

NATION'S AFFAIRS

President Cleveland's Message to Congress.

HIS CURRENCY PLAN.

Would Issue Bonds and Retire Greenbacks.

Only Way to Break the "Endless Chain"—Strongly Favors the Gold Standard, but Advocates Silver and Silver Certificates for Domestic Exchange—Parity Must Be Preserved, and Temptation to Speculation Removed—World Reduce Tax on National Bank Circulation—Foreign Relations Reviewed.

President Cleveland's message to the Fifty-fourth Congress was not transmitted until Tuesday forenoon, when it was read before both House and Senate. It was of great length, over 20,000 words; it dealt exhaustively with all questions which have arisen during the past year, and also with those of current interest.

The message opens with a reference to the importance of our foreign relations and the exigencies of the national finances at this time and the consequent determination of the President to confine his message to the subjects.

The first subject of importance touched upon is the disordered condition of affairs in China following upon the close



PRESIDENT CLEVELAND.

of the war with Japan, the consequent weakening of the central authority of the government and the serious outbreaks of the old fanatical spirit against foreigners is discussed. The demands of the United States and other powers for the punishment of the aggressors and the compilation of the Chinese Government are related, as is the demand of the United States for a special commission to investigate the disturbances where they were first brought out.

"The energetic steps we have thus taken," says the President, "are all the more likely to result in future safety to our citizens in China, because the imperial government is, I am persuaded, entirely convinced that we desire only the liberty and protection of our own citizens and redress for any wrongs that they may have suffered, and that we have no ulterior designs or objects, political or otherwise."

Of the Waller incident the message says: "The customary cordial relations between this country and France have been undisturbed with the exception that a full explanation of the treatment of Jean L. Waller by the expeditionary military authorities of France still remains to be given."

The official record of the trial has been furnished this government," says the message, "but the evidence adduced in support of the charges—which was not received by the French minister for foreign affairs till the first week in October—has thus far been withheld, the French Government taking the ground that its production in response to our demand would establish a bad precedent."

The efforts of our ambassador to procure it, however, though retarded by recent changes in the French ministry, have not been relaxed, and it is confidently expected that some satisfactory solution of the matter will shortly be reached. Meanwhile, it appears that Mr. Waller's confinement has every alleviation which the state of his health and all the other circumstances of the case demand or permit."

The President points out as a pleasant contrast the conclusion of a permanent treaty of arbitration between the two countries, and recommends the acceptance of the invitation to take part in the Paris exposition of 1900.

Our relations with Germany, he says, are influenced by the "delusive doctrine that the internal development of a nation is promoted and its wealth increased by a policy which is undertaking to reserve its home markets for the exclusive use of its own producers, necessarily obstructs their sales in foreign markets, and prevents free access to the products of the world." The desire to retain trade in time-warmer countries, the inexorable laws of new needs and changed conditions of demand and supply, and our own halting tardiness to inviting a free exchange of commodities and by this means impeding our footing to the external markets naturally open to us, have created a situation somewhat injurious to American import interests, not only in Germany, where they are perhaps most noticeable, but in adjacent countries.

The effect of this, particularly on food products and also on our insurance companies, is pointed out. The necessity for open-handed fairness in dealing with other nations is stated, but it is argued that it is necessary to provide restrictions similar to those from which we suffer in order to guard against unfair discrimination, the way to such a course is easy, but should not be lightly entered upon.

The vexatious points of the Bering sea question are referred to and the failure of the arbitration tribunal to provide a means of settlement are pointed out. The influence of the British patrol of Bering Sea on the necessity for a more effective enforcement of the laws have, it is said, been pointed out to the British Government, but it is hoped to save us from such a settlement. Of the proposal to pay \$125,000 to Great Britain in settlement of British claims for damages, which was refused by the last Congress, the President recommends that it can again be considered and sanctioned. If this is refused we are bound by every consideration of honor and good faith, he says, to provide for a speedy settlement by arbitration. A treaty of arbitration is, accordingly, to be laid before the Senate. An appropriation for the completion of the Alaska boundary survey, which follows the contour of the coast is earnestly recommended. The importance of an international agreement as to the line of the 141st meridian, which forms the rest of the boundary, is dwelt upon. Attention is

also called to the unsatisfactory condition of the boundaries with Canada in the great lakes and the necessity for a joint commission on the subject.

