sentatives of those powers on the ground of a participation deemed offensive to Venezuela. Although that dismissal was coupled with a cordial request that other more personally agreeable envoys be sent in their stead, a rupture of intercourse ensued and still continues.

Consular Appointments.

In view of the growth of our interests in foreign countries and the encouraging prospects for a general expansion of our commerce, the question of an improvement in the consular service has increased in importance and urgency. Though there is no doubt that the great body of consular officers are rendering valuable service to the trade and industries of the country, the need of some plan of appointment and control which would tend to secure a higher average of efficiency cannot be denied. The importance of the subject has led the executive to consider what steps might properly be taken without additional legislation to answer the need of a better system of consular appointments. The matter having been committed to the consideration of the secretary of state, in pursuance of his recommendation an executive order was issued on the 20th of September, 1895, by the terms of which it is provided that after that date any vacancy in a consulate or commercial agency to which a salary or emolument or compensation from official fees of not more than $2,000 or less than $1,000, should be filled either by transfer or promotion from some other position under the department of state of a character tending to qualify the incumbent for the position to be filled, or by the appointment of a person not under the department of state, but having previously served therunder, and having shown his capacity and fitness for consular duty, or by the appointment of a person who, having been selected by the President and sent to a board for examination, is found, upon such examination, to be qualified for the position. Posts which pay less than $1,000 being usually, on account of their small compensation, filled by selection from residents of the locality, it was not deemed practicable to put them under the new system. The compensation of $2,500 was accepted as the maximum limit in the classification, for the reason that consular officers receiving more than that are often charged with functions and duties scarcely inferior in dignity and importance to those of diplomatic agents, and it was therefore thought best to continue their selection in the discretion of the Executive without subjecting them to examination before a board. Excluding seventy-one posts with compensation at present less than $1,000, and fifty-three posts above the maximum in compensation, the number of positions remaining within the scope of the order is two hundred and ninety-six. This number will undoubtedly be increased by the inclusion of consular officers whose remuneration in fees, not less than $1,000, will be augmented with the growth of our foreign commerce and a return to more favorable business conditions.

In execution of the executive order referred to, the secretary of state has designed as a board to conduct the prescribed examinations the third assistant secretary of state, the solicitor of the department of state and the chief of the consular bureau, and has specified the subjects to which such examinations shall relate. It is not assumed that this system will prove a full measure of consular reform. It is quite probable that actual experience will show particulars in which the order already issued may be amended and demonstrated that, for the best results, appropriate legislation by Congress is imperatively required. In any event these efforts to improve the consular service ought to be supplemented by legislation providing for consular inspection. This has frequently been a subject of executive recommendation and I again urge such action by Congress as will permit the frequent and thorough inspection of consulates by officers appointed for that purpose or by persons already in the diplomatic or consular service. The expense attending such a plan would be insignificant compared with its usefulness, and I hope the legislation necessary to set it on foot will be speedily forthcoming.

OFFICIAL RESIDENCES FOR MINISTERS.

I am thoroughly convinced that in addition to their salaries our minister-ders and ministers at foreign courts should be provided by the government with official residences. The salaries of these officers are comparatively small and in most cases insufficient to pay, with other necessary expenses, the cost of maintaining household establishments in keeping with their important and delicate functions. The use whose of a nation's diplomatic representative undoubtly depends much upon the appropriateness of his surroundings, and a country like ours, while avoiding unnecessary glitter and show, should be certain that it does not suffer in its relations with foreign nations through parsimony and stinginess in its diplomatic outfit. These considerations, and the other advantages of having fixed and somewhat permanent locations for embassies, would abundantly justify the moderate expenditure necessary to carry out this suggestion.

NATIONAL FINANCE.

A Subject of the Utmost Domestic Concern.

As we turn from a review of our foreign relations to the contemplation of our national financial situation, we are immediately aware that we approach a subject of domestic concern more important than any other that can engage our attention and one at present in such a perplexing and delicate predicament as to require prompt and wise treatment. We may be well encouraged to earnest effort in this direction when we recall the steps already taken toward improving our economic and financial situation and when we appreciate how well the way has been prepared for further progress by an aroused and intelligent popular interest in these subjects.

FOREIGN TARIFF POLICY.

By commerce of the people, 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, earnings our trade relations and impeded our entrance to the markets of the world, has been supersedes by a tariff policy which in principle is based upon a denial of the right of the government to interpose the States in our people's cheap living, or lessen their comfort and enjoyment, for the sake of securing special advantages to favorites, and which, while encouraging our intercourse and trade with other nations, recognizes the fact that American artisans, farmers and laborers can hold their own against the industries and labor of the country in the competition for trade and resources more safely than enervating paternalism.

PURCHASES OF SILVER.

The compulsory purchase and coinage of silver by the government, has checked and antagonized by turns our conditions and needs of our exchange trade, which for more than three years dimmed our circulating medium, unsettled and confidence shaken in our financial ability, and at last initiated us in distress and panic so dense, has been recently stopped by the repeal of the laws which forced this reckless scheme upon the country. The things thus accomplished notwithstanding their serious importance and beneficent effects, fell far short of curing the monetary evils from which we suffer as a result of long misgivings in the advised financial expenditure.

