

THE ANNUAL MESSAGE

President McKinley's Communication to Our National Lawmakers.

REVIEW OF TROUBLE IN CHINA.

What the Administration Has Been Doing to Straighten Matters Out Again

GRATIFYING SURPLUS REVENUES.

Congress Recommended to Reduce Internal Revenue Taxes—Affairs in the Philippines—The Army.

To the Senate and House of Representatives:

At the outgoing of the old and the incoming of the new century you began the last session of the Fifty-sixth congress with a review of the status of individual and national prosperity and with proof of the growing strength and increasing power for good of republican institutions. Your countrymen will join with you in felicitation that American liberty is more firmly established than ever before, and that love for it and the determination to preserve it are stronger than at any former period of our history.

The republic was never so strong, because never so strongly entrenched in the hearts of the people as now. The constitution, with few amendments, exists as it left the hands of its authors. The additions which have been made to it proclaim larger freedom and more extended citizenship. Republic government has demonstrated in less than 16 years of trial here its stability and security, and its efficiency as the best instrument of national development and the best safeguard to human rights.

When the sixth congress assembled in November, 1890, the population of the United States was 5,308,483. It is now 76,364,799. Then we had sixteen states. Now we have twenty-four. Then our territory consisted of 669,656 square miles. It is now 3,346,585 square miles. Education, religion, and morality have kept pace with our advancement in other directions, and while extending its power the government has adhered to its foundation principles and abated none of them in dealing with our new people and possessions. A nation so preserved and blessed gives reverent thanks to God and invokes His guidance and the continuation of His care and favor.

In our foreign intercourse the dominant question has been the treatment of the Chinese problem. Apart from this our relations with the foreign powers have been happy.

The recent troubles in China spring from the anti-foreign movement which for the past three years has gained strength in the northern provinces. Their origin lies deep in the character of the Chinese races and in the traditions of their government. The Taiping rebellion and the opening of Chinese ports to foreign trade and settlement disturbed alike the homogeneity and the seclusion of China.

More recently foreign activity made itself felt in all quarters, not alone on the coast, but along the great river arteries and in the remoter districts, carrying new ideas and introducing new associations among a primitive people which had pursued for centuries a national policy of isolation.

PROPOSALS TO THE POWERS.

Seriousness of the Situation in China Appreciated.

The increasing gravity of the conditions in China and the imminence of peril to our own diversified interests in the empire as well as to those of all the other treaty governments, were soon appreciated by this government, especially after the establishment of the United States from the earliest days of foreign intercourse with China had followed a policy of peace, omitting no occasions to testify good will, to further the extension of lawful trade, to respect the sovereignty of its government, and to insure by all legitimate and kindly but earnest means the fullest measure of protection for the lives and property of our law-abiding citizens and for the exercise of their beneficial calling among the Chinese people.

Mindful of this, it was felt to be appropriate that our purposes should be pronounced in favor of such course as would hasten united action of the powers at Pekin to promote the administrative reforms so greatly needed for strengthening the imperial government and maintaining the integrity of China, in which we believe the whole western world to be alike concerned. To these ends I caused to be addressed to these several powers occupying territory and maintaining spheres of influence in China the circular proposals of 1899, inviting from them declarations of their intentions and views as to the desirability of the adoption of measures insuring the benefits of equality of treatment of all foreign trade throughout China.

With gratifying unanimity the responses coincided in this common policy, enabling me to see in the successful termination of these negotiations proof of the friendly spirit which animates the various powers interested in the undeveloped resources of commerce and industry in the Chinese empire as a source of vast benefit to the whole commercial world.

SPAIN AND UNITED STATES.

Progress toward Treaty of General Friendship and Intercourse.

Satisfactory progress has been made toward the conclusion of a general treaty of friendship and intercourse between the United States and Spain, which passed into obsolescence by reason of the late war. A new convention of extradition is approaching completion, and I should be much pleased were a commercial arrangement to follow. I feel that we should not suffer to pass any opportunity to reaffirm the cordial ties that existed between us and Spain from the time of our earliest independence and to enhance the mutual benefits of that commercial intercourse which is natural between the two countries.

