# PRESIDENT WILSON PLEADS FOR DEFENSE, MERCHANT FLEET AND GREATER INCOME TAX

Plans of Secretaries Garrison and Daniels Indorsed-Government Must Lead in Shipping Program. "Hyphenates" Attacked

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 WASHINGTON, Dec. 7. — Following is

 the text of the address delivered today

 y President Woodruw Wilson before a

 int session of the Senate and House of

 Reference of the Congress:

 Bince I last had the privilege of ad-freesing you on the state of the Union of the war of nations on the other stide of the war of nations on the other stide of the war of nations on the other stide of the sea, which had then only begun to inschoe its portentous proportions, has stobe, not excepting our own hemisphers, has altered the whole face of informs.

 Defense and affairs and now presents a pros.

tional affairs and now presents a pros-pect of reorganization and reconstruc-tion such as statesmen and peoples have never been called upon to attempt be-

We have stood apart, studiously neu-ral. It was our manifest duty to do so. Not only did we have no part or interest in the policies which seem to have brought the conflict on; it was necessary, if a universal catastrophe was to be avoided, that a limit should be set to the sweep of destructive war, and that some part of the great family of nations should keep the processes of pence alive, if only to prevent collective eco-nomic ruin and the breakdown throughout the world of the industries by which its populations are fed and sustained. It was manifestly the duty of the self-governed nations of this hemisphere to redress, if possible, the balance of economic loss and confusion in the other, if they could do nothing more. In the day of readjustment and recuperation we earnestly hope and be-lieve that they can be of infinite service.

In this neutrality, to which they were hidden not only by their separate life and their habitual detachment from the politics of Europe, but also by a clear perception of international duty, the States of America have become con-scious of a new and more vital community of interest and moral partnership in affairs, more clearly conscious of the many common sympathies and inter-ests and duties which bid them stand together.

#### Latin-American Relations

There was a time in the early days of our own great nation and of the republics fighting their way to independence in Central and South America when the Government of the United States looked upon itself as in some sort the guardian of the republies to the south of her as against any encroachments or efforts at political control from the other side of the water: feit it is duty to play the part even without invitation from them; and I think that we can claim that the task was undertaken with a true and disinterested enthusiasm for the freedom of the Americas and the unmolested selfgovernment of her independent people. But it was always difficult to maintain such a role without offense to the pride of the peoples whose freedom of action we sought to protect, and without provok ing serious misconceptions of our motives and every thoughtful man of affairs mus welcome the altered circumstances of the new day in whose light we now stand, when there is no claim of guardianship or thought of wards but, instead, a full and honorable association as of partners between ourselves and our neighbors, in the interest of America, north and south

Our concern for the independence and prosperity of the States of Central and South America is not altered. We retain unabated the spirit that has in-spired us throughout the whole life of our Government and which was so frankly put into words by President Monroe. We will mean always to make a common cause of national inmake a common cause of national in-dependence and of political liberty in America. But that purpose is now better understood so far as it concerns aneselves it is known not to be a seliant ourselves. It is known not to be a selfish It is known to have in it no of taking advantage of any govpurpose. It is thought of tak ernment in this hemisphere or playing its political fortunes for our own benefit All the governments of America stand so far as we are concerned, upon a foot ng of genuine equality and unquestioned

There is, I venture to point out, an especial significance just now attach-ing to this whole matter of drawing the American together in bonds of honorable partnership and mutual advantage because of the economic readjustments which the world must inevitably witness within the next generation, when pence within the next generation, when pence shall have at last resumed its healthful tasks. In the performance of these tasks I believe the Americas to be destined to play their parts together. I am interested to fix your attention on this prospect now because unless you take it within your view and per-mit the full significance of it to com-neard your theorem. hand your thought. I cannot find the right light in which to set forth the particular matter that lies at the very front of my whole thought as I address you today. I mean national defense.

are appointed to speak can fall to perceive that their passion is for peace, their genius best displayed in the practice of the arts of peace. Great democracles, nre not belligerent. They do not seek or desire war. Their thought is of in-dividual liberty and of the free labor that supports life and the uncensored thought that quickens it. Conquest and dominion are not in our reckoning or agreeable to our principles.

whatever quarter it may come, the ag-

We insist upon security in prosecuting our self-chosen lines of national de-velopment. We do more than that. We demand it also for others. We do not confine our enthusiasm for individual liberty and free national development to the incidents and movements of af-fairs which affect only ourselves. We feel it wherever there is a people that tries to walk in these difficult paths of Independence and right. From the we have made common cause with all partisans of liberty on this side of the sea, and have deemed it as important that our neighbors should be free from all outside domination as that we ourselves should be: have set America aside as a whole for the uses of independent nations and political freemen.

