

PRESIDENT'S MESSAGE.

The Entire Document Devoted to Finance and Taxation.

Congress Urgently Called Upon to Reduce the Treasury Surplus.

Our Present Tariff Laws Characterized as Vicious, Inequitable and Illegal.

The Repeal of the Internal Revenue Tax on Whisky and Tobacco Opposed.

To the Congress of the United States: You are called at the present time of your legislative duties with the condition of the national finances which imperatively demands immediate and careful consideration.

The amount of money annually exacted through the operation of present laws, from the industries and necessities of the people, largely exceeds the sum necessary to meet the exigencies of the Government.

When we consider that the theory of our institutions guarantees to every citizen the full enjoyment of all the fruits of his industry and enterprise, with only such deduction as may be his share toward the careful and economical maintenance of the Government which protects him, it is plain that the exactation of more than is

INDEFENSIBLE EXORTION,

and a palpable betrayal of American fairness and justice. This wrong, inflicted upon those who bear the burden of national taxation, like other wrongs, multiplies a brood of evil consequences. The public treasury, which should only exist as a conduit conveying the people's tribute to its legitimate objects of expenditure, becomes a hoarding-place for money needlessly withdrawn from trade and the people's use, thus crippling our national energies suspending our country's development, preventing investment in productive enterprises, threatening financial disturbance, and inviting schemes of popular plunder. This condition of our Treasury is not altogether new; and it has more than once been submitted to the people's representatives in the Congress, who alone can apply the remedy. And yet the situation still continues, with aggravated incidents, more than ever prosing financial convulsions and widespread disaster.

It will not do to neglect this situation because its dangers are not now palpably imminent and apparent. They exist now less certainly, and await the unforeseen, unexpected occasion when suddenly they will be precipitated upon us.

On the 30th day of June, 1885, the excess of revenues over public expenditures, after complying with the annual requirement of the sinking fund act, was \$17,839,735.34; during the year ended June 30, 1886, such excess amounted to \$40,405,545.20, and during the year ended June 30, 1887, it reached the sum of \$55,567.84.

The annual contributions to the sinking fund during the three years above specified, amounting in the aggregate to \$136,08,320.94, and deducted from the surplus as stated, were made by calling in for that purpose outstanding three per cent bonds of the Government. During the six months prior to June 30, 1887, the

SURPLUS REVENUE

had grown so large by repeated accumulations, and it was feared the withdrawal of this great sum of money needed by the people would so affect the business of the country, that the sum of \$79,864,100 of such surplus was applied to the payment of the principal and interest of the three per cent bonds still outstanding, and which were then payable at the option of the Government. The precarious condition of financial affairs among the people still needing relief, immediately after the 30th day of June, 1887, the remainder of the 3 per cent bonds then outstanding, amounting with principal and interest, to the sum of \$18,877,500, were called in and applied to the sinking-fund contribution for the current fiscal year. Notwithstanding these operations of the Treasury Department, representations of distress by the public were not only continued but increased, and absolute peril seemed at hand. In these circumstances the contribution to the sinking-fund for the current fiscal year was at once completed by the expenditure of \$27,684,263.55 in the purchase of Government bonds not yet due bearing 4½ per cent interest, the premium paid thereon averaging about 24 per cent for the former and 8 per cent for the latter. In addition to this, the interest accruing during the present year upon the outstanding bonds of the Government was to some extent anticipated, and banks selected as depositories of public moneys were permitted to somewhat increase their deposits.

While the expeditors thus employed to release to the people the money lying idle in the treasury served to avert immediate danger, our surplus revenues have continued to accumulate, the excess for the present year amounting on the first day of December to \$65,28,701.19, and estimated to reach the sum of \$113,009,000 on the 30th of June next, at which date it is expected that this sum, added to prior accumulations, will swell the surplus in the Treasury to \$140,000,000.

There seems to be no assurance that with such a withdrawal from use of the people's circulating medium our business may not in the near future be subjected to the same distress which was quite lately produced from the same cause. And while the functions of our National Treasury should be few and simple, and while its best condition would be reached, I believe, by its entire disconnection with private business interests, yet when, by a perversion of its functions, it only holds money uselessly subtracted from the necessities of trade, there seems to be reason for the claim that some legitimate means should be devised by the Government to restore in an emergency, without waste or extravagance, such money to the place among the people.

