THE MESSAGE.

The President Discusses the Chinese, Philippine, Financial and Other Important Questions.

To the Senate and House of Representatives:

At the outgoing of the old and the incoming of the new century you begin the last session of the Fifty-sixth congress with evidences on every hand 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 more universal than at any former period of our history.

The republic was never so strong, because never so strongly intrenched 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. Popular government has demonstrated in its 124 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, 1800, the population of the United States was 5,308,483. It is now 76,104,799. Then we had 16 states. Now we have 45.

THE CHINESE QUESTION.

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

The recent troubles in China spring from the anti-foreign agitation 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 the seclusion of China. Meanwhile 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.

The telegraph and the railway spreading over their land, the steamers plying on their waterways, the merchant and the missionary penetrating year by year farther to the interior, became to the Chinese mind types of an alien invasion, changing the course of their national life and fraught with vague forebodings of disaster to their beliefs and their self-control. For several years before the present troubles all the resources of foreign diplomacy, backed by moral demonstrations of the physical force of fleets and arms, have been needed to secure due respect for the treaty rights of foreigners and to obtain satisfaction from the responsible authorities for the sporadic outrages upon the persons and property of unoffending sojourners, which from time to time occurred at widely separated points in the northern provinces, as in the case of the outbreaks in Sze-Chuen and Shan-Tung.

The sect commonly styled the Boxers developed greatly in the provinces north of the Yang-Tse, and with the collusion of many notable officials, including some in the immediate councils of the throne itself, became alarmingly aggressive. No foreigner's life, outside of the protected treaty ports, was safe. No foreign interest was secure from spoliation. The diplomatic representatives of the powers in Pekin strove in vain to check this movement. Protest was followed by demand and demand by renewed protest, to be met with perfunctory edicts from the palace and futile assurances from the Tsung-Li-Yamen.

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, causing it profound solicitude. 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 means the fullest measure of protection for the lives and property of our law-abiding citizens and for the exercise of their beneficent callings among the Chinese people.

To these ends I caused to be addressed to the 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 untrammeled development of commerce and industry in the Chinese empire as a source of vast benefit to the whole commercial world.

In this conclusion, which I had the gratification to announce as a completed engagement to the interested powers on March 20, 1900, I hopefully discerned a potential factor for the abatement of the distrust of foreign purposes which for a year past had appeared to inspire the policy of the imperial government and for the effective exertion by it of power and authority to quell the critical anti-foreign movement in the northern provinces.

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 Manchuria up to the Russian border and through their emissaries threatened a like rising throughout northern 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, could make no effective response to the appeals of the legations. At this critical juncture, in 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 from the Chinese government respect for foreign treaty rights and the suppression of the Boxers.

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

Still the peril increased. The legations reported the development of the seditious movement in Pekin and the need of increased provision for defense against it. While preparations were in progress for a larger expedition, to strengthen the legation guards and keep the railway open, an attempt of the foreign ships to make a landing at Taku was met by a fire from the Chinese forts. The forts were thereupon shelled by the foreign vessels, the American admiral taking no part in the attack, on the ground that we were not at war with China and that a hostile demonstration might consolidate the anti-foreign elements and strengthen the Boxers to oppose the relieving column.

Two days later the Taku forts were captured after a sanguinary conflict. Severance of communication with Pekin followed, and a combined force of additional guards, which was advancing to Pekin by the Pei-Ho, was checked at Lang Fan. The isolation of the legations was complete.

The siege and the relief of the legations has passed into undying history. In all the stirring chapter which records the heroism of the devoted band, clinging to hope in the face of despair, and the undaunted spirit that led their relievers through battle and suffering to the goal, it is a memory of which my countrymen may be justly proud that the honor of our flag was maintained alike in the siege and the rescue.

From June 20 until July 17, writes Minister Conger, there was scarcely an hour during which there was not firing upon some part of our lines and into some of our legations, varying from a single shot to a general and continuous attack along the whole line. Artillery was placed around the legations and on the overlooking palace walls, and thousands of three-inch shot and shell were fired, destroying some buildings and damaging all. So thickly did the balls rain that, when the ammunition of the besieged ran low, five quarts of Chinese bullets were gathered in an hour in one compound and recast.