#### An Instrument of Peace

Out of such thoughts grow all our noticles. We regard war merely as a means of asserting the rights of a people against aggression. And we are as hereely jealous of coercive or dictatorial power within our own nation as of aggression from without. We will not maintain a standing army ex-cept for uses which are as necessary in times of peace as in times of war; and we shall always see to it that our military peace establishment is no larger than is actually and continuously needed for the uses of days in which no enemies move against us. But we do believe in a body of free elizens ready and sufficient to take care of themselves and of the Governments which they ha confidence has been that our safety in times of danger would lie in the rising of the nation to take care of itself, as vent.

It would depend upon the pariotic If would depend upon the parameter feeling of the younger men of the country whether they responded to such a call to service or not. It would de-pend upon the patriotic spirit of the employers of the country whether they made it possible for the younger men in their employ to respond under favor-ble conditions or not. I, for one, do able conditions or not., I, for one, do not doubt the patriotic devotion either of our young men or of those who give them employment - those for whose benefit and protection they would, in fact, enlist. I would look forward to the success of such an experiment with entire confidence. At least so much by way of preparation

for defense seems to me to be abno-lutely imperative now. We cannot do Ican.

## The Naval Program

The program which will be laid before rou by the Secretary of the Navy is similarly conceived. It involves only a short ening of the time within which plans long matured shall be carried out; but it does make definite and explicit a program which has heretofore been only explicit, held in the minds of the Committee on Naval Affairs and disclosed in the de-bates of the two houses, but nowhere formulated or formally adopted. It seems to me very clear that it will be to the advantage of the country for the Congress to adopt a comprehensive plan for putting the navy upon a final footing ting the navy upon a final footing of atrensith and efficiency and to press that plan to completion within the next five years. We have sways looked to the navy of the country as our first and chief line of defense; we have always seen it to be our manifest course of prudence to be strong on the sens. Year by year we have been creating a nave which now easies very high index for navy which now ranks very high indeed Mast Protect Democracy No one who really comprehends the spirit of the great people for whom we

The program to be laid before contemplates the construction within five years of 10 buttleships, six battle cruisers, 10 scout cruisers, 50 destroy-ers, 15 fleet submarines, 85 const submarines, four gunboats, one hospital ship, two ammunition ships, two fuel oil ships and one repair ship. It is pro-posed that of this number we shall the first year provide for the construction of two battleships, two battle cruisers, But just because we demand unmolested development and the undisturbed govern-ment of our own lives upon our own prin-typles of right and liberty, we resent, from the second year, two battleships, one acout erniser. 10 destroyers, four fleet submarines, 15 const submarines, one gunbont and one fuel oil ship; the third year, two hattleships, one hattle cruiser, two scout eruisers, five destroyers, two fleet submarines and 15 coast submarines; the fourth year, two battleships, two battle cruisers, two 15 scout crubsers, 10 destroyers, two fleet submarines, 15 const submarines, one ammunition ship and one fuel oil ship. and the fifth year, two battleships, on battle cruiser, two scout cruisers, destroyers, two fleet submarines; 15 const submarines, one gunbont one numunition ship and one repair ship. The Secretary of the Navy is askin also for the immediate addition to th personnel of the navy of 7500 sallers, apprentice seamen and 1500 marines. T increase would be sufficient to care te shitts which are within the fiscal year 1917 and also for the number of men which must be put in training to man the ships which will be completed early in 1915. It is also necessary that the number of midshipmen at the Naval Academy, at Annapolis, should be increased by at least 300 in order that the force of officers should be more rapid-

ly added to; and authority is asked to ap-point, for engineering duties only, appoint, for engineering duties only, ap-proved graduates of engineering colleges, and for service in the aviation corps a certain number of men taken from civil

