to increase its usefulness, will result in undermining in the days of our children the very prosperity which we ought by right to hand down to them amplified and developed. For the last few years, through several agencies, the government has been endeavoring to get our people to look ahead and to substitute a planned and orderly development of sources in place of a haphazard striv-ing for immediate profit. Our great river systems should be developed as national water highways; the Mississippi, with its tributaries, standing first in importance, and the Columbia secand although there are many others of importance on the Pacific and Atlantic and the gulf slopes. The national govrnment should undertake this work. and I hope a beginning will be made in the present congress; and the greatest of all our rivers, the Mississippi, should receive especial attention. From the Great Lakes to the mouth of the Mississippi there should be a deep waterway, with deep waterways leading from it to the east and the west. Such terway. a waterway would practically mean the extension of our coast line into the very heart of our country. It would be if incalculable benefit to our people. If begun at once it can be carried through in time appreciably to relieve the congestion of our great freight-carrying lines of railroads. The work should be systematically and continuously carried orward in accordance with some wellconceived plan. The main streams should be improved to the highest point of efficiency before the improve-ment of the branches is attempted; and the work should be kept free from every taint of recklessness or jobbery."

Attention is called to the work of ir-rigation and reclamation of government lands. In the same connection he asks for a revision of the public land laws along the lines proposed by the public lands commission. Believes the government should increase its efforts o conserve our forests and should increase by purchase the existing forest preserves. On the subject of the natural esources of the nation he says:

"In the eastern United States the mineral fuels have already passed into the hands of large private owners, and those of the west are rapidly following. It is obvious that these fuels should be conserved and not wasted, and it would be well to protect the people against unjust and extortionate prices, so far as that can still be done. What has been accomplished in the great oil fields of the Indian Territory by action of the administration offers a striking example of the good results of such a policy. In my judgment the overnment should the fee of the coal, oil and gas fields in its own possession and to lease the rights to develop them under proper regulations; or else, if the con-gress will not adopt this method, the oal deposits should be sold under limtations, to conserve them as public utilities, the right to mine coal being eparated from the title to the soil. the regulations should permit coal ands to be worked in sufficient quantity by the several corporations. The present limitations have been absurd. excessive, and serve no useful purpose, and often render it necessary that there should be either fraud or else abandonment of the work of getting out the coal."

Progress of the Work On the Panama Canal.

"Work on the Panama canal is proeeding in a highly satisfactory manner. In March the total excavation in the Culebra Cut, where effort was chiefly concentrated, was \$15,270 cubic yards. In April this was increased to 879,527 cubic yards. There was a conderable decrease in the output for May and June owing partly to the advent of the rainy season and partly to temporary trouble with the steam vel men over the question of wages. This trouble was settled satisfactorily to all parties and in July the total excavation advanced materially and in August the grand total from all points in the canal prism by steam shovels and dredges exceeded all previous inited States records, reaching 1.274. 494 cubic yards. In September this rec ord was eclipsed and a total of 1.517. 412 cubic yards was removed. Of this amount 1,481,307 cubic yards were from the canal prism and 36,105 cubic yards were from accessory works. These results were achieved in the rainy season with a rainfall in August of 11.89 inches and in September of 11.65 inches. Finally, in October, the record was again eclipsed, the total excavation being 1,868,729 cubic yards; a truly extraordinary record, especially in view of the heavy rainfall, which was 17.1 inches. In fact, experience during the last two rainy seasons demonstrates that the rains are a less serious stacle to progress than has hitherto been supposed.

"Work on the locks and dams at Gatun, which began actively in March last, has advanced so far that it is thought that masonry work on the locks can be begun within 15 months.

"Last winter bids were requested and received for doing the work of canal construction by contract. None of them was found to be satisfactory and all were rejected. It is the unanimous opinion of the present commission that he work can be done better, more cheaply, and more quickly by the rnment than by private contractors. Fully 80 per cent. of the entire plant needed for construction has been pur-chased or contracted for; machine shops have been erected and equipped for making all needed repairs to the plant; many thousands of employes have been secured; an effective organization has been perfected; a recruiting system is in operation which is capable of furnishing more labor than can be used advantageously; employes are well sheltered and well fed; salaries said are satisfactory, and the work is not only going forward smoothly, but it is producing results far in advance the most sanguing anti-vitions, and these favorible sound tions, a hange in the methal of special able to the world in a field dispersion

ize existing conditions, check progress, and increase the cost and lengthen the time of completing the canal. President Recommends

Postni Savings Banks.

"I commend to the favorable consideration of the congress a postal savings bank system, as recommended by the postmaster general. The primary object is to encourage among our peo ple economy and thrift and by the of postal savings banks to give them an opportunity to husband their resources, particularly those who have not the facilities at hand for depositing their money in savings banks. Viewed, however, from the experience of the past few weeks, it is evident that the advantages of such an institution are still more far-reaching. Timid depos-itors have withdrawn their savings for the time being from national banks; in dividuals have hoarded their cash and the workingmen their earnings; all of which meney has been withdrawn and kept in hiding or in the safe deperity. Through the agency of the pestal savings banks such money would be

restored to the channels of trade, to the mutual benefit of capital and labor. "I further commend to the congress the consideration of the postmaster general's recommendation for an ex-tension of the parcel post, especially on the rural routes. There are now 28,-215 rural routes, serving nearly 15,000,-000 people who do not have the adobtaining their supplies. These recommendations have been drawn up to benefit the farmer and the country storekeeper; otherwise, I should not favor them, for I believe that it is good policy for our government to do every-thing possible to aid the small town and the country district. It is desirable that the country merchant should not be crushed out.