Attempts were made to burn the legations by setting neighboring houses on fire, but the flames were successfully fought off, although the Austrian, Belgian, Italian and Dutch legations were then and subsequently burned. With the aid of the native converts, directed by the missionaries, to whose helpful co-operation Mr. Conger awards unstinted praise, the British legation was made a veritable fortress.

During the siege the defenders lost 65 killed, 135 wounded, and seven by disease—the last all children. On July 14 the besieged had their first communication with the Tsung-li-Yamen, from which a message came inviting to a conference, which was declined. Correspondence, however, ensued and a sort of armistice was agreed upon, which stopped the bombardment and lessened the rifle fire for a time. Even then no protection whatever was afforded, nor any aid given, save to send to the legations a small supply of fruit and three sacks of flour.

Not only are the protestations of the Chinese government that it protected and succored the legations positively contradicted, but irresistible proof accumulates that the attacks upon them were made by imperial troops, regularly uniformed, armed and officered belonging to the command of Jung Lu, the imperial commander-in-chief. Decrees encouraging the Boxers, organizing them under prominent imperial officers, provisioning them, and even granting them large sums in the name of the empress dowager, are known to exist. Members of the Tsung-li-Yamen who counseled protection of the foreigners were beheaded. Even in the distant provinces men suspected of foreign sympathy were put to death.

With the negotiation of the partial armistice of July 14, a proceeding which was doubtless promoted by the representations of the Chinese envoy in Washington, the way was opened for the conveyance to Mr. Conger of a test message sent by the secretary of state through the offices of Minister Wu Ting Fang. Mr. Conger's reply, sent from Pekin on July 18 through the same channel, afforded to the outside world the first tidings that the inmates of the legations were still alive and hoping for succor.

The news stimulated the preparations for a joint relief expedition in numbers sufficient to overcome the resistance which for a month had been organizing between Taku and the capital. Reinforcements sent by all the co-operating governments were constantly arriving. The United States contingent, hastily assembled from the Philippines or dispatched from this country, amounted to some 5,000 men, under the able command first of Col. Liscum and afterwards of Gen. Chaffee.

Towards the end of July the movement began. A severe conflict followed at Tien Tsin, in which Col. Liscum was killed. The city was stormed and partly destroyed. Its capture afforded a base for operations from which to make the final advance, which began in the first days of August, the expedition being made up of Japanese, Russian, British and American troops at the outset. Another battle was fought and won at Yangtsun. Thereafter little show of resistance. On August 14 the capital was reached. After a brief conflict beneath the walls the relief column entered and the legations were saved.

The imperial family and the government had fled a few days before. The city was without visible control. It fell to the occupying forces to restore order and organize a provisional administration.

The policy of the United States through all this trying period was clearly announced and scrupulously carried out. A circular note to the powers dated July 3 proclaimed our attitude. Treating the condition in the north as one of virtual anarchy, in which the great provinces of the south and southeast had no share, we regarded the local authorities in the latter quarters as representing the Chinese people, with whom we sought to remain in peace and friendship. Our declared aims involved no war against the Chinese nation. We adhered to the legitimate office of rescuing the imperiled legation, obtaining redress for wrongs already suffered, securing wherever possible the safety of American life and property in China and preventing a spread of the disorders, or their recurrence.

As was then said, "the policy of the government of the United States is to seek a solution which may bring about permanent safety and peace to China, preserve Chinese territorial and administrative entity, protect all rights guaranteed to friendly powers by treaty and international law, and safeguard for the world the principle of equal and impartial trade with all parts of the Chinese empire."

Faithful to those professions which, as it proved, reflected the views and purposes of the other co-operating governments, all our efforts have been directed toward ending the anomalous situation in China by negotiations for a settlement at the earliest possible moment. As soon as the sacred duty of relieving our legation and its dependents was accomplished we withdrew from active hostilities, leaving our legation under adequate guard in Pekin as a channel of negotiation and settlement—a course adopted by others of the interested powers. Overtures of the empowered representatives of the Chinese emperor have been considerably entertained.