If this full program should be carried out we should have built or building in 1921, according to the estimates of survival and standards of classification fot- Ship Purchase Bill Modified fowed by the General Board of the de-partment, an effective may consisting necessities of our commerce and avail-"the bear d our of 37 battleships of the first line, six battle cruisers, 25 battleships of the second line, 10 armored cruisers, 13 d our ty in three second-class cruisers, 10 third-

# ventent places in association with suff-nble units of the regular army. Their period of annual training would not accessarily exceed two months in the Address to 64th Address to 64th Congress

AMERICA AND THE WORLD-Problems faced by the United States are part of the great world problems which the Great War has brought forward. They present "a prospect of reorganization and reconstruction such as statesmen and peoples have never been called upon to attempt

before." The United States will lead the way in that profound readjustment of international affairs which the conclusion of the war will necessitate.

LATIN-AMERICAN RELATIONS-In the neutrality in which the nations of the American continent have been actuated "by their separate life and their habitual detachment from the politics of Europe" has entered and been strengthened that spirit of Pan-American solidarity which has made these nations "more clearly conscious" of the sympathies and interests which bind them together.

MEXICO-Mexico and its revolutions have been the great test which MEAICO-Mexico and its revolutions have been the great test which the United States has undergone to convince Latin-America of the true meaning of Pan-Americanism. This country must be fair and patient to-ward the republic south of the Rio Grande. The States of America must work in co-operation. They must present, in the true sense a unit, a co-ordination of moral partners, actuated by the same sympathies in world offaire.

NATIONAL DEFENSE-The United States must be ready to protect and defend from foreign dangers those principles and ideals of democracy to which it is committed.

ARMY-This branch of the national defense system must receive first consideration. Plan of Secretary Garrison should be adopted.

NAVAL PROGRAM-Plan of Secretary Daniels should be adopted.

MERCHANT MARINE-The defense of the United States depends not only upon its military and naval forces, but upon the extent of its merchant marine, which must be increased.

PHILIPPINES AND PORTO RICO-The United States must immediately proceed with the adoption of such necessary reforms as will be proposed to Congress and as are necessary to the assurance of the economic and political liberty of these domains.

TAXES-The President urges the continuation of the present taxes and recommends a slight and gradual increase in the income tax and taxes on additional commodities, among them oils, automobiles, internal explosion engines, bank checks, iron and steel.

conducted by naturalized American citizens in favor of the countries of their birth, the President urges the adoption of such laws as will ade-quately deal with this problem and stamp out the spirit of disloyalty en-

enable the Government to mobilize as easily and speedily as possible the economic resources of the country in event of danger and provide for the aid and advice of civil experts in both branches of the national defense

system is also urged. The creation of a commission of inquiry to look into the problems of transportation with a view of making railroad regulation more modern and efficient is also advocated.

should promptly remove every legal ob-stacle that may stand in the way of this much to be desired revival of our old in-dependence, and should facilitate in every possible way the building, purchase and American registration of ships. Government Must Lead Way

sugar will be discontinued after the 1st of May, 1916, will be \$670,585,500. The bal-ance of June last and these estimated But capital cannot accomplish this great task of a sudden. It must embark evenues come, therefore, to a grand total upon it by degrees, as the opportunities of trade develop. Something must be of \$174,535,605,78,

of trade develop. Something must be done at once; done to open routes and The total estimated dishursements for the present fiscal year, including \$25,009,000 for the Panama Canal, \$12,000,000 for probthe deficiency appropriations and \$50,000 for miscellaneous debt redemptions, will be \$753,\$91,000; and the balance in the general fund of the Treasury will be re-duced to \$29,544,605.78. The emergency revas yet undeveloped; done to open the arteries of trade where the currents have not yet learned to run-especially between the two American continents, where they are, singularly enough, yet to be created and quickened; and it is enne act, if continued beyond its present time limitation, would produce, during the half year then remulning, about \$41.evident that only the Government can undertake such beginnings and assume the initial financial risks. When the risk has passed and private capital 000,000. The duty of I cent per pound on sugar, if continued, would produce during the two months of the fiscal year rebegins to find its way in sufficient abundance into these new channels, the Government may withdraw. But it cannot omit to begin. It should take the first steps, and should take them at once. Our goods must not lie piled up at our ports and stored upon sidetracks in freight cars which are daily needed on the year, would yield the Treasury at the end of the year an available balance of \$75,644,905.75. roads; must not he left without means of