"The fourth-class postmasters' convention has passed a very strong reso-lution in favor of placing the fourthlass postmasters under the civil-serv ce law. The administration has already put into effect the policy of reusing to remove any fourth-class postmasters save for reasons connected with the good of the service; and it is endeavoring so far as possible to renove them from the domain of partisar politics. It would be a most desirable thing to put the fourth-class postmas ters in the classified service."

He renews his recommendations of

ast year in regard to Alaska; calls attention to the admission of Oklahoma s a state; urges the importance of proding shipping relief for Hawaii; asks or citizenship for Porto Ricans, and promises submission of laft's report on Philippines when that fficial returns.

He asks for the creation of a bureau of mines; recommends the providing of funds for preserving The Hermitage, the home of Andrew Jackson; and the rection of a naval monument at Vicksburg.

Corporation Contributions to Compaign Expenses.

"Under our form of government voting is not merely a right but a duty, and, moreover, a fundamental and necessary duty if a man is to be a good citizen. It is well to provide that corporations shall not contribute to presidential or national campaigns, and furthermore to provide for the publication of both contributions and expenditures. There is, however, always danger in laws of this kind, which from their very nature are lifficult of enforcement; the danger being lest they be obeyed only by the honest, and disobeyed by the unscrupulous, so as to act only as a penalty upon honest men. Moreover, no such law would hamper an unscrupulous man of unlimited means from buying his own way into oftice. There is a very radical measure which would, I believe, work a substantial improvement in our system of conducting a campaign, although I am well aware that it will take some time for people to so familiarize themselves with such a proposal as to be willing to con-sider its adoption. The need for collecting large campaign funds would vanish it ongress provided an appropriation for the proper and lettimate expenses of ach of the great national parties, an appropriation ample enough to meet ecessity for thorough organization and machinery, which requires a large ex-penditure of money. Then the stipula-tion should be made that no party reciving campaign funds from the treasury hould accept more than a fixed amoun from any individual subscriber or donor; and the necessary publicity for receipts and expenditures could without difficulty e provided."

Wants Improvement in the Ocean Mail Service.

"I call your especial attention to the unsatisfactory condition of our foreign mail service, which, because of the lack of American steamship lines, is now largely done through foreign lines, and which particularly so far as South and Central America are concerned, is done in a manner which constitutes a serious barrier

o the extensions of our commerce. The time has come, in my judgment, o set to work seriously to make our cean mail service correspond more closely with our recent commercial and political development. A beginning was made by the ocean mail act of March 3, 1891, but even at that time the act was known to be inadequate in various pariculars. Since that time events have moved rapidly in our history. We have equired Hawaii, the Philippines. an/ esser islands in the Pacific. We are steadily prosecuting the great work of uniting at the Isthmus the waters of the Atlantic and the Pacific. To a greater extent than seemed probably even a dozen years ago we may look to an American future on the sea worthy of the tradition of our past. As the first step in that direction, and the step most the tradition of our past. feasible at the present time, I recommend the extension of the ocean mail act of 1891. That act has stood for some years ree from successful criticism of its priniple and purpose. It was based on theor ies of the obligations of a great maritime nation, undisputed in our own land and followed by other nations since the Briefly beginning of steam navigation. those theories are, that it is the duty of a first-class power so far as practicable carry its ocean mails under its own tag: that the fast ocean steamships and their crows, required for such mail service, are valuable auxiliaries to the sea power of a nation. Furthermore, the construction of such steamships insures the maintenance in an efficient condition of the shipyards in which our battleships must be built.

"The expenditure of public money for the performance of such necessary functions of government is certainly Warranted, nor is it necessary to dwell upon the incidental benefits to our foreign commerce, to the shipbuilding industry and to ship owning and navigation which will accompany the discharge of these urgent public duties, though they, too, should have weight."

Asks Increase in Pay for Army Officers and Men.