The Russian proposition looking to the restoration of the imperial power in Pekin has been accepted as in full consonance with our own desires, for we hold that effective reparation for wrongs suffered and an enduring settlement that will make their recurrence impossible can best be brought about under an authority which the Chinese nation reverences and obeys. While so doing we forego no jot of our undoubted right to exact exemplary punishment of the responsible authors and abettors of the criminal acts whereby we and other nations have suffered grievous injury.

I regard as one of the essential factors of a durable adjustment the securement of adequate guarantees for liberty of faith, since insecurity of those natives who may embrace alien creeds is a scarcely less effectual assault upon the rights of foreign worship and teaching than would be the direct invasion thereof.

The matter of indemnity for our wronged citizens is a question of grave concern. Measured in money alone, a sufficient reparation may prove to be beyond the ability of China to meet. All the powers concur in emphatic disclaimers of any purpose of aggrandizement through the dismemberment of the empire. I am disposed to think that due compensation may be made in part by increased guarantees of security for foreign rights and immunities, and, most important of all, by the opening of China to the equal commerce of all the world. These views have been and will be earnestly advocated by our representatives.

THE PARIS EXPOSITION.

The year of the exposition has been fruitful in occasions for displaying the good will that exists between this country and France. This great competition brought together from every nation the best in natural productions, industries, science and the arts, submitted in generous rivalry to a judgment made all the more searching because of that rivalry. The extraordinary increase of exportations, from this country during the past three years and the activity which our inventions and wares had invaded new markets caused much interest to center upon the American exhibit and every encouragement was offered in the way of space and facilities to permit of its being comprehensive as a whole and complete in every part.

It was, however, not an easy task to assemble exhibits that could fitly illustrate our diversified resources and manufactures. Singularly enough our national prosperity lessened the incentive to exhibit. The dealer in raw materials knew that the user must come to him; the great factories were contented with the phenomenal demand for their output, not alone at home, but also abroad, where merit had already won a profitable trade. Appeals had to be made to the patriotism of exhibitors to induce them to incur outlays promising no immediate return.

Despite all these drawbacks the contribution of the United States was not only the largest foreign display, but was among the earliest in place and the most orderly in arrangement. Our exhibits were shown in 101 out of 121 classes and more completely covered the entire classification than those of any other nation. In total number they ranked next after those of France, and the attractive form in which they were presented secured general attention.

A criterion of the extent of our participation and of the thoroughness with which our exhibits were organized is seen in the awards granted to American exhibitors by the international jury, namely: Grand prizes 240, gold medals 597, silver medals 776, bronze medals 541, and honorable mentions 322—2,476 in all, being the greatest total number given to the exhibit of any exhibiting nation as well as the largest number in each grade.

OUR RELATIONS WITH GERMANY.

Good will prevails in our relations with the German empire. An amicable adjustment of the long pending question of the admission of our life insurance companies to do business in Prussia has been reached.

The settlement of the Samoan problem has accomplished good results. Peace and contentment prevail in the islands, especially in Tutuila, where an administration that has won the confidence and esteem of the kindly disposed natives has been organized under the direction of the commander of the United States naval station at Pago-Pago.

An imperial meat inspection law has been enacted for Germany. While it may simplify the inspections, it prohibits certain products heretofore admitted. There is still great uncertainty as to whether our well-nigh extinguished German trade in meat products can revive under its new burdens. Much will depend upon regulations not yet promulgated.

ENGLAND AND THE BOERS.

Our friendly relations with Great Britain continue. The war in South Africa introduced important questions. A condition unusual in international wars was presented, in that while one belligerent had control of the seas, the other had no ports, shipping or direct trade, but was only accessible through the territory of a neutral. Vexatious questions arose through Great Britain's action in respect to neutral cargoes, not contraband in their own nature, shipped to Portuguese South Africa, on the score of probable or suspected ultimate destination to the Boer states.

Such consignments in British ships, by which alone direct trade is kept up between our ports and southern Africa, were seized in application of a municipal law prohibiting British vessels from trading with the enemy without regard to any contraband character of the goods, while cargoes shipped to Delagoa bay in neutral bottoms were arrested on the ground of alleged destination to the enemy's country. Appropriate representations on our part resulted in the British government agreeing to purchase outright all such goods shown to be the actual property of American citizens, thus closing the incident to the satisfaction of the immediately interested parties.