The additional revenues required to carry out the program of military and naval preparation of which I have spoken would, as at present oftimated, he for the fiscal year, which I have already given. taken with the figures for the present fiscal years, which I have already given, take

## Must Continue Present Taxes

Assuming that the taxes imposed by the emergency revenue act and the present duty on sugar are to be discontinued, and class cruisers 10% destroyers. IS fleet return again if we miss it now, proposals that the balance at the close of the pres-

The end of the fiscal year 1917 without may be a control of the fiscal year 1917 without may be a control of the fiscal year 1917 without may be a control of the secretary of the resort of the secretary of the test without a secretary of the secretary which will be immediately secretary of the secretary which will be immediately secretary which will be immediately secretary which a secretary of the secretary which and secretary of the secretary which and secretary of the secretary which and secretary of the sec Other Revenue Sources And there are miny idditional sources of revenue which can justly be resorted to without hampering the industries of the country or putting any too great tharge upon individual expenditure. A two of one per cent, per gallon on gaso-line and naphtha would yield, at the present estimated production, 310,000, 000; a tax of 50 cents per horsepower on intomobiles and internal explosion engines, \$15,000,000; a stamp tax on hank cheques, probably \$18,000,000; a tax of 25 cents per fon an pig from, \$10, 000,000; fa tax of 25 cents per ton on fabricated from and steel, probably \$18,00 000,000; fa tax of 25 cents wer ton on fabricated from and steel, probably \$18,00 000,000; fa tax of 25 cents wer ton on fibricated from and steel, probably \$18,00 000,000; fa tax of 25 cents wer ton on fibricated from and steel, probably \$18,00 000,000; fa tax of 25 cents wer ton on fibricated from and steel, probably \$18,00 000,000; fa tax of 25 cents wer ton on fibricated from and steel, probably \$18,00 000,000; fa tax of 25 cents wer ton on fibricated from and steel, probably \$18,00 000,000; fa tax of 25 cents wer ton on fibricated from and steel, probably \$18,00 000,000; fa tax of 25 cents wer ton on fibricated from and steel, probably \$18,00 000,000; fa tax of 25 cents wer ton on fibricated from and steel, probably \$18,00 000,000; fa tax of 25 cents wer ton on fibricated from and steel, probably \$18,00 000,000; fa tax of 25 cents wer ton on fibricated from and steel, probably \$18,00 000,000; fa tax of 25 cents wer ton on fibricated from and steel, probably \$18,00 000,000; fa tax of 25 cents wer ton on fibricated from and steel, probably \$18,00 000,000; fa tax of 25 cents wer to be easy to fibricate the burdens of taxation witho out making them in symber bear too heavily or too exclusively upon any one fibricated persons or undertakings. What is chosen to be the burdens of taxation witho deal with It. Must Crush Treason I urge you to enact such laws at the rarliest possible moment and feel that is doing so I am urging you to do nothing teas than save the honor and self-respect of the nation. Such creatures of par-sion, disloyalty and anarchy must be crashed out. They are not many, but they are infinitely malignent, and he they are the power should close one the hand of our power should close one them at once. They have formed plane to destroy property; they have entered to destroy property: they have entered into conspiracles against the neutrality of the Government: they have sough to pry into every confidential trans-action of the Government in order is serve interests allen to our own. It is possible to deal with these things very

Peace and "Hyphenotes"

generation.

Peace and "Hyphenotes" I have spoken to you today, gentlemen, upon a single theme, the thorough prep-gration of the mation to care for its own necurity and to make sure of entire free-dom to play the impartial role in this hemisphere and in the world which we all believe to have been providentially assigned to it. I have had in my mind or particular and in the module of the set of nestigned to R. I have not in my minu-no thought of any immediate or purtlea-lar arising out of our relations with other nations. We are at peace with all the nations of the world, and there is reason to hope that no question in controversy between this and other Governments will lead to any serious breach of amicable relations, grave as some differences of attitude and policy have been and may yet turn out to be.