The Venezuela Controversy.

Of Venezuela the message simply states that a statement of the interest and policy of the United States regarding the boundary dispute was sent to Great Britain in July last.

"The general conclusions therein reached and formulated," says the President, "are in substance that the traditional and established policy of the Government is firmly opposed to feasible increase by any European power of its territorial possessions on this continent; that this policy is as well founded in principle as it is strongly supported by numerous precedents; that as a consequence the United States is bound to protest against the enlargement of the area of British Guiana in derogation of the rights and against the will of Venezuela; that, considering the disparity in strength of Great Britain and Venezuela, the territorial dispute between them can be reasonably settled only by friendly and impartial arbitration, and that the resort to such arbitration should include the whole controversy, and it is not satisfied if one of the powers concerned is permitted to draw an arbitrary line through the territory in debate and declare that it will submit to arbitration only the portion lying on one side of it. In view of these conclusions the dispute in question called upon the British Government for a definite answer to the question whether it would or would not submit the territorial controversy between itself and Venezuela in its entirety to impartial arbitration. The answer of the British Government has not been received, but is expected shortly, when further communication on the subject will probably be made to the Congress.

Hawaii is dismissed with a reference to the uprising last January, the demands made upon the Hawaiian Government for the rights of American citizens concerned therewith, and the demand for the recall of Minister Thurston.

The padrone system is denounced as responsible for slaveifications at helpless aliens as the lynching of Italians in Colorado. Congratulations are offered on our good relations with Japan in view of her vast gains in greatness. Unfortunate references are made to our relations with Mexico, Nicaragua and Russia. The recommendation for an abandonment of the Samoan agreement is renewed.

Of Cuba the President says the United States must preserve international faith, whatever the sympathy of our citizens with the insurgents. He continues:

"Though neither the warmth of our people's sympathy with the Cuban insurgents nor our loss or material damage consequent upon the futile endeavors thus far made to restore peace and order, nor any shock our humane sensibilities may have received from the cruelties which appear to especially characterize this sanguinary and fiercely conducted war, have in the least shaken the determination of the Government to honestly fulfill every international obligation, yet it is to be earnestly hoped on every ground that the devastation of armed conflict may speedily be stayed and order and quiet restored to the distracted island, bringing in their train the activity and thrift of peaceful pursuits."

The Alliance incident and Spain's disavowal of it and assurances of a non-recurrence of similar interferences are stated.

The President then expresses his regret that the Turkish Government should have thwarted the purpose to send to the disturbed quarter of the empire the United States consul at Sivas in order to investigate and report. Every effort, he says, is put forth to insure the safety of American citizens and the United States minister is alert. But, he goes on, several of the most powerful European powers have assumed a duty as agents of the Christian world in Turkey to restrain fanatical brutality, and "it is earnestly hoped that prompt and effective action on their part will not be delayed."

The message recommends at length an improvement in the consular service by some plan of appointment and control.

Directive Financial Situation.

Fully half the message is devoted to a discussion of the financial situation.

"By command of the people," the message says, "a customs revenue system designed for the protection and benefit of favored classes at the expense of the great mass of our countrymen, and which, while inefficient for the purpose of revenue, retarded our trade relations and impeded our entrance to the markets of the world, has been superseded by a tariff policy which in principle is based upon a denial of the right of the government to obstruct the avenues to our people's cheap living or lessen their comfort and contentment, for the sake of acceding special advantages to favorites, and which, while encouraging our intercourse and trade with other nations, recognizes the fact that American self-reliance, thrift and ingenuity can build up our country's industry and develop its resources more surely than ever."