THE BOUNDARY QUESTION.

The work of marking certain provisional boundary points, for convenience of administration, around the head of Lynn canal, in accordance with the temporary arrangement of October, 1899, was completed by a joint survey in July last. The modus vivendi has so far worked without friction, and the Dominion government has provided rules and regulations for securing to our citizens the benefit of reciprocal stipulation that the citizens or subjects of either power found by that arrangement within the temporary jurisdiction of the other shall suffer no diminution of the rights they have hitherto enjoyed. But however necessary such an expedient may have been to tide over the grave emergencies of the situation, it is at best but an unsatisfactory makeshift, which should not be suffered to delay the speedy establishment of the frontier line to which we are entitled under the Russo-American treaty for the cession of Alaska.

In this relation I may refer again to the need of definitely marking the Alaskan boundary where it follows the 141st meridian. A convention to that end has been before the senate for some two years, but as no action has been taken I contemplate negotiating a new convention for a joint determination of the meridian by telegraphic observations.

LYNCHINGS.

In my inaugural address I referred to the subject of lynching in these words: "Lynching must not be tolerated in a great and civilized country like the United States; courts, not mobs, must execute the penalties of the law. The preservation of public order, the right of discussion, the integrity of courts, and the orderly administration of justice must continue forever the rock of safety upon which our government securely rests." This I most urgently reiterate and again invite the attention of my countrymen to this reproach upon our civilization.

THE ISTHMIAN CANAL.

The all-important matter of an interoceanic canal has assumed a new phase. Adhering to its refusal to reopen the question of the forfeiture of the contract of the Maritime Canal Co., which was terminated for alleged non-execution in October, 1899, the government of Nicaragua has since supplemented that action by declaring the so-styled Eyre-Cragin option void for non-payment of the stipulated advance. Protests in relation to these acts have been filed in the state department and are under consideration. Deeming itself relieved from existing engagements, the Nicaraguan government shows a disposition to deal freely with the canal question, either in the way of negotiations with the United States or by taking measures to promote the waterway. Overtures for a convention to effect the building of a canal under the auspices of the United States are under consideration. In the meantime the views of the congress upon the general subject, in the light of the report of the commission appointed to examine the comparative merits of the various transisthmian ship canal projects, may be awaited.

I commend to the early attention of the senate the convention with Great Britain to facilitate the construction of such a canal and remove any objection which might arise out of the convention commonly called the Clayton-Bulwer treaty.

A TREATY WITH SPAIN.

Satisfactory progress has been made toward the conclusion of a general treaty of friendship with Spain, in replacement of the old treaty, which passed into abeyance 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 cordialties 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 Sulus, which have always been recognized as under Spanish control. The occupation of Sibutu and Cagayan, 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 supplementary treaty, 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. In consideration of this cession the United States is to pay to Spain $100,000.

A bill is now pending to effect the recommendation made in my last annual message that appropriate legislation be had to carry into execution Article VII of the treaty of peace with Spain, by which the United States assumed the payment of certain claims for indemnity of its citizens against Spain. I ask that action be taken to fulfill this obligation.

SULTAN PROMISES TO PAY.

We await the fulfillment of the promise of the sultan to make reparation for the injuries suffered by American citizens in Armenia and elsewhere in the Turkish empire. His majesty's good disposition in this regard has been evinced by the issuance of an irade for building the American college at Harpoot.

THE PAN-AMERICAN EXPOSITION.

The exposition of the resources and products of the western hemisphere to be held at Buffalo next year promises important results, not only for the United States but for the other participating countries. It is gratifying that the Latin-American states have evinced the liveliest interest and the fact that an international American congress will be held in the City of Mexico while the exposition is in progress encourages the hope of a larger display at Buffalo than might otherwise be practicable. The work of preparing an exhibit of our national resources is making satisfactory progress under the direction of different officials of the federal government and the various states of the Union have shown a disposition toward the most liberal participation in the enterprise.