By the terms of the treaty of peace the line bounding the ceded Philippine group in the southwest failed to include several small islands lying west of the Sulu, which have always been recognized as under Spanish control. The occupation of Sibutu and Ormocan Sulu by our naval forces elicited a claim on the part of Spain, the essential equity of which could not be gainsaid. In order to cure the defect of the treaty by removing all possible ground of future misunderstanding respecting the interpretation of its third article, I directed the negotiation of a supplemental article, which will be forthwith laid before the senate, whereby Spain quits all title and claim of title to the islands named as well as to any and all islands belonging to the Philippine archipelago lying outside the lines described in said third article, and agrees that all such islands shall be comprehended in the cession of the archipelago as fully as if they had been expressly included within those lines.

PRINCE TUAN THE LEADER.

Anti-Foreign Influences Hold sway Under His Power.

The Chinese government proved, however, unable to check the rising strength of the Boxers and appeared to be a prey to internal dissensions. In the unequal contest the anti-foreign influences soon gained the ascendancy under the leadership of Prince Tuan, organized armies of Boxers, with which the imperial forces affiliated, held the country between Pekin and the coast, penetrated into Mongolia up to the Russian border, and through their emissaries threatened a like rising throughout north-western China.

Attacks upon foreigners, destruction of their property, and slaughter of native converts were reported from all

sides. The tsung-li-yamen, already permeated with hostile sympathies, made no effective response to the appeals of the legations, and this created a situation of the early spring of this year, a proposal was made by the other powers that a combined fleet should be assembled in Chinese waters as a moral demonstration, under cover of which to exact of the Chinese government respect for foreign treaty rights and the suppression of the Boxers.

The United States, while not participating in the joint demonstration, sent from the Philippines all ships that could be spared for service on the Chinese coast. A small force of marines were landed at Taku and sent to Pekin for the protection of the American legation. Other powers took similar action, until some 400 men were assembled in the capital as legation guards.

The president here tells of the siege of the legation at Pekin, the landing of troops and the rescue of the foreign ministers.

Taking, as a point of departure, the imperial edict appointing Earl Li Hung Chang and Prince Ching plenipotentiaries to arrange a settlement, and the edict of Sept. 25, whereby certain high officials were given the right to demand that this government has moved, in concert with the other powers, toward the opening of negotiations, which Mr. Conger, assisted by Mr. Rockhill, has been authorized to conduct on behalf of the Island of St. Croix. These will be early communicated to the senate. Negotiations with other governments are in progress for the improvement and security of our commercial relations.

The policy of reciprocity so manifestly rests upon the principles of international equity and has been so repeatedly approved by the people of the United States, that there ought to be no hesitation in either branch of the congress to take full advantage of it. The same government desires to preserve the most just and amicable commercial relations with all foreign countries, unmarred by the industrial rivalries necessarily developed in the expansion of international trade. It is believed that the foreign governments generally entertain the same purpose, although in some instances there are clamorous demands upon them for legislation specially hostile to American interests.

Still, these demands prevail, and shall communicate with the congress with the view of advising such legislation as may be necessary to meet the emergency.

NATIONAL FINANCES.

Large Surplus Revenues for the Fiscal Year Ending June 30, 1900.

It is gratifying to be able to state that the surplus revenues for the fiscal year ended June 30, 1900, were \$39,527,060.18. For the six preceding years we had only deficits, the greatest of which was \$50,000,000 in 1890, which amounted to \$38,022,991.14.

The receipts for the year from all sources, exclusive of postal revenue, aggregated \$87,210,518.9, and expenditures for all purposes, except for the administration of the post department, aggregated \$48,713,791.71. The receipts from customs were \$233,164,871.16, an increase over the preceding year of \$27,036,389.41. The receipts from internal revenue were \$29,327,926.76, an increase of \$2,880,767.46 for 1899. The receipts from miscellaneous sources were \$38,485,053.97, as against \$36,394,956.92 for the previous year.

It is gratifying to note that during the year a considerable reduction is shown in the expenditures of the government. The war department expenditures for the fiscal year 1900 were \$134,774,767.8, a reduction of \$5,066,666, over those of \$139,841,339.71, the navy department expenditures were \$55,627,77.71 for the year 1900, as against \$62,042,104.25 for the preceding year, a decrease of \$7,389,226.53. In the expenditures on account of Indians there was a decrease in 1900 over 1899 of \$2,630,604.38; and in the civil and miscellaneous expenses \$1,318,456.05, as against \$1,318,456.05 for the previous year.