I am sorry to say that the gravest threats against our national pence and safety have been uttered within our own borders. There are citizens of the United States, J blush to admit, born under other flags but welcomed under our gen-erons neturalization laws to the full freeerons information may to the information down and opportunity of America, who have poured the poison of disloyalty into the very arteries of our malional life; who have sought to bring the outhority and good name of our Government into contempt, to destroy our industries wherever they thought it effective for the outhority numbers to article at their vindictive purposes to strike at them and to debase our politics to the uses of foreign intrigue. Their number is not as great as compared with the whole number of those sturdy hosts by which our nation has been enriched in moent generations out

stocks; but it is great enough to have brought deep disgrace upon us and to have made it necessary that we should promptly make use of processes of law by which we may be purged of their corrupt distempers. America never witnessed anything like this before. It never dreamed it possible that men sworn into its own citizenship, men drawn out of great free

stocks such as supplied some of the best and strongest elements of that little, but how heroic, nation that in a high day of old staked its very life to free itself from every entanglement that had darkened the fortunes of the

nations and set up a new standard here

The domestic questions which engaged Continued on Page Six, Column Faur

effectually. I need not suggest the terms in which they may be dealt with

I wish that it could be said that only a ew men, misled by mistaken sentiments of allegiance to the governments under

which they were born, had been guilty of disturbing the self-possession and missa-resenting the temper and principles of

resenting the temper and principles of the country during these days of terms war, when it would seem that every ma-who was traly an American would in-etimetively make it his duty and his prior to keep the scales of judgment even and prove himself a partisan of no nation be-prove himself a partisan of no nation be-

als own, But it cannot. There are

some men among us, and many resident abroad who, though born and bred is

the United States and calling themselves

Americans, have so forgotten them-selves and their honor as citizens as to

put their passionate sympathy with one or the other side in the great Euro-

one or the other side in the great Euro-pean conflict above their regard for the pence and dignity of the United Siste. They also preach and practice di-loyalty. No laws, I suppose, can reach corruptions of the mind and heart, but

I should not speak of others without also speaking of these and expression

the even deeper humiliation and scora

which every self-possessed and thought-fully patriotic American must feel when he thinks of them and of the dr-

credit they are daily bringing upon as,

While we speak of the preparation of the mation to make sure of her security and her effective power we must not fall into the patent error of supposing that her real strength comes from armaments

and mere safeguards of written law,

onces, of course, from her people, their ergy, their success in their undertak-nes, their free opportunity to use the

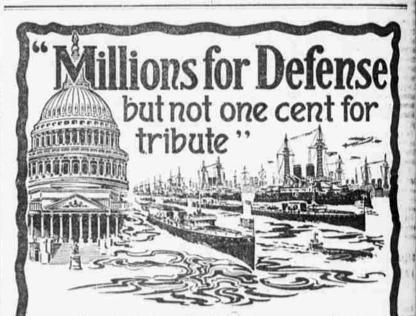
ad of the lands outside our continental orders, which look to us for protection or encouragement and for assistance in

cir development; from the organization

nd freedom and vitality of our economic

natural resources of our great home land

Real Strength in People



PEACE AND "HYPHENATES"-After condemning the agitation

gendered by agitators. PROBLEMS OF ECONOMICS-The passage of laws that would

#### Mexico the Test

We have been put to the test in the ense of Mexico, and we have stood the test. Whether we have benefited Mexico by the course we have pursued remains to be seen. Her fortunes are in her to be seen. Her fortunes are in her own hands. But we have at least proved that we will not take advantage of her in her distress and undertake to impose upon her an order and government of our own choosing. Liberty is often a fierce and intractable thing, to which no bounds can be set, and to which no bounds of a few men's choosing ought ever be act.

