

WORK OF YEAR REVIEWED BY THE PRESIDENT

Affairs of State Are Dealt With at Length in Annual Message.

BUT LITTLE ABOUT TARIFF

President Discusses Work of Tariff Board—Ship Sub- sidy Is Urged.

WORK ON PANAMA CANAL

Need of Legislation Anticipating Completion of the Ditch Is Pointed Out—Change in Postal Rates— Parcels Post and Postal Savings—Economy Urged.

Washington, Dec. 6.—President Taft's annual message to congress contained 40,000 words, and is said to be the longest document of its kind ever written. In it he reviews the work of each of the administrative departments beginning with the state department. He devotes considerable space to the satisfactory settlement of the fisheries dispute with England through the medium of the Hague Tribunal, and recounts both the history of the fisheries dispute and the establishment of the tribunal.

In connection with the state department he tells of the important political happenings of the past twelve months throughout the entire world, and the action of this country in connection with them.

Tariff Negotiations.

Referring to the negotiation of new tariff agreements President Taft says:

"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 us responsibility of determining prior to that date whether any undue discrimination existed against the United States and its products in any country of the world with which we sustained commercial relations.

"In the case of several countries instances of apparent undue discrimination against American commerce were found to exist. These discriminations were removed by negotiation. Prior to April 1, 1910, when the maximum tariff was to come into operation with respect to importations from all those countries in whose favor no proclamation applying the minimum tariff should be issued by the president, one hundred and thirty-four such proclamations were issued.

"This series of proclamations embraced the entire commercial world and hence the minimum tariff of the United States has been given universal application, thus testifying to the satisfactory character of our trade relations with foreign countries.

"Mutual advantages to the commerce of the United States were obtained through these tariff settle-

ments. A policy of broader and closer relations with the Dominion of Canada was initiated in the adjustment of the maximum and minimum provisions of the tariff act of August, 1909. This 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."

Ship Subsidy.

The president urges such action as he believes will increase American trade abroad, and says:

"Another 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. Perhaps nowhere is the need for rapid and direct mail, passenger and freight communication quite so urgent as between the United States and Latin America. We can secure in no other quarter of the world such immediate benefits in friendship and commerce as would flow from the establishment of direct lines of communication with the countries of Latin America adequate to meet the requirements of a rapidly increasing appreciation of the reciprocal dependence of the countries of the western hemisphere upon each other's products, sympathies and assistance.

"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 it is 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."

Governmental Expense.

To no one subject does he devote more space than to the expense of conducting the various government departments and the urgent need for economy, and in this connection he says:

"Every effort has been made by each department chief to reduce the estimated cost of his department for the ensuing fiscal year ending June 30, 1912. I say this in order that congress may understand that these estimates thus made present the smallest sum which will maintain the departments, bureaus and offices of the government and meet its other obligations under existing law, and that a cut of these estimates would result in embarrassing the executive branch of the government in the performance of its duties. This remark does not apply to the river and harbor estimates, except to those for expenses of maintenance and the meeting of obligations under authorized contracts, nor does it apply to the public building bill nor to the navy building program. Of course, as to these congress could withhold any part or all of the estimates for them without interfering with the discharge of the ordinary obligations of these functions of its departments, bureaus and offices.

"The final estimates for the year ending June 30, 1912, as they have been sent to the treasury on November 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 \$630,494,013.12. This is \$52,961,887.36 less than the appropriations for the fiscal year ending June 30, 1911. It is \$16,882,153.44 less than the total estimates, including supplemental estimates submitted to congress by the treasury for the year 1911, and is \$5,574,659.39 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.

"Against the estimates of expenditures, \$640,494,013.12, 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 Tariff.

The President devotes but little space to the subject of the tariff law, and of it he says:

"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 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 attempt to conform to the measure of protection was not honestly and sincerely adhered to."

The Tariff Board.

The president refers to the appointment of a board of experts to investigate the cost of production of various articles included in the schedules of the tariff, and says:

"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."

Our Island Possessions.

"During the last summer, at my request, the secretary of war visited

the Philippine Islands and was described his trip in the report. He found the islands in a state of tranquillity 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, January 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.

"Another question which arises for consideration and possible legislation is the question of tolls in the canal. This question is necessarily affected by the probable tonnage which will go through the canal.