The government of Russia has put forward a suggestion, that in the event of protracted divergence of views in regard to indemnities the matter may be relegated to the court of arbitration at The Hague. I favorably incline to this, believing that high tribunal could not fail to reach a decision, no less conducive to the stability and enlarged prosperity of China itself than immediately beneficial to the powers.

The present here tells of our relations with other foreign countries, which are very friendly. He devotes considerable space to our exhibit at the Paris exposition, the Samoan settlement, boundary questions and other matters in which the United States is interested with other countries.]

THE NICARAGUA CANAL.

Its Effect as to Modification of National Banking Act Is Apparent.

The beneficial effect of the financial act of 1890, so far as it relates to the modification of the national banking act, is already apparent. The provision for the incorporation of national banks with a capital of not less than \$25,000 in places not exceeding 3,000 inhabitants has resulted in the extension of banking facilities to many communities hitherto unable to provide themselves with banking institutions under the national system. There were organized from the enactment of the law up to and including Nov. 30, 369 national banks, of which 266 were with capital less than \$50,000, and 103 with capital of \$50,000 or more.

It is worthy to mention that the greater number of banks help organize under the new law, are in existence where the need of banking facilities has been met pronounced. Iowa stands first, with thirty banks of the smaller class, while Texas, Oklahoma, Indian Territory, and the middle and western sections of the country have also themselves organized largely on the principles under the new law.

A large increase in national bank note circulation has resulted from the revision of the act which permits national banks to issue circulating notes to the par value of the United States bonds deposited as security instead of only 90 per cent thereof, as heretofore. The increase in circulating notes from March 14 to Nov. 30 is \$77,889,570.

The party in power is committed to providing what will better make the currency responsive to the varying needs of business at all seasons and in all sections.

PROCLAMATION OF AMNESTY.

It Was Taken Advantage of by Many of the Insurgents.

Coincidentally with the entrance of the commission upon its labors I caused to be issued by General MacArthur, the military governor of the Philippines on June 21, 1900, a proclamation of amnesty in generous terms, of which many of the insurgents took advantage, among them a number of important persons.

This commission, composed of eminent citizens representing the diverse geographical and political interests of the country, and bringing to their task the ripe fruits of long and intelligent service in educational, administrative and judicial careers, made great progress from the outset. As early as Aug. 21, 1899, the military commissioners, which will be laid before the congress, and from which it appears that already the good effects of returning order are felt; that business, interrupted by hostilities, is improving as peace extends; that a larger area is under sugar cultivation than ever before; that the customs revenues are greater than at any time; that the Spanish rule, the economy and efficiency of the Spanish administration have been greatly improved; that the Spanish language is now the language of the people.

I specially urge that there be included in whatever reduction is made the legacy tax, bequests for public uses of an literary, educational or charitable character.

OUR MERCHANT MARINE.

American Vessels Carry 9 Per Cent. of Our Exports and Imports.

American vessels during the past three years have carried about 9 per cent. of our exports and imports. Foreign ships should carry the least, the greatest part of American trade.

The remarkable growth of our shipping, the progress of shipbuilding for the domestic trade, and our steadily maintained expenditures for the naval and defense of the country have created an opportunity to place the United States in the first rank of commercial maritime powers. Besides realizing a proper national aspiration this will mean the establishment and healthy growth along all our coasts of a great and diversified industry, expanding the field for profitable employment of labor and capital, will increase the transportation facilities and reduce freight charges on the vast volume of products brought from the interior to the seaboard for export, and will strengthen an arm of the national defense upon which the founders of the government and their successors have relied. In again urging immediate action by the congress on measures to promote American shipping and foreign trade, I direct attention to the

recommendations on the subject in previous messages, and particularly in the opinion expressed in the message of 1899.

I am satisfied the judgment of the country favors the policy of aid to our merchant marine, which will broaden our commerce and markets and up-build our sea-carrying capacity for the products of agriculture and manufacture, which, with the increase of our navy, can more work and wages to our countrymen, as well as a safeguard to American interests in every part of the world.