GREENBACKS.

The currency, denominated United States notes and so only known as greenbacks, was issued in large volumes during the late Civil War and was intended originally to meet the exigencies of that period. It will be seen by a reference to the debates in Congress at the time the laws were passed authorizing the issue of these notes, that their advocates desired they were intended for only temporary use, and to meet the emergency of war. In almost all the debates on the subject, there, some provision was made contemplating their voluntary or compulsory retirement. A large quantity of them, however, were kept on foot and mingled with the currency of the country, so that at the close of the year 1874 they amounted to $382,000,000, immediately after that date, and in January, 1875, a law was passed providing for the resumption of specie payments, by which the secretary of treasury was required, whenever additional circulation was issued to national banks, to retire United States notes equal in amount to 80 per cent of such additional national bank circulation until such notes were reduced to $300,000,000. This law further provided that on and after the first day of January, 1879, the United States should then outstanding should be redeemed in coin, and in order to provide and prepare for such redemption the secretary of the treasury was authorized not only to use any surplus revenues of the government but to sell coin bonds of the United States and dispose of them for coin, and to use the proceeds for the purpose contemplated by the statute. In May, 1878, and before the date fixed appointed for the redemption and retirement of these notes, another statute was passed forbidding their further cancellation and retirement. Some of them had, however, been previously redeemed and cancelled upon the issue of additional national bank circulation and certificated in the year of 1878, so that the amount outstanding at the time of the passage of the act forbidding their further retirement was $346,681,016.

The law of 1878 did not stop at that prohibition but contained in addition the following express provision: "And when any of said notes may be redeemed or be received into the treasury under any law from any source whatever, and shall belong to the United States, they shall not be retired, cancelled or destroyed, but they shall be reissued and paid out again and kept in circulation."

This was the condition of affairs on the first day of January, 1879, which had been fixed upon four years before as the date for entering upon the resumption of specie payment of all these notes, and for which such abundant means had been provided. The government was put in the situation of owing to the holders of its notes coin payable in gold on demand, which could neither be retired by reserving such notes in discharge of obligations due the government nor cancelled by actual payment in gold. It was forced to redeem without redemption and to pay without acquittance. There had been issued and sold $95,000,000 of the bonds authorized by the resumption act, and the proceeds of which, together with other gold in the treasury, created a gold fund deemed sufficient to meet the demands which might be made upon it for the redemption of the outstanding United States notes. This fund, together with such other gold as might be from time to time in the treasury available for the same purpose, has been since called our gold reserve, and $100,000,000 has been regarded as an adequate amount for the accomplishment of its object. This fund amounted, on the first day of January, 1879, to $114,189,000, and though thereafter constantly fluctuating, it did not fall below that sum until July, 1882.

In April, 1879, for the first time since its establishment, this reserve amounted to less than $100,000,000, containing at that date only $97,041,000. In the meantime, and in July, 1879, an act had been passed directing larger governmental monthly purchases of silver than had been required under previous laws and providing that in payment for such silver, treasury notes of the United States should be issued, payable on demand in gold or silver coin, at the discretion of the secretary of the treasury. It was, however, declared in the act to be "the established policy of the United States to maintain the two metals on a parity with each other upon the present legal ratio or such ratio as may be provided by law."

HOW THE GOLD WENT.

In view of this declaration it was not deemed permissible for the secretary of the treasury to exercise the discretion to terms conferred on him by refusing to pay gold on these notes when demanded, because by such discrimination in favor of the gold dollar the recognized parity of the two metals would be destroyed and grave and dangerous consequences would be precipitated by affirming or countenancing the constant widening disparity between their actual value and under the existing ratio. It thus resulted that treasury notes issued in payment of silver purchases under the law of 1890 were necessarily treated as gold obligations, at the option of the holder. These notes, on the 1st day of November, 1893, when the law compelling the monthly purchase of silver was repealed, amounted to more than $155,000,000. The issue of this description now outstanding, added to the United States notes still outstanding, gave rise to a volume of gold obligations amounting to nearly $500,000,000. These obligations are the instruments which, ever since we have had a gold reserve, have been used to deplete it.

This reserve, as we have stated, had fallen in April, 1893, to $97,041,000. It was from that time to the present, with very few and unimportant upward movements, steadily decreased, a large withdrawals of gold immediately succeeding their public sale in open market gave rise to a reasonable suspicion that a large part of the gold sold into the treasury upon such sales was promptly drawn out again by the presentation of United States notes or treasury notes and found its way to the hands of those who had only temporarily parted with it in the purchase of bonds.

THIRD AND LATEST ISSUE.