THE GOVERNMENT'S REVENUES.

It is gratifying to be able to state that the surplus revenues for the fiscal year ended June 30, 1900, were $79,527,060. For the six preceding years we had only deficits, the aggregate of which from 1894 to 1899, inclusive, amounted to $283,022,991. The receipts for the year from all sources, exclusive of postal revenues, aggregated $567,240,851, and expenditures for all purposes, except for the administration of the postal department, aggregated $487,713,791.

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, a reduction of $95,066,486 over those of 1899. In the navy department the expenditures were $55,953,077 for the year 1900, as against $63,942,104 for the preceding year, a decrease of $7,989,026.

The secretary of the treasury estimates that the receipts for the current fiscal year will aggregate $580,000,000 and the expenditures $500,000,000, leaving an excess of revenues over expenditures of $80,000,000. The present condition of the treasury is one of undoubted strength.

The beneficial effect of the financial act of 1900 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 small communities hitherto unable to provide themselves with banking institutions under the national system.

OUR FOREIGN TRADE.

Our foreign trade shows a remarkable record of commercial and industrial progress. The total of imports and exports for the first time in the history of the country exceeded $2,000,000,000. The exports are greater than they have ever been before, the total for the fiscal year 1900 being $1,394,483,082, an increase over 1899 of $167,459,780.

TAXES SHOULD BE REDUCED.

I recommend that congress at its present session reduce the internal revenue taxes imposed to meet the expenses of the war with Spain in the sum of $30,000,000. This reduction should be secured by the remission of those taxes which experience has shown to be the most burdensome to the industries of the people.

THE MERCHANT MARINE.

American vessels during the past three years have carried about 9 per cent. of our exports and imports. Foreign ships should carry the least, not the greatest part of American trade. The remarkable growth of our steel industries, the progress of shipbuilding for the domestic trade, and our steadily maintained expenditures for the navy have created an opportunity to place the United States in the first rank of commercial maritime powers.

In again urging immediate action by congress on measures to promote American shipping and foreign trade, I direct attention to the recommendations on the subject in previous messages, and particularly to 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 upbuild our sea-carrying capacity for the products of agriculture and manufacture, which, with the increase of our navy, mean more work and wages to our countrymen, as well as a safeguard to American interests in every part of the world."

THE TRUST PROBLEM.

In my last annual message to congress I called attention to the necessity for early action to remedy such evils as might be found to exist in connection with combinations of capital organized into trusts, and again invite attention to my discussion of the subject at that time.

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

THE PHILIPPINES.

In 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 those islands rests with the congress of the United States, I abstained from recommending at that time a specific and final form of government for the territory actually held by the United States forces and in which as long as insurrection continues the military arm must necessarily be supreme. I stated by purpose, until congress shall have made known the formal expression of its will, to use the authority vested in me by the constitution and the statutes to uphold the sovereignty of the United States in those distant 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 congress and the people have provided. No contrary expression of the will of congress having been made, I have steadfastly pursued the purpose so declared, employing the civil arm as well toward the accomplishment of pacification and the institution of local governments within the lines of authority and law.

The commission was instructed to proceed to Manila and to communicate with the military governor of the Philippine islands, who was directed to render to them every assistance within his power in the performance of their duties. Without hampering them by too specific instructions, they were enjoined, after making themselves familiar with the conditions and needs of the country, to devote their attention in the first instance to the establishment of municipal governments, in which the natives of the islands, both in the cities and in the rural communities, shall be afforded the opportunity to manage their own local affairs to the fullest extent of which they are capable and subject to the least degree of supervision and control which a careful study of their capacities and observation of the workings of native control show to be consistent with the maintenance of law, order and loyalty.

The next subject in order of importance should be the organization of government in the larger administrative divisions corresponding to counties, departments or provinces, in which the common interests of many municipalities falling within the same lines, or the same natural geographical limits, may best be subserved by a common administration. Whenever the commission is of the opinion that the condition of affairs in the islands is such that the central administration may safely be transferred from military to civil control they will report that conclusion to the secretary of war, with their recommendations as to the form of central government to be established for the purpose of taking over the control.