"In determining what the tolls should be we certainly ought not to insist that for a good many years to come they should amount to enough to pay the interest on the investment of \$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 is not to be measured solely by a return upon the investment. If it were then the construction might well have been left to private enterprise.

"My own impression is that the tolls ought not to exceed \$1 per net ton, and I should recommend that within certain limits the president be authorized to fix the tolls of the canal and adjust them to what seems to be commercial necessity.

"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.

Discussing the affairs of the department of justice, the president says:

"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 hundreds of 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.

"In a special message last year I brought to the attention of congress the propriety and wisdom of enacting a general law providing for the incorporation of industrial and other companies engaged in interstate commerce, and I renew my recommendation in that behalf."

The crying need in the United States of cheapening the cost of litigation by simplifying judicial procedure and expediting final judgment is pointed out and action looking to correction of these evils is urged.

The president recommends an increase in the salaries of federal judges.

Postal Savings Banks.

"At its last session congress made provision for the establishment of savings banks by the postoffice department of this government by which under general control of trustees, consisting of the postmaster general, the secretary of the treasury and the attorney general, the system could be begun in a few cities and towns, and enlarged to cover within its operations as many cities and towns and as large a part of the country as seemed wise. The initiation and establishment of such a system has required a great deal of study on the part of the experts in the postoffice and treasury departments, but a system has now been devised which is believed to be more economical and simpler in its operation than any similar system abroad. Arrangements have been perfected so that savings banks will be opened in some cities and towns on the 1st of January, and there will be a gradual extension of the benefits of the plan to the rest of the country."

"It is gratifying," says the president, "that the reduction in the postal deficit has been accomplished without any curtailment of postal facilities. On the contrary, the service has been greatly extended during the year in all its branches."

Second-Class Mail.

"In my last annual message I invited the attention of congress to the inadequacy of the postal rate imposed upon second-class mail matter in so far as that includes magazines, and showed by figures prepared by experts of the postoffice department that the government was rendering a service

to the magazines, costing many millions in excess of the compensation paid. An answer was attempted to this by the representatives of the magazines, and a reply was filed to this answer by the postoffice department. The utter inadequacy of the answer, considered in the light of the reply of the postoffice department, I think must appeal to any fair-minded person. Whether the answer was all that could be said in behalf of the magazines is another question. I agree that the question is one of fact; but I insist that if the fact is as the experts of the postoffice department show, that we are furnishing to the owners of magazines a service worth millions more than they pay for it, then justice requires that the rate should be increased. The increase in the receipts of the department resulting from this change may be devoted to increasing the usefulness of the department in establishing a parcels post and in reducing the cost of first-class postage to one cent. It has been said by the postmaster general that a fair adjustment might be made under which the advertising part of the magazine should be charged for at a different and higher rate from that of the reading matter. This would relieve many useful magazines that are not circulated at a profit, and would not shut them out from the use of the mails by a prohibitory rate.

"With respect to the parcels post, I respectfully recommend its adoption on all rural delivery routes, and that 11 pounds—the international limit—be made the limit of carriage in such post."

Abolish Navy Yards.

The president calls attention to certain reforms urged by the secretary of the navy which he recommends for adoption, and continues:

"The estimates of the navy department are \$5,000,000 less than the appropriations for the same purpose last year, and included in this is the building program of the same amount as that submitted for your consideration last year. It is merely carrying out the plan of building two battleships a year, with a few needed auxiliary vessels. I earnestly hope that this program will be adopted.

"The secretary of the navy has given personal examination to every navy yard, and has studied the uses of the navy yards with reference to the necessities of our fleet. With a fleet considerably less than half the size of that of the British navy, we have shipyards more than double the number, and there are several of these shipyards expensively equipped with modern machinery, which, after investigation the secretary of the navy believes to be entirely useless for naval purposes. He asks authority to abandon certain of them and to move their machinery to other places, where it can be made of use."

"The complete success of our country in arctic exploration should not remain unnoticed. 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. I recommend fitting recognition by congress of the great achievement of Robert Edwin Peary."

Conservation.

"The subject of the conservation of the public domain has commanded the attention of the people within the last two or three years.