The president devotes much space to affairs of the army, and strongly urges that our regular military orga zation be kept up to the highest possible standard of efficiency, and says:

"The medical corps should be much greater than the needs of our regular army in war. Yet at present it is small-er than the needs of the service demand even in peace. The Spanish war occurr d less than ten years ago. The lease twong the reg ments which never names and deply impressed by this

fact; yet seemingly it has already be forgotten, for not the slightest effort has been made to prepare a medical corps of sufficient size to prevent the repetition of the same disaster on a much larger scale if we should ever be

engaged in a serious conflict.
"But the medical department is not the only department is not the only department is not the only department for which increased provision should be made. The rate of pay for the officers should be greatly increased; there is no higher type of citizen than the American regular officer, and he should have a fair reward for his admirable work. These about he a release mirable work. There should be a rela-tively even greater increase in the pay for the enlisted men. An especial provision should be made for establishing grades equivalent to those of warrant officers in the navy, which should be open to the enlisted men who serve sufficiently long and who do their work well. Inducements should be offered sufficient to encourage really good men to make the army a life occupation. The prime needs of our present army is to secure and retain competent noncommissioned officers. This difficulty rests fundamentally on the question of pay. The noncommissioned officer does not correspond with an unskilled in berer; he corresponds to the best type of skilled workman or to the subordinate official in civil institutions. Wages have greatly increased in outside occupations in the last 40 years and the pay of the soldier, like the pay of the officers, should be proportionately increased. The first sergeant of a company, if a good man, must be one of such executive and ad-ministrative ability, and such knowledge of his trade, as to be worth far more than we at present pay him. The same is true of the regimental sergeant major. These men should be men who had fully resolved to make the army a life occupa-tion and they should be able to look forward to ample reward; while only mea properly qualified should be given a chance to secure these final rewards. The increase over the present pay need not be great in the lower grades for the first one or two enlistments, but the increase should be marked for the noncommis sioned officers of the upper grades wh serve long enough to make it evident that they intend to stay permanently in the army, while additional pay should be given for high qualifications in target practice.

"Among the officers there should be severe examinations to weed out the unfit up to the grade of major. From that position on appointments should be solely by selection and it should be understood that a man of merely average capacity could never get beyond the position of major, while every man who serves in any grade a certain length of time prior to promotion to the next grade without getting the promotion to the next grade should be forthwith retired."

President Sees Need of

Largely Increased Navy.

The president asks for a continuous increase in the navy, and asks present congress for appropriations for four new battleships, and says:

'We need always to remember that in time of war the navy is not to be used to defend harbors and sea-coast cities; we should perfect our system of coast fortifications. The only efficient use for the navy is for offense. The only way in which it can efficiently protect our own coast against the possible action of a foreign navy is by destroying that foreign navy. For defense against a hostile fleet which actually attacks them, the coast cities must depend upon their forts, mines, torpedoes, submarines and torpedo boats and destroyers. All of these together are ficient for defensive purposes, but they in ne way supply the place of a thoroughly efficient navy capable of acting on the offensive; for parrying never yet won a fight. It can only be won by hard hiting, and an aggressive sea-going navy alone can do this hard hitting offensive type. But the and the like are necessary so that the navy may be footloose. In time of war there is sure to be demand, under pressure of fright, for the ships to be scattered so as to defend all kind of ports. demand must be refused. The ships must be kept together, and their objective made the enemies' fleet. If fortifications are sufficiently strong, no modern navy will venture to attack them, so long as the foe has in existence a hostile navy of anything like the same size or efficiency. But unless there exists such a navy then the fortiications are powerless by themselves to secure the victory. For of course the mere deficiency means that any resolute enemy can at his leisure combine all his forces upon one point with the certainty that he can take it.

Gives Reasons for Despatch Of Fleet to the Pacific.

"Until our battle fleet is much larger than at present it should never be split into detachments so far apart that they could not in event of emergency be speedily united. Our coast line is on the Pacific just as much as on the At-lantic. The interests of California, Oregon and Washington are as emphatically the interests of the whole inion as those of Maine and New York, of Louisiana and Texas. The battle fleet should now and then be moved to the Pacific, just as at other times it should be kept in the Atlantic. When the isthmian canal is built the transit of the battle fleet from one ocean to the other will be comparatively easy Until it is built I earnestly hope that the battle fleet will be thus shifted between the two oceans every year or two. The marksmanship on all our ships has improved phenomenally dur-ing the last five years. Until within the last two or three years it was not possible to train a battle fleet in squadron maneuvers under service conditions. and it is only during these last two or three years that the training these conditions has become really effective. Another and most necessary stride in advance is now being taken. the battle fleet is about starting by Straits of Magellan to visit the Pacific coast. Sixteen battleships going under the command of Rear Admiral Evans, while eight armored cruisers and two other battleships will meet him at San Francisco, whither certain torpedo destroyers are also going. No fleet of such size has made such a voyage, and it will be of very great educational use to all engaged in it. The only way by which to teach officers and men how to handle the fleet so as to meet every possible strain and emergency in time of war is to have them practice under similar conditions in time of peace. Moreover, the only way to find out our actual needs is to perform in time of peace whatever maneuvers might be neces-sary in time of war. After war is declared it is too late to find out the needs; that means to invite disaster. The trip to the Pacific will show what some of our needs are and will enable us to provide for them. The proper place for an officer to learn his duty is at sea, and the only way in which a navy can ever be made efficient is by practice at sea, under all the tions which would have to be met if war existed."

He reviews the work accomplished by the second peace conference at The Hague; notes the improvement of affairs in Cuba, and the preparations being made to reestablish the government of the island republic; asks per-mission to cancel the remainder of China's indemnity obligation to us, and reviews the effect of Secretary Root's

visit to Mexico. THEODORE ROOSEVELT. December 3, 1907.