Every American who has drunk at the true fountains of principle and tradition must subscribe without reservation to the high doctrine of the Virginia bill of the high doctrine of the Virginia bill of rights, which in the great days in which our Government was set up was every-where amongst us accerted as the creed of free men. That doctrine is: "That government is, or ought to be, instituted for the common henelit, protection and security of the people, nation or com-munity." that "of all the various modes and forms of movernment that is the munity," that "of all the various modes and forms of government, that is the best which is capable of producing the greatest degree of happiness and safety, and is most effectually secured against the danger of maladministration; and that, when any government shall be found inadequate or contrary to these purposes, a majority of the community hath an indubitable, inalienable and in defeasible right to reform, alter or abolian it, in such manner as shall be judged most conducive to the public weal."

We have unhesitatingly applied that herole principle to the case of Mexico. and now hopefully await the rebirth of the troubled republic, which had so much of which to purge itself and so little sympathy from any outside quarter in the radical but necessary process. We will aid and befriend Mexico, but will not coerce her; and our course with regard to her ought to be sufficient proof to all America that we seek no proof to all America tellish control. political suscerainty or sellish control. The moral is, that the States of America

not hostile rivals but co-operation friends, and that their growing sense of community of interest, alike in matters political and in matters economic, is likely give them a new significance as factors in intermational affairs and in the political history of the world. It presents them as in a very deep and true scase a unit is world affairs, splritual partners, standing together because thinking to-gether, guick with common sympathics and common ideals: Scoursted they are non ideals: Separated they are while of the all the cross currents of the contused politics of a world of heatile rivalries; united in spirit and purpose they cannot be disappolated of their penceful destiny. This is Pan-Americanism. It has none of the spirit of empire is it. It is the

of the spirit of empire in it. It is the embodiment, the effectual canbodiment, of the spirit of law and independence and liberty and mutual service.

A very notable body of men recently met in the city of Washington, at the in-vitation and as the guests of this Gov-remment, whose deliberations are likely several independent States of this hemiphere and were assembled to discuss the dimension and sommercial relations of the to be looked back to as marking a memor-able menting point in the history of Amer-m. They were representative men of the

# the farmers rose at Lexington.

been a more matter war hna neve of men and guas. It is a thing of disci-plined might. If our citizens are ever to dight effectively upon a sudden summons, they must know how modern fighting is done and what to do when the summons comes to render themselves immediately available and immediately effective. And te Government must be their servant in this matter, must supply them with the training they need to take care of them-selves and of it. The military arm of their Government, which they will not allow to direct them, they may properly use to serve them and make their indeendance secure-and not their own indeindence merely, but the rights also of lose with whom they have made com-on cause, should they also be put in non cause, opardy. They must be fitted to play

the great role in the world, and par-ticularly in this hemisphere, for which they are qualified by principle and by chastened ambition to play.

#### Army First Consideration

It is with these ideals in mind that the plans of the Department of War for more adequate national defense were conceived which will be laid bewere conceived which will be laid be-fore you, and which I urge you to sanc-tion and put into effect as soon as they can be properly acrutinized and dis-cussed. They seem to me the essential first steps, and they seem to me for the present sufficient. They contemplate an increase of the standing force of the regular army

standing force of the regular army from its present strength of 5023 offi-cers and 102,085 calisted men of all services to a strength of 7136 officers and 134,707 calisted men, or 141,843, all told, all services, rank and file, by the addition of 52 companies of coast artil-lery, 15 companies of engineers, 16 regi-ments of lufantry, four regiments of field artillery and four aero squadrons, hesides 750 officers required for a great variety of extra service, especially the all-important duty of training the citi-zen force of which I shall presently speak, 792 noncommissioned officers for service in drill recruiting and the like and the necessary quota of enlisted men for the quartermaster corps, the hospital corps, the ordnance department, and other similar auxiliary services.

These are the additions necessary to ender the army adequate for its present iuties, duties which it has to perform not only upon our own continental coasts and sorders and at our interior army posts but also in the Philippines, in the Ha-wallan Islands, at the Islamus and in Forto Rico.

#### 400,000 Citizens to Aid

400,000 Citizens to Aid By way of making the country ready to assert some part of its real power promptly and upon a larger scale, should occasion arise, the plan also contemplates supplementing the army by a force of 400,000 disciplined citi-zens, raised in increments of 133,000 a year throughout a period of three years. This it is proposed to do by a process of cullstmeat under which the uerviceable men of the country would be asked to bind themselves to serve with the colors for purposes of train-ing for short periods throughout three years, and to come to the colors at years, and to come to the colors at call at any time throughout an addi-tional "furlough" period of three years. This force of 400,000 men would be pro-

three tenders to torpedo vessels, eight vessels of special types and two ammu-nition ships. This would be a navy fitted to our need and worthy of our traditions.