The attention of congress is invited to the recommendation of the secretary of the treasury in his annual report for legislation in behalf of the revenue service, and favorable action is urged.

THE QUESTION OF TRUSTS.

What the President Says Concerning These.

The civil government of Porto Rico provided for by the act of the congress approved April 12, 1900, is in its successful operation. The results have been excellent. The governor and his associates, working intelligently and harmoniously, are meeting with commendable success. On the 6th of November a general election was held in the island, and for members of the legislature, and the body elected has been called to convene on the first Monday of December.

I recommend that legislation be enacted by the congress conferring upon the secretary of the interior the power to regulate the ownership of public lands in Porto Rico, and that he be directed to ascertain the location and quantity of lands which may be available for sale, and what is useful and necessary in business operations, may be obtained, and that means may be found for the congress, within the limitations of its constitutional power, to supplement an effective code of state legislation as to make a complete system of laws throughout the United States adequate to compel a general observance of the statutory rules to which I have referred.

The whole question is so important and far-reaching that I am sure no part of it will be lightly considered, but every phase of it will have the studied deliberation of the congress, resulting in wise and judicious action.

Restriction upon such combinations as are injurious, and which are within federal jurisdiction, should be promptly applied by the congress.

AFFAIRS IN THE PHILIPPINES.

Our Forces Successfully Control the Great Part of the Islands.

My last annual message I dwelt at some length upon the condition of affairs in the Philippines. While seeking to impress upon you that the grave responsibility of the future government of these islands rests with the congress of the United States, I abstained from recommending at that time a specific and detailed scheme of government for the territory actually under the United States forces and in which as long as insurrection continues the military arm must necessarily be supreme. I stated my purpose, until the congress shall have made known the formal expression of its will, to use the authority vested in me by the constitution and the statutes of the United States in the Philippine islands as in all other places where our flag rightfully floats, placing, to that end, at the disposal of the army and navy all the means which the liberality of the congress and the people have provided. No contrary expression of the will of the congress having been made, I have steadfastly pursued the purpose so determined, employing the means so determined, to accomplish the objects of pacification and the institution of local governments within the lines of authority and law.

Progress in the hoped-for direction has been favorable. Our forces have successfully controlled the greater part of the islands, overrunning the organized forces of the insurgents and carrying on their operations in all quarters. What opposition remains is for the most part scattered, obeying no concerted plan of strategic action, operating only by the methods common to the traditions of guerrilla warfare, which, while ineffective to alter the general control now established, are still sufficient to beggar insecurity among the insurgents that the grave results of our control and the delay in the conferment upon them of the fuller measures of local self-government, education, and of industrial and agricultural development which we stand ready to give them.

By the spring of this year the effective opposition of the disaffected Tagals to the authority of the United States has finally ended, thus opening the door for the extension of the administration over much of the territory of the archipelago. Desiring to bring this about, I appointed in March last a civil commission composed of the Hon. William H. Taft of Ohio; Professor Dean C. Worcester of Michigan; the Hon. Luke E. Wright of Tennessee; the Hon. Philip C. Cooke of California; and Professor Bernard Moses of New York.

The aims of their mission and the scope of their authority are clearly set forth in my instructions of April 5, 1900, addressed to the secretary of war to be transmitted to them.

The president then quotes what he said in regard to the Philippines and the duties of the commission in his message to congress of December, 1899.]

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Later reports from the commission show that the encouraging advances made in insuring the benefits of liberty and good government to the Filipinos, in the interest of humanity and with the aim of building up an enduring self-supporting, and self-administering community in those far eastern seas, would impress upon the congress that whatever legislation may be enacted in respect of the Philippine Islands should be along these generous lines. The fate of the war has thrown upon this nation an unsought trust which should be unfailingly discharged, and devoted upon this government a moral as well as material responsibility toward these millions whom we have freed from an oppressive yoke.

I have upon another occasion called the Filipinos "the wards of the nation,"

highly assumed; it must not be otherwise, than entirely fulfilled, aiming first of all to benefit those who have come under our fostering care. It is our duty so to treat them that our flag may be no less beloved in the mountains of Luzon and Negros than it is at home, that there as here it shall be the revered symbol of