If such an emergency arises there now exists no clear and undoubted executive

POWER OF RELIEF.

Heretofore the redemption of 3 per cent bonds, which were payable at the option of the Government, has afforded a means for the disbursement of the excess of our revenues; but those bonds have all been retired, and there are no bonds outstanding the payment of which we have the right to exact. The contribution to the sinking fund which furnishes the occasion for expenditure in the purchase of bonds has been already made for the current year, so that there is no outlet in that direction.

In the present state of legislation the only pretense of any existing executive power to restore at this time any part of our surplus to the people by its expenditure, consists in the supposition that the Secretary of the Treasury may enter the market and purchase the bonds of the Government only rated at a date of previous

The only provision of law from which such a power could be derived is found in an appropriation bill passed a number of years ago; and it is subject to the suspicion that it was intended as temporary, and limited in its application, instead of conferring a continuing discretion and authority. No condition ought to exist which would justify the grant of power to a single official, upon his judgment of its necessity, to withhold from or release to the business of the people, in an unusual manner, money held in the Treasury, and thus affect its use with the financial institutions of the country; and if it is deemed wise to lodge in the Secretary of the Treasury the authority in the present juncture to purchase bonds, it should be plainly vested, and provided, as far as possible, with such checks and limitations as will define this official's right and discretion and at the same time relieve him from undue responsibility.

In considering the question of

PURCHASING BONDS as a means of restoring to circulation the surplus money accumulating in the Treasury, it should be borne in mind that premiums are paid on bonds with such frequency that there may be a large part of these bonds held as investments which cannot be purchased at any price, and that combinations among holders who are willing to sell may unreasonably enhance the cost of such bonds to the Government.

It has been suggested that the present bonded debt might be refunded at a less rate of interest and the difference between the old and new security paid in cash, thus finding use for the surplus in the Treasury. The proposal, it is apparent, must depend upon the voluntary of the holders of the present bonds; and it is not entirely certain that the inducement which must be offered them would result in more financial benefit to the Government than the purchase of bonds, while the latter proposal would reduce the principal of the debt by actual payment, instead of extending it.

The proposition to deposit the money held by the government in banks throughout the country for use by the people, it is, seems to me,

EXCEDEDLY OBJECTIONABLE in principle as establishing too close relationship between the operations of the Government Treasury and the business of the country, and fostering an unnatural reliance in private business upon public funds. If this scheme should be adopted it should only be done as a temporary expedient to meet an urgent necessity. Legislative and executive effort should generally be in the opposite direction, and should have a tendency to divorce as much and as fast as can safely be done, the Treasury Department from private enterprise.

Of course it is not expected that unnecessary and extravagant appropriations will be made for the purpose of avoiding the accumulation of an excess of revenue. Such expenditure, besides the demoralization of all just conceptions of public duty which it entails, stimulates a habit of reckless improvidence not in the least consistent with the mission of our people or the high and benevolent purposes of our Government.

I have deemed it my duty to thus bring to the knowledge of my countrymen, as well as to the attention of their representatives charged with the responsibility of legislative relief, the

GRAVITY OF OUR FINANCIAL SITUATION.

The failure of the Congress heretofore to provide against the dangers which it was quite evident the very nature of the difficulty must necessarily produce, caused a condition of financial distress and apprehension since your last adjournment which taxed to the utmost all the authority and expedients within executive control, and these appear now to be exhausted. If disaster results from the continued neglect of this responsibility the responsibility must rest with it.

Though the situation thus far considered is fraught with danger which should be fully realized, and though it presents features of wrong to the people as well as peril to the country, it is but a result growing out of a perfectly palpable and apparent cause, constantly producing the same alarming circumstances—congested National Treasury and a depleted monetary condition in the business of the country. It need hardly be stated that, while the present situation demands a remedy, we can only be relieved from the predicament in the future by the removal of the cause.

CHARGE ON TAXATION.