Merchant Marine Urged

But armies and instruments of war are only a part of what has to be considered if we are to consider the su-preme matter of national self-suffi-ciency and security in all its aspecta There are other great matters which will be thrust upon our attention whether we will or not. There is, for example, a very pressing question of trade and shipping involved in this great problem of national adequacy. It is necessary for many weighty reasons of national efficiency and development that we should have a great merchant marine. arine. The great merchant fleet we used to make us rich, that great

body of sturdy sallors who used to carry our flag into every sea, and who were the pride and often the bulwark of the nation, we have almost driven out of existence by inexcuaable neglect and indifference and by a hopeessly blind and provincial policy called economic protection. It is high time we repaired our mistake and re-sumed our commercial independence on the seas.

**Ouestion** of Independence

For it is a question of independence. If other nations go to war or seek to hamper each other's commerce, our mer-chants, it seems, are at their mercy to do with na they please. We must use their ships and use them as they de-termine. We have not ships enough of our own. We cannot handle our own commerce on the sens. Our indepen-dence is provincial, and is only on land and within our own horders. We are not likely to be permitted to use even the ships of other nations in rivalry their own trade, and are without neans to extend our commerce even where the doors are wide open and our desired h a situation is not to be endured.

It is of capital importance not only that the United States should be its own carrier on the seas and enjoy the e independence which only an adequate merchant marine would give it, but also that the American hemisphere is a whole should enjoy a like independence and zelf-sufficiency, if it is not to be drawn into the tangle of European affairs. Without such independence the whole question of our political unity and self-

determination is very seriously clouded and complicated indeed. Moreover, we can develop no true or

Moreover, we can develop no true or effective American policy without ships of our own-not ships of war, but ships of peace, carrying goods and carrying much more; creating friendships and ren-dering indispensable services to all intareats on this side the water. They must move constantly back and forth be-tween the Americas. They are the only shuttles that can weave the delicate fabric of sympathy, comprehension, con-fidence and mutual dependence in which we wish to clothe our policy of Amer-

lea for Americans. The task of building up an adequate merchant marine for America private capital must ultimately undertake and achieve, as it has undertaken and This force of solved are void be pro-vided with personal accourtements as fast as emilisted and their equipment for the field made ready to be supplied at any time. They would be assembled for training at stated intervals at con-tion they the solution of the solution of the solution of the solution for training at stated intervals at con-

submarines, 157 const submarines, six monitors 20 gunboats, four supply ships, 15 fuel ships, four transports, be owned and directed by the Government similar to those made to the last Congress, but modified in some essential particulars.

transport to any foreign quarter. We must not await the permission of foreign ship owners and foreign Governments to

send them where we will.

develop opportunities where they

I recommend these proposals to you for your prompt acceptance with the more confidence because every month that has clapsed since the former pro-posals were made has made the necessity for such action more and more manifestly imperative. That need wa then foreseen; it is now acutely felt and everywhere realized by those for whom trade is waiting, but who can find no conveyance for their goo I am not so much interested in the particulars of the program as I am in taking immediate advantage of the great opportunity which awaits us if we will but act in this emergency. In this

matter, as in all others, a spirit of com-mon counsel should prevail, and out of it should come an early solution of this pressing problem.

### **Reforms** in Philippines

There is another matter which seems to ne to be very intimately associated with question of national safety the and preparation for defense. That is our pol-icy toward the Philippines and the people of Porto Rico. Our treatment of them and helr attitude toward us are manifestly of the first consequence in the development

of our duties in the world, and in getting a free hand to perform those duties. We must be free from every unnecessary burden or embarrassment; and there is no etter way to be clear of embarrass-tent than to fulfil our promises and pro-tote the interests of those dependent on us to the utmost.