But this and the repeal of the silver-purchase law, it is said, fall far short of curing the financial evils from which we suffer.

A lengthy review follows of the growth of our currency, especially the United States notes and treasury notes, and the consequent endless drain on the gold reserve of the treasury.

The President states that "among the causes for this want of a uniform and stable currency in this land may be mentioned the great falling off of exports under the operation of the tariff law, and recently in force, which crippled our exchange of commodities with foreign nations and necessitated to some extent the payment of our balances in gold; the unnatural infusion of silver into our currency, and the increasing agitation for its free and unlimited coinage, which have created apprehension as to our disposition or ability to continue gold purchases; the consequent hoarding of gold at home and the stoppage of investments of foreign capital as well as the return of our securities already sold abroad; and the high rate of foreign exchange, which induced the shipment of our gold to be drawn against as a matter of speculation."

Dealing with Bond Syndicate.

The history of the various bond transactions which have been resorted to in order to replenish the gold reserve is reviewed and the constant subsequent failings off pointed out. Of the last transaction with the syndicate the President says: "The performance of this contract not only restored the reserve, but checked for a time the withdrawals of gold and brought on a period of restored confidence and such peace and quiet in business circles as were of the greatest possible value to every interest that affects our people. I have never had the slightest misgiving concerning the wisdom or propriety of this arrangement, and am quite willing to answer for my full share of responsibility for its protection. I believe it averted a disaster, the imminence of which was fortunately not at the time generally understood by our people."

We are now, the President says, nearly where we started and nearly all of the gold withdrawn has been paid out on United States notes, which still remain uncanceled. Therefore, he says, "I am convinced the only thorough and practicable remedy for our troubles is found in the retirement and cancellation of our United States notes, commonly called greenbacks, and the outstanding treasury notes issued by the government in pay-

ment of silver purchases under the act of 1890."

I believe this could be quite readily accomplished by the exchange of these notes for United States bonds of small as well as large denominations, bearing a low rate of interest. They should be long term bonds, thus increasing their desirability as savings bonds, and because their payment could be well postponed to a period far removed from present financial burdens and perplexities, when, with increased prosperity and resources, they would be more easily met.

To further insure the cancellation of these notes and also provide a way by which gold may be added to our currency in lieu of them, a feature in the plan should be an authority given to the Secretary of the Treasury to dispose of the bonds abroad for gold if necessary to complete the contemplated redemption and cancellation, permitting him to use the proceeds of such bonds to take up and cancel any of the notes that may be in the treasury or that may be received by the Government on any account.

The increase of our bonded debt involved would be amply compensated by renewed activity in all business circles, restored confidence at home, reinstated faith in our monetary strength abroad and stimulation of every interest and industry that would follow the cancellation of the gold-denominated obligations.

In any event, the bonds proposed would stand for the extinguishment of a troublesome indebtedness, while in the path we now follow there lurks the menace of unending bonds, with our indebtedness still undischarged and aggravated in every feature.

The obligations necessary to fund this indebtedness would not equal the amount from which we have been relieved since 1884 by anticipation and payment beyond the requirements of the sinking fund out of our surplus revenue.

The currency withdrawn by the retirement of the United States notes and treasury notes, amounting to probably less than \$450,000,000, including supplies of such gold and silver held in their retirement or by an increase in the circulation of our national banks. Though the aggregate capital of those now in existence amounts to more than \$664,000,000, their outstanding circulation, based on bond security, amounts to only about \$190,000,000. They are authorized to issue notes amounting to 90 per cent of the bonds deposited to secure their circulation, but in an event beyond the amount of their capital stock, and they are obliged to pay 1 per cent tax on the circulation they issue.