Our scheme of taxation, by means of which this needless surplus is taken from the people and put into the public treasury consists of a tariff or duty levied upon importations from abroad, and internal-revenue taxes levied upon the consumption of tobacco and spirituous and malt liquors. It must be conceded that none of the things subjected to internal-revenue taxation are, strictly speaking, necessities; there appears to be no just complaint of this taxation by the consumers of these articles, and there seems to be nothing so well able to bear the burden without hardship to any portion of the people.

But our present tariff laws—the vicious, inequitable and illegal source of unnecessary taxation—ought to be at once revised and amended. These laws, as their primary and plain effect, raise the price to consumers of all articles imported and subject to duty by precisely the sum paid for such duties. Thus the amount of the duty measures the tax paid by those who purchase for use these imported articles. Many of these things, however, are raised or manufactured in our own country and duty levied upon foreign grains and products are only a protection to these home manufacturers, because they render it possible for those of our people who are manufacturers to make these taxed articles and sell them for a price equal to that demanded for the imported goods that have paid customs duty. So it happens that while comparatively a few use the imported articles, millions of our people, who never use and never saw any of the imported products, purchase and use things of the same kind made in the country, and pay there nearly or quite the same price which the duty adds to the compensated articles. Those who buy imports pay the duty charged thereon into the public Treasury, but the great majority of our citizens, who buy domestic articles of the same class, pay a sum at least approximately equal to this duty to the home manufacturer. This reference to the operation of our tariff laws is not made by way of restriction, but in order that we may be constantly reminded of the manner in which they impose a burden upon those who consume domestic products as well as those who consume foreign articles, and thus create a tax upon all our people.

ITS "RELENTLESS GRASP."

When the number of farmers engaged in wool-raising is compared with all the farmers in the country, and the small proportion that bear to our population is considered, there is no apparent that, in the case of a large part of those who own sheep, the benefit of the tariff on wool is illusory; and, above all, when it is conceded that the increase of the cost of living caused by such tariff becomes a burden upon those with moderate means, and the poor, the employed and unemployed, the sick and well, and the young and old, and that it constitutes a tax which, with relentless grasp, is fastened upon the clothing of every man, woman and child in the land, reasons are suggested why the removal or reduction of this tariff should be included in a revision of our taxation.

The reduction of our customs duties, and the same time, to emphasize this purpose we may charge a small duty to our people by granting them a measure of relief from tariff taxation in quarters where it is most needed, and from sources where it can be most fairly and justly accorded.

Now can the presentation made of such considerations be, with any degree of fairness, regarded as evidences of unfriendliness toward our manufacturing interests, or of any lack of appreciation of their value and importance.

The necessity of combination to maintain the price of any commodity, to the first point furnishes proof that some one is willing to accept lower prices for such commodity, and that as prices are remunerative, and lower prices produced by competition prove the same thing. Thus, where either of these conditions exist a case would seem to be presented for an easy reduction of taxation.

The considerations which have been presented touching our tariff laws are intended to enforce an earnest recommendation that the surplus revenue of the Government be prevented

REDUCTION OF OUR CUSTOMS DUTIES,

and, at the same time, to emphasize a suggestion that in accomplishing this purpose we may charge a small duty to our people by granting them a measure of relief from tariff taxation in quarters where it is most needed, and from sources where it can be most fairly and justly accorded.

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The interests constute a leading and most

substantial element of our national greatness, and furnish the proof of our country's progress. But in the emergency that presses upon us, our manufacturers are forced to surrender something for the public welfare, and to avert disaster their patriotism, as well as a grateful recognition of advantages already afforded, should lead them to willing co-operation.

No demand is made that they shall forego all the benefits of governmental regard; but they can not fail to be admonished of their duty, as well as their enlightened self-interest, and safety, when they are reminded of the fact that financial panic and collapse, to which the present conditions tends, afford no greater shelter or protection to our manufacturers than to our other important enterprises. Opportunity for safe, careful and deliberate reform is now offered, and none of us should be unmindful of all our advantages.

By the last census it is made to appear that of the 17,392,000 of our population engaged in all kinds of industries, 7,670,493 are employed in agriculture, 4,074,238 in professional and personal service (2,944,976 of whom are domestic servants and laborers), while 1,810,256 are employed in trade and transportation, and 3,837,112 are classed as employed in manufacturing.