Beginning with September 1, 1900, the authority to exercise, subject to my approval, through the secretary of war, that part of the power of government in the Philippine islands which is of a legislative nature was transferred from the military governor of the islands to the commission, to be thereafter exercised by them in the place and stead of the military governor until the establishment of the civil central government for the islands, or until congress shall otherwise provide.

Progress in the hoped-for direction has been favorable. Our forces have successfully controlled the greater part of the islands, overcoming the organized forces of the insurgents and carrying order and administrative regularity to 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 guerilla warfare, which, while ineffective to alter the general control now established, are still sufficient to beget insecurity among the populations that have felt the good results of our control and thus delay the conferment upon them of the fuller measures of local self-government, of 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 dissatisfied Tagals to the authority of the United States was virtually ended, thus opening the door for the extension of a stable administration over much of the territory of the archipelago. Desiring to bring this about, I appointed in March last a civil commission composed of Hon. William H. Taft, of Ohio; Prof. Dean C. Worcester, of Michigan; Hon. Luke I. Wright, of Tennessee; Hon. Henry C. Ide, of Vermont, and Prof. Bernard Moses, of California. The aims of their mission and the scope of their authority are clearly set forth in my instructions of April 7, 1900, addressed to the secretary of war to be transmitted to them.

Coincidentally with the entrance of the commission upon its labors, I caused to be issued by Gen. 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 leaders.

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 August 21, 1900, it submitted a preliminary report, which will be laid before congress and from which it appears that already the good effects of returning order are felt; that business 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 during Spanish rule; that economy in the military administration has created a surplus fund of $6,000,000, available for needed public improvements; that a stringent civil service law is in preparation; that railroad communications are expanding, opening up rich districts, and that a comprehensive scheme of education is being organized.

Later reports from the commission show yet more encouraging advance toward 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. I would impress upon congress that whatever legislation may be enacted in respect to the Philippine islands should be along these generous lines. The fortune of war has thrown upon this nation an unsought trust which should be unselfishly discharged and devolves upon this government a moral as well as material responsibility toward these millions whom we have freed from an oppressive yoke.

I have on another occasion called the Filipinos "the wards of the nation." Our obligation as guardian was not lightly assumed; it must not be otherwise than honestly fulfilled, aiming first of all to benefit those who have come under our fostering care. It is our duty to so treat them that our flag may be no less beloved in the mountains of Luzon and the fertile zones of Mindanao and Negros than it is at home, that there as here it shall be the symbol of liberty, enlightenment and progress in every avenue of development.

PORTO RICO.

The civil government of Porto Rico provided for by the act of congress approved April 12, 1900, is in successful operation. The courts have been established. 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 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 supervision over the public lands in Porto Rico, and that he be directed to ascertain the location and quantity of lands the title to which remained in the crown of Spain at the date of cession of Porto Rico to the United States, and that appropriations necessary for surveys be made, and that the methods of the disposition of such lands be prescribed by law.

On the 25th of July, 1900, I directed that a call be issued for an election in Cuba for members of a constitutional convention to frame a constitution as a basis for a stable and independent government in the island. The election was held on September 15, and the convention assembled on November 5, 1900, and is now in session.

THE ARMY.

The present strength of the army is 100,000 men—65,000 regulars and 35,000 volunteers. Under the act of March 2, 1899, on June 30 next the present volunteer force will be discharged and the regular army will be reduced to 2,447 officers and 29,025 enlisted men.

We have in Cuba between 5,000 and 6,000 troops. For the present our troops in that island cannot be materially diminished, and certainly not until the conclusion of the labors of the constitutional convention now in session and a government provided by the new constitution shall have been established and its stability assured.

In Porto Rico we have reduced the garrisons to 1,635, which includes 879 native troops. There is no room for further reduction here.

We will be required to keep a considerable force in the Philippine islands for some time to come. From the best information obtainable we will need there for the immediate future from 45,000 to 60,000 men. I am sure the number may be reduced, as the insurgents shall acknowledge the authority of the United States of which there are assuring indications.