In this emergency and in view of the surrounding perplexities, it became entirely apparent to those upon whom the struggles for safety was devolved, not only that our gold reserve must, not the initial time in less than thirteen months, be recruited by another issue of United States bonds bearing a high rate of interest and hastily seized to the purpose, but that a plan must be adopted for their disposition promising better results than those realized on previous sales. An agreement was therefore made with a number of financiers and bankers whereby it was stipulated that bonds described in the resumption act of 1875, payable in coin thirty years after their date, bearing interest at the rate of four per cent per annum and amounting to about $62,000,000 would be exchanged for gold received by them amounting to a little more than $65,000,000. This gold was to be delivered in such installments as would complete its delivery within about six months from the date of the contract, and at least one half of the amount was to be furnished from abroad. It was also agreed by those supplying this gold that during the continuance of the contract they would by every means in their power protect the government against gold withdrawals. The contract also provided that if Congress would authorize their issue, bonds payable by their terms in gold and bearing interest at the rate of three per cent per annum might within ten days be substituted at par for the four per cent bonds described in the agreement.

On the day this contract was made its terms were communicated to Congress by a special executive message in which it was stated that more than sixteen millions of dollars would be saved to the government if gold bonds bearing three per cent interest were authorized to be substituted for those mentioned in the contract. The Congress having declined to grant the necessary authority to secure this saving, the contract unmodified was carried into effect, resulting in a gold reserve on hand amounting to $107,371,000 on the 6th day of July, 1895.

The performance of this contract not only restored the reserve, but checked for a time the withdrawal of gold, and brought on a period of renewed confidence and such peace and quiet in financial circles as were of the greatest possible benefit in every interest that affects our people.

I have never had the slightest misgiving concerning the wisdom of propriety of this arrangement, and am quite willing to answer for my full share of responsibility for its promulgation. I believe it averted a disaster, the consequences of which was fortunately not at the time generally understood by our people.

Though the contract mentioned stopped for a time the flow of gold withdrawal, its good results could not be permanent. Bonds withdrawals have reduced the reserve from $107,371,310 on the 6th day of July, 1895, to $72,232,000. How long it will remain large enough to render the increase unnecessary is only a matter of conjecture, though quite large withdrawals for shipment in the immediate future are promised in well-informed quarters. About $10,000,000 has been withdrawn during the month of November.

The foregoing statements of events and conditions developed the fact that after increasing our interest-bearing bonds, issued one more than $162,000,000 to save our gold reserve, we are now nearly where we started, having now in our reserve $79,213,936 as against $65,476,077 in February, 1894, when the first bonds were issued. The amount drawn from the treasury appears very large, but as gathered from the facts and figures herein presented, it actually was much larger, considerable some being then acquired by the treasury within the several periods stated without the issue of bonds. On the 20th of January, 1895, it was reported by the secretary of the treasury that more than $172,000,000 of gold had been withdrawn for hoarding or shipment during the year preceding. He now reports that from January 3, 1879, to July 14, 1893, a period of more than sixteen years, only a little over $20,000,000 was withdrawn, and that between July 14, 1893, the date of the passage of the law for an increased purchase of silver, and the 1st day of December, 1895, or within less than five and a half years, there was withdrawn nearly $[illegible],000,000, making a total of more than $[illegible],000,000 drawn from the treasury in gold since January 1, 1879, the date fixed in 1875 for the resumption of the United States notes.

Nearly $[illegible],000,000 of the gold thus withdrawn has been paid out on these United States notes, and yet every one of the $346,000,000 is still outstanding and ready to do service in future gold depletion. More than $100,000,000 in gold has since their issue been paid out from the treasury upon notes given on the purchase of silver by the government, and yet the whole amount of these notes issued in payment for silver, and which there was received $60,536,500, with which the fund was increased to $111,143,102 on the 4th day of December, 1895.

A slight improvement awaited the anxious hope of relief. There was no even a lull in the exasperating withdrawals of gold. On the contrary they grew larger and more persistent thereafter. Between the 4th day of December, 1895, and early in February, 1895, a period of scarcely more than two months after the second reinforcement of our gold reserve by the sale of bonds, it had lost by such withdrawals more than $[illegible],000 and had fallen to $41,845,181. Nearly $45,000,000 had been withdrawn within the month immediately preceding this situation.

In anticipation of impending trouble, I had on the 28th day of January, 1895, addressed a communication to the Congress fully setting forth our difficulties and dangerous position, and earnestly recommending that authority be given the secretary of the treasury to issue bonds bearing a low rate of interest, payable by their terms in gold, for the purpose of maintaining a sufficient gold reserve, and also for the recoinage and cancellation of outstanding United States notes and treasury notes issued for the purchase of silver under the law of 1890. This recommendation did not, however, meet with legislative approval. In February, 1895, therefore, the situation was exceedingly critical. With a reserve perilously low, and a refusal of congressional aid, everything indicated that the end of gold payments by the government was imminent. The feasibility of such bond issues had been exceedingly questionable, and the large withdrawals of gold immediately succeeding their public sale in open market gave rise to a reasonable suspicion that a large part of the gold sold into the treasury upon such sales was promptly drawn out again by the presentation of United States notes or treasury notes and found its way to the hands of those who had only temporarily parted with it in the purchase of bonds.

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