"There is no need for radical reform in the methods of disposing of what are really agricultural lands. The present laws have worked well. The enlarged homestead law has encouraged the successful farming of lands in the semi-arid regions.

"Nothing can be more important in the matter of conservation than the treatment of our forest lands. It was probably the ruthless destruction of forests in the older states that first called attention to the necessity for a halt in the waste of our resources.

"In the present forest reserves there are lands which are not properly forest, and which ought to be subject to homestead entry. This has caused some local irritation. We are carefully eliminating such lands from forest reserves or where their elimination is not practical listing them for entry under the forest homestead act.

"Congress ought to trust the executive to use the power of reservation only with respect to land most valuable for forest purposes. During the present administration, 62,250,000 acres of land largely non-forested, have been excluded from forest reserves, and 3,500,000 acres of land principally valued for forest purposes have been included in forest reserves, making a reduction in forest reserves of non-forested land amounting to 2,750,000 acres."

Coal Lands.

"The next subject, and one most important for your consideration, is the disposition of the coal lands in the United States and Alaska. At the beginning of this administration 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 1,061,889 have been classified and found not to contain coal and have been restored to agricultural entry, and 4,728,091 acres have been classified as coal lands; while 7,993,239 acres remain withdrawn from entry and await classification. In addition 337,000 acres have been classified as coal lands without prior withdrawal, thus increasing the classified coal lands to 10,429,372 acres.

"Under the laws providing for the disposal of coal lands in the United States, the minimum price at which

lands are permitted to be sold is \$10 an acre, but the secretary of the interior has the power to fix a maximum price and to sell at that price.

"As one-third of all the coal supply is held by the government, it seems wise that it should retain such control over the mining and the sale as the relation of lessor to lessee furnishes.

Water Power Sites.

"Prior to March 4, 1909, there had been, on the recommendation of the reclamation service, withdrawn from agricultural entry, because they were regarded as useful for power sites which ought not to be disposed of as agricultural lands, tracts amounting to about 4,000,000 acres. The withdrawals were hastily made and included a great deal of land that was not useful for power sites. They were intended to include the power sites on 29 rivers in 9 states. Since that time 3,475,442 acres have been restored for settlement of the original 4,000,000 because they do not contain power sites; and meantime, new withdrawals have been made which, with other restorations based upon field examination, result in withdrawals at present effective of 1,218,356 acres on vacant public land and 202,197 acres on entered public land, or a total of 1,420,553 acres. These withdrawals made from time to time cover all the power sites included in the first withdrawals and many more, on 151 rivers and in 12 states. The disposition of these power sites involves one of the most difficult questions presented in carrying out practical conservation.

"The subject is 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 at will within certain sections.

"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.

"The question of conservation is not a partisan one, and I sincerely hope that even in the short time of the present session consideration may be given to those questions which have now been much discussed, and that action may be taken upon them."

Alaska.

"With reference to the government of Alaska, I have nothing to add to the recommendations I made in my last message on the subject. I am convinced that the migratory character of the population, its unequal distribution, and its smallness of number, which the new census shows to be about 50,000, in relation to the enormous expanse of the territory, make it altogether impracticable to give to those people who are in Alaska today and may not be there a year hence, the power to elect a legislature to govern an immense territory to which they have relation so little permanent."

Pensions.

"The uniform policy of the government in the matter of granting pensions to those gallant and devoted men who fought to save the life of the nation in the perilous days of the great civil war, has always been of the most liberal character. Those men are now rapidly passing away. The best obtainable official statistics show that they are dying at the rate of something over three thousand a month, and, in view of their advancing years, this rate must inevitably in proportion, rapidly increase. To the man who risked everything on the field of battle to save the nation in the hour of its direst need we owe a debt which has not been and should not be computed in a begrudging or parsimonious spirit."

Bureau of Corporations.

Referring to the report of the commissioner of corporations, the president says:

"The commissioner finds a condition in the ownership of the standing timber of the United States other than the government timber that calls for serious attention. The direct investigation made by the commissioner covered an area which contains 80 per cent. of the privately-owned timber of the country.