Bills for the alteration and reform of he Government of the Philippines and the Government of the Philippines and for rendering fuller pollical justice to the people of Porto Rico were submit-ted to the 63d Congress. They will be submitted also to you. I need not par-ticularize their details. You are most of you already familiar with them. But I do recommend them to your early adop-tion with the singere conviction that with the sincere conviction that there are law measures you could adopt which would most serviceably clear the way for the great policies by which we wish to make good, now and always, our right to lead in enterprises of peace are few measures you could adop right to lead in enterprises of peace good will and economic and political freedom.

#### State of Treasury

The plans for the armed forces of the tation which I have outlined, and for he general policy of sdequate prepara-ion for mobilization and defense, involve course very large additional expendi tures of money-expenditures which will considerably exceed the estimated reve-nues of the Government.

It is made my duty by law, whenever the estimates of expenditure exceed the estimates of revenue, to call the attention catinates of revenue, to can the attention of the Congress to the fact and suggest any means of meeting the deficiency that it may be wise or possible for me to sug-gest. I am ready to believe that it would be my duty to do so in any case; and I feel particularly bound to speak of the matter when it appears that the defimatter when it appears that the defimatter which is appears that the defi-ciency will arise directly out of the adop-tion by the Congress of measures which I myself urge it to adopt. Allow me, therefore, to speak briefly of the present state of the Treasury and of the fiscal problems which the next year will prob-ably disclose. ably disclose.

On the 39th of June last there was an available balance in the general fund of the Treasury of \$194,179,195.75. The total

ent fiscal year will be only \$20,644,605.78. that the disbursements for the Panana Canal will again be about \$25,000,000 and that the additional expenditures for the army and navy are authorized by Con-gress, the deficit in the general fund of the Treasury on the 20th of Jupe, 1917, will be nearly \$235,000,000. To this sum at least \$20,000,000 should be added to represent a safe working balance for the Treasury, and \$12,000,000 to include the usual deli-ciency estimates in 1917; and these addiions would make a total deficit of some \$297,000,000 If the present taxes should be continued

throughout this year and the next, how ever, there will be a balance in the Treasury of some \$76,500,000 at the end of the present fiscal year and a deficit at the end of next year of only some \$58,000,000 or, reckoning in \$82,000,000 for deficiency or, reckoning in \$52,000,000 for deficiency appropriations and a safe Treasury bal-ance at the end of the year, a total deficit of some \$112,000,000. The obvious moral of the figures is that it is a plain counsel of prudence to continue all of the present taxes or their equivalents, and confine ourselves to the problem of providing transferred and the problem of providing \$112,000,000 of new revenue rather that \$297,000,000.

#### Must Pay As We Go

How shall we obtain the new revenue? We are frequently reminded that there are many millions of bonds which the Treasury is authorized under existing law to sell to reimburse the sums paid out of current revenues for the sums paid tion of the Panama Canal: and It is true that bonds to the amount of approximately \$222,000,000 are now avail able for that purpose. Prior to 1913 \$134,631,980 of these bonds had ac-tually been sold to recoup the expenditures at the Isthmus, and now c a considerable item of the public debt. But I, for one, do not believe that the people of this country approve of post-poning the payment of their bills. Bor-rowing money is short-sighted finance. It can be justified only when permanent things are to be accomplished which many generations will certainly benefit by and which it seems hardly fair that a single generation should pay for. The objects we are now proposing to spend money for cannot be so classified, ex-cept in the sense that everything wisely done may be said to be done in the interest of posterity as well as in our own.

It seems to me a clear dictate of prudent statesmanship and frank finance that in what we are now, I hope, about to undertake we should pay as we go. The people of the country are entitled to know just what burdens of taxation they are to carry, and to know from the our-set, now. The new bills should be paid by internal taxation.

#### Urges Income Tax Increase

To what sources, then, shall we turn? This is so peculiarly a question which the gentlemen of the House of Repre-sentatives are expected under the Consti-tution to propose an answer to that you will hardly expect me to do more than discuss it in very general terms. We should be following an almost universal example of modern governments if we were to draw the greater part, or even the whole, of the revenues we need from the income faxes. By somewhat lowering the present limits of exemp-tion and the figure at which the surfax shall begin to be imposed, and by in-creasing, step by step throughout the present graduation, the surtax itself, the income inxes as at present appor-tioned would yield sums sufficient to balance the books of the treasury at

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