It must be apparent that we will require an army of about 60,000, and that during present conditions in Cuba and the Philippines the president should have authority to increase the force to the present number of 100,000. Included in this number authority should be given to raise native troops in the Philippines up to 15,000. The full discussion of this subject by the secretary of war in his annual report is called to your earnest attention.

THE NAVY.

Very efficient service has been rendered by the navy in connection with the insurrection in the Philippines and the recent disturbance in China.

A very satisfactory settlement has been made of the long pending question of the manufacture of armor plate. A reasonable price has been secured and the necessity for a government armor plant avoided.

I approve of the recommendations of the secretary for new vessels and for additional officers and men which the required increase of the navy makes necessary.

THE POSTAL SERVICE.

The rapid growth of the postal service is a sure index of the great business activity of the country. Its most striking new development is the extension of the rural free delivery. This has come almost wholly within the last year. At the beginning of the fiscal year 1899-1900 the number of routes in operation was only 391, and most of these had been running less than 12 months. On November 15, 1900, the number had increased to 2,614, reaching into 44 states and territories, and serving a population of 1,801,524. The number of applications now pending and awaiting action nearly equals all those granted up to the present time, and by the close of the current fiscal year about 4,000 routes will have been established.

PENSIONS.

At the end of the fiscal year there were on the pension roll 993,529 names, a net increase of 2,010 over the fiscal year 1899. The number added to the rolls during the year was 45,344. The amount disbursed for army pensions during the year was $134,700,597 and for navy pensions $3,761,533, a total of $138,462,130, leaving an unexpended balance of $5,542,768 to be covered into the treasury, which shows an increase over the previous year's expenditure of $107,077.

HAWAIIAN AFFAIRS.

Much interesting information is given in the report of the governor of Hawaii as to the progress and development of the islands during the period from July 7, 1898, the date of the approval of the joint resolution of congress providing for their annexation, up to April 30, 1900, the date of the approval of the act providing a government for the territory and thereafter.

The last Hawaiian census, taken in the year 1896, gives a total population of 109,020, of which 31,019 were native Hawaiians. The number of Americans reported was 8,485. The results of the federal census, taken this year, show the islands to have a total population of 154,001, showing an increase over that reported in 1896 of 44,981, or 41.2 per cent.

There has been marked progress in the educational, agricutural and railroad development of the islands.

THE CENSUS.

The director of the census states that the work in connection with the twelfth census is progressing favorably. This national undertaking, ordered by congress each decade, has finally resulted in the collection of an aggregation of statistical facts to determine the industrial growth of the country, its manufacturing and mechanical resources, its richness in mines and forests, the number of its agriculturalists, their farms and products, its educational and religious opportunities, as well as questions pertaining to sociological conditions.

The labors of the officials in charge of the bureau indicate that the law of March 3, 1899, requiring the completion of the four important and most desired subjects, namely, population, agricultural, manufacturing and vital statistics, will be completed within the prescribed limit.

The field work incident to the above inquiries is now practically finished, and as a result the population of the states and territories, including the Hawaiian Islands and Alaska, has been announced. The growth of population during the last decade amounts to over 13,000,000, a greater numerical increase than in any previous census in the history of the country.

Bulletins will be issued as rapidly as possible giving the population by states and territories and by minor civil divisions. Several announcements of this kind have already been made, and it is hoped that the list will be completed by January 1. Other bulletins giving the results of the manufacturing and agricultural inquiries will be given to the public as rapidly as circumstances will admit.

The director, while confident of his ability to complete the different branches of the undertaking in the allotted time, finds himself embarrassed by the lack of a trained force properly equipped for statistical work, thus raising the question whether in the interest of economy and a thorough execution of the census work there should not be retained in the government employ a certain number of experts, not only to aid in the preliminary organization prior to the taking of the decennial census, but in addition to have the advantage in the field and office work of the bureau of trained assistants to facilitate the early completion of this enormous undertaking.

THE AGRICULTURAL DEPARTMENT.