"His report shows that one half of the timber in this area is owned by 200 individuals and corporations; that 14 per cent. is owned by these corporations, and that there is very extensive inter-ownership of stock, as well as other circumstances, all pointing to friendly relations among those who own a majority of this timber, a relationship which might lead to a combination for the maintenance of a price that would be very detrimental to the public interest, and would create the necessity of removing all tariff obstacles to the free importations of lumber from other countries."

Bureau of Labor.

"The commissioner of labor has been actively engaged in composing the differences between employers and employees engaged in interstate trans-

portation, under the Erdman act, jointly with the chairman of the interstate commerce commission.

"I cannot speak in too high terms of the success of the two officers in conciliation and settlement of controversies which, but for their interposition, would have resulted disastrously to all interests.

Civil Service Commission.

"The civil service commission has continued its useful duties during the year. The necessity for the maintenance of the provisions of the civil service law was never greater than today. Officers responsible for the policy of the administration, and their immediate personal assistants or deputies, should not be included within the classified service, but in my judgment, public opinion has advanced to the point where it would support a bill providing a secure tenure during efficiency for all purely administrative officials. I entertain the profound conviction that it would greatly add the cause of efficient and economical government and of better politics if congress could enact a bill providing that the executive shall have the power to include in the classified service all local offices under the treasury department, the department of justice, the postoffice department, the interior department and the department of commerce and labor, appointments to which now require the confirmation of the senate, and that upon such classification the advice and consent of the senate shall cease to be required in such appointments. By their certainty of tenure, dependent on good service, and by their freedom from the necessity for political activity, these local officers would be induced to become more efficient public servants.

Economy and Efficiency.

"The increase in the activities and in the annual expenditures of the federal government has been so rapid and so great that the time has come to check the expansion of government activities in new directions until we have tested the economy and efficiency with which the government of today is being carried on. The responsibility rests upon the head of the administration. He is held accountable by the public, and properly so. Despite the unselfish and patriotic efforts of the heads of departments and others charged with responsibility of government, there has grown up in this country a conviction that the expenses of government are too great. The fundamental reason for the existence undetected of waste, duplication, and bad management is the lack of prompt, accurate information.

"I have requested the head of each department to appoint committees on economy and efficiency in order to secure full co-operation in the movement by the employees of the government themselves.

"I urge the continuance of the appropriation of \$100,000 requested for the fiscal year 1912.

"My experience leads me to believe that while government methods are much criticized, they had results—if we do have bad results—are not due to a lack of zeal or willingness on the part of the civil servants."

Interstate Commerce.

"There has not been time to test the benefit and utility of the amendments to the interstate commerce law contained in the act approved June 13, 1910. The law as enacted did not contain all the features which I recommended. It did not specifically denounce as unlawful the purchase by one of two parallel and competing roads of the stock of the other. Nor did it subject to the restraining influence of the Interstate Commerce commission the power of corporations engaged in operating interstate railroads to issue new stock and bonds; nor did it authorize the making of temporary agreements between railroads limited to 30 days, fixing the same rates for traffic between the same places.

"I do not press the consideration of any of these objects upon congress at this session.

"The interstate commerce commission has recommended appropriations for the purpose of enabling it to enter upon a valuation of all railroads. This has always been within the jurisdiction of the commission, but the requisite funds have been wanting. Statistics to the value of each railroad would be valuable for many purposes, especially if we ultimately enact any limitations upon the power of the interstate railroads to issue stocks and bonds, as I hope we may.

"For the protection of our own people and the preservation of our credit in foreign trade, I urge upon congress the immediate enactment of a law under which one who, in good faith, advances money or credit upon a bill of lading issued by a common carrier upon an interstate or foreign shipment can hold the carrier liable for the value of the goods described in the bill at the valuation specified in the bill, at least to the extent of the advances made in reliance upon it.

"I further recommend that a punishment of fine and imprisonment be imposed upon railroad agents and shippers for fraud or misrepresentation in connection with the issue of bills of lading issued upon interstate and foreign shipments.

"Except as above, I do not recommend any amendment to the interstate commerce law as it stands. I do not now recommend any amendment to the anti-trust law. In other words, it seems to me that the existing legislation with reference to the regulation of corporations and the restraint of their business has reached a point where we can stop for a while and witness the effect of the vigorous execution of the laws of the statute books in restraining the abuses which certainly did exist and which roused the public to demand reform."