I think they should be allowed to issue circulation equal to the par value of the bonds they deposit to secure it, and that the tax on their circulation should be reduced one-fourth of 1 per cent, which would meet all the expense. Government incurs on their account. In addition they should be allowed to substitute or deposit in lieu of the bonds now required as security for their circulation, those which would be issued for the purpose of retiring the United States notes and treasury notes.

The banks already existing, if they desired, could issue circulation in addition to that already outstanding, amounting to \$478,000,000, which would nearly or quite equal the currency proposed to be cancelled. At any rate, I should confidently expect to see the existing national banks, or others to be organized, avail themselves of the proposed encouragement to issue circulation, and promptly any vacuum and supply every currency need.

It has always seemed to me that the provisions of law regarding the capital of national banks which operate as a limitation on the treasury fail to make proper compensation for the suppression of State banks, which are next to the people in all respects of the country and readily furnished them with banking accommodations and facilities. Any inconvenience or embarrassment arising from these restrictions on the location of national banks might well be remedied by better adapting the present system to the creation of banks in smaller communities or by permitting banks of large capital to establish branches in such locations as would serve the people—so regulated and restrained as to secure their safe and conservative control and management.

But there might not be the necessity for such an addition to the currency by new issues of bank circulation as at first glance is indicated.

If we should be relieved from maintaining a gold reserve under conditions that constitute it the barometer of our solvency, and if our treasury should no longer be the foolish purveyor of gold for nations abroad, or for speculation and hoarding by our citizens at home, I should expect to see gold resume its natural and normal functions in the business affairs of the country and cease to be an object attracting the timid watch of our people and exciting their sensitive imaginations.

Silver Coinage.

I do not overlook the fact that the cancellation of the treasury notes issued under the silver-purchasing act of 1890 would leave the treasury in the actual ownership of sufficient silver, including seigniorage, to coin nearly \$178,000,000 standard dollars. It is worthy of consideration whether this might not, from time to time, be converted into dollars or national coin and slowly put into circulation, as in the judgment of the Secretary of the Treasury the necessities of the country should require.

Increased Revenues No Remedy.

Inasmuch as the withdrawal of our gold has resulted largely from flight, there is nothing apparent that will prevent its continuance or recurrence with its natural consequences, except such a change in our financial methods as will restore the frightened and make the desire for gold less intense.

It is not clear how an increase in revenue, unless it be in gold, can satisfy those whose only anxiety is to gain gold for the Government's store. His debt could only be paid in gold, and his only concern was our ability to keep on hand that kind of money.

On July 1, 1892, more than a year and a half before the first bonds were issued to replenish the gold reserve, there was a net balance in the treasury, exclusive of such reserve, of less than \$13,000,000, but the gold reserve amounted to more than \$114,000,000, which was the quieting feature of the situation. It was when the stock of gold began rapidly to fall that flight supervened and our securities held abroad were returned for sale and debts owed abroad were pressed for payment. In the meantime, extensive shipments of gold and other unfavorable indications caused restlessness and flight among our people at home. The general state of our funds, exclusive of gold, became so much in excess of the needs of government support that large sums can be gathered and kept in the treasury. Such a condition has heretofore, in times of surplus revenue, led the Government to restore the parity between the metals, and consequently between the coins, upon an unsupported and improbable theory to the general belief and practice of other nations, and to the teachings of the wisest statesmen and economists of the world, both in the past and present, and, what is far more conclusive, they run counter to their own actual experience.

Twice in our earlier history our lawmakers, in attempting to establish a bimetallic currency, undertook free coinage upon a ratio which accidentally varied from the actual relative values of one to two, not more than 3 per cent.

In both cases, notwithstanding greater difficulties and cost of transportation than now exist, the coins whose intrinsic worth was undervalued in the ratio gradually and surely disappeared from our circulation and went to other countries, where their real value was better recognized.

Acts of Congress were impotent to create equality where natural causes decreed even a slight inequality.

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