For present purposes, however, the last number given should be considerably reduced. Without attempting to enumerate all, it will be conceded that there should be deducted from those which it includes 375,143 carpenters and joiners, 285,482 milliners, dressmakers and seamstresses, 172,726 blacksmiths, 133,740 tailors and tailoresses, 103,473 masons, 76,251

butchers, 41,309 bakers, 22,084 plasterers, and 4,801 engaged in manufacturing agricultural implements, amounting in the aggregate to 1,214,023, leaving 2,023,089 persons as are claimed to be benefited by a high tariff. To those the appeal is made to save their employment and maintain their wages by resisting a change. There should be no disposition to answer such suggestions by the allegation that they are in a minority among those who labor, and thereby should forego advantage, in the interest of low prices for the majority; their compensation, as it may be affected by the operation of tariff laws, should not be serenely kept in view; yet with slight reflection there can not overlook the fact that the consumer, with the rest, and they, too, have their wants and those of their families to supply from their earnings, and that the price of the necessities of life, as well as the amount of their wages, will regulate the measure of their welfare and comfort.

But the reduction of taxation demanded should be so measured as not to necessitate or justify either the loss of employment by the workingman nor the lessening of his wages; and the profits still remaining to the manufacturer after a necessary readjustment, should furnish no excuse for the sacrifice of the interest of his employees. The opportunity to work on the diminution of their compensation. Nor can the worker in manufactures fail to understand that, while a high tariff is claimed to be necessary to allow the payment of remunerative wages, it certainly results in a very large increase in the price of nearly all sorts of manufactures, which, in almost countless forms, he needs for the use of himself and his family. He receives at the desk of his employer his wages and perhaps before he reaches his home is obliged to pay for family use of an article which embraces his own labor, to return in the payment of the increase in price which the tariff permits, the hard-earned compensation of many days of toil.

FALSE PHILOSOPHY FOR FARMERS.

The farmer and the agriculturist who manufacture nothing, but who pay the increased price which the tariff imposes, upon every agricultural implement upon all he wears and upon all he uses, and owns, except the increase of his flock and herds and such things as his husbandry produce from the soil, is invited to aid in maintaining the present situation, and to add to it the duty of the increased price necessary for the benefit of those who have sheep to shear, in order that the price of their wool may be increased. They, of course, are not reminded that the farmer who has no sheep is by this scheme obliged in his purchases of clothing and woolen goods to pay a tribute to his fellow farmer as well as to the manufacturer and merchant; nor is any mention made of the fact that the sheep-owners themselves and their households must wear clothing and use other articles manufactured from the wool they sell at high prices, and thus as consumers must return that share of this increased price to the tradesmen.

The question thus imperatively presented for solution should be approached in a spirit higher than partisanship, and considered in the light of that regard for

PATRIOTIC DUTY.

which should characterize the action of those intrusted with the weal of a confiding people. But the obligation to declare party policy and principle is not wanting to urge prompt and effective action. Both of the great political parties now represented in the Government have, by repeated and authoritative declarations, condemned the condition of our laws which permit the collection from the people of unnecessary revenue, and some of the railroad companies, which are independent of the railroads, are within the contemplation of the act more doubtful. In regard to the sleeping-car companies, live-stock car companies, and oil companies which transport in tank-cars, the Commission says they are much subject to the temptation to discriminate as the railroads are, and the fact is laid before Congress for such action as it may choose to take.

Under the heading "The Carriers Subject to Its Jurisdiction," the commission says that some of the railroad practices which the act undertakes to bring to an end have been common among carriers by water also, and in wrong in themselves might justly be forbidden in their case as well. It does not, however, intend to intimate an opinion that these things are common. The commission says that an opinion that the express business, done by the railroad companies themselves, is within the act. Whether the express companies, which are independent of the railroads, are within the contemplation of the act is more doubtful.

The considerations which were influential in determining when these temporary orders should be granted were not more than the relief of the carriers from danger of loss than the prevention of threatened disturbance of business interests in certain localities, which by its reflex action seemed liable to embarrass seriously the entire country.

The long and short haul clause is exhaustively discussed, together with the reasons of the Commission for temporarily suspending the provisions in certain sections, and it says, in part:

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