The department of agriculture has been extending its work during the past year, reaching farther for new varieties of seeds and plants; co-operating more fully with the states and territories in research along useful lines; making progress in meteorological work relating to lines of wireless telegraphy and forecasts for ocean-going vessels; continuing inquiry as to animal disease; looking into the extent and character of food adulteration; outlining plans for the care, preservation and intelligent harvesting of our woodlands; studying soils that producers may cultivate with better knowledge of conditions and helping to clothe desert places with grass.

Our island possessions are being considered that their peoples may be helped to produce the tropical products now so extensively brought into the United States. Inquiry into methods of improving our roads has been active during the year; help has been given to many localities and scientific investigation of material in the states and territories has been inaugurated. Irrigation problems in our semi-arid regions are receiving careful and increased consideration.

The collection of statistics regarding our crops is being improved and sources of information are being enlarged, to the end that producers may have the earliest advices regarding crop conditions. There has never been a time when those for whom it was established have shown more appreciation of the services of the department.

In my annual message of December 5, 1898, I called attention to the necessity for some amendment of the alien contract law. There still remain important features of the rightful application of the eight-hour law for the benefit of labor and of the principle of arbitration, and I again commend these subjects to the careful attention of congress.

THE CIVIL SERVICE.

That there may be secured the best service possible in the Philippine islands, I have issued, under date of November 30, 1900, the following order:

"The United States civil service commission is directed to render such assistance as may be practicable to the civil service board for maintenance of an honest civil service in the Philippine islands and for that purpose to conduct examinations for the civil service of the Philippine islands, upon the request of the civil service board of said islands, under such regulations as may be agreed upon by the said board and the said United States civil service commission."

The civil service commission is greatly embarrassed in its work for want of an adequate permanent force for clerical and other assistance. Its needs are fully set forth in its report. I invite attention to the report, and especially urge upon congress that this important bureau of the public service, which passes upon the qualifications and character of so large a number of the officers and employes of the government, should be supported by all needed appropriations to secure promptness and efficiency.

I am very much impressed with the statement made by the heads of all the departments of the urgent necessity of a hall of public records. In every departmental building in Washington, so far as I am informed, the space for official records is not only exhausted, but all the rooms are lined with shelves, the middle floor space of many rooms is filled with file cases, and garrets and basements, which were never intended and are unfitted for their accommodation, are crowded with them. Aside from the inconvenience there is great danger, not only from fire, but from the weight of these records upon timbers not intended for their support. There should be a separate building especially designed for the purpose of receiving and preserving the annually accumulating archives of the several executive departments. Such a hall need not be a costly structure, but should be so arranged as to admit of enlargement from time to time. I urgently recommend that congress take early action in this matter.

I transmit to congress a resolution adopted at a recent meeting of the American Bar association concerning the proposed celebration of John Marshall day, February 4, 1901. Fitting exercises have been arranged, and it is earnestly desired by the committee that congress may participate in this movement to honor the memory of the great jurist.

The transfer of the government to this city is a fact of great historical interest. Congress having provided for "an appropriate national celebration of the centennial anniversary of the establishment of the seat of government in the District of Columbia," the committees authorized by it have prepared a program for the 12th of December, 1900, which date has been selected as the anniversary day.

Deep interest has been shown in the arrangements for the celebration by the members of the committees of the senate and house of representatives, the committee of governors appointed by the president, and the committees appointed by the citizens and inhabitants of the District of Columbia generally. The program, in addition to a reception and other exercises at the executive mansion, provides commemorative exercises to be held jointly by the senate and house of representatives in the hall of the house of representatives and a reception in the evening at the Corcoran Gallery of Art in honor of the governors of the states and territories.

In our great prosperity we must guard against the danger it invites of extravagance in government expenditures and appropriations; and the chosen representatives of the people will, I doubt not, furnish an example in their legislation of that wise economy which in a season of plenty husbands for the future. In this era of great business activity and opportunity, caution is not untimely. It will not abate, but strengthen confidence. It will not retard, but promote legitimate industrial and commercial expansion. Our growing power brings with it temptations and perils requiring constant vigilance to avoid. It must not be used to invite conflicts nor for oppression, but for the more effective maintenance of those principles of equality and justice upon which our institutions and happiness depend. Let us keep always in mind that the foundation of our government is liberty; its superstructure, peace.

WILLIAM McKINLEY.