

THE PRESIDENT'S MESSAGE.

The Briefest Communication of the Kind Ever Made to Congress.

But it Bristles with Fine Points and Sparkles with Good Sense.

It is Devoted Exclusively to a Discussion of Tariff and Revenue Matters.

A Reform all Along the Line Needed and Must Be Had.

Some Practical Suggestions and an Abundance of Very Good Advice.

By Telegraph to the News.

To the Congress of the United States:

You are confronted at the threshold of your legislative duties with a condition of the national finances which imperatively demands immediate and careful consideration. The amount of money annually received through the operation of present laws from the industries and necessities of the people, largely exceeds the sum necessary to meet the expenses of the government. When we consider that the theory of our institutions guarantees to every citizen the full enjoyment of the fruits of his industry and enterprise, with only such deduction as may be his share towards the careful and economical maintenance of the government which protects him, it is plain that the exaction of more than this is indefensible and a culpable betrayal of 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conveying the people's tribute to its legitimate objects of expenditure, becomes a boarding place for money needlessly withdrawn from trade and the people's use, thus crippling our national energies, usurping our country's development, preventing investment in productive enterprises, threatening financial disturbance and inviting schemes of public plunder. This condition of our treasury is not altogether new; and it has more than once of late been submitted to the people's representatives in the Congress who alone can supply a remedy, and yet the situation still continues with aggravated incidents, more than ever preying financial convulsion and widespread disaster. It will not do to neglect this situation because its dangers are not now palpably imminent and apparent. They exist none the less certainly, and the unforeseen and

UNEXPECTED OCCASION

must come when suddenly they will be precipitated upon us.

On the 30th day of June, 1835, the excess of revenue over public expenditures, after complying with the annual requirement of the sinking fund act, was \$17,859,735.84; during the year ended June 30, 1880, such excess amounted to \$49,405,545.20, and during the year ended June 30, 1887, it reached the sum of \$55,567,849.31. The annual contributions to the sinking fund during the three years above specified, amounting in the aggregate to \$133,058,320.94, and deductions from the surplus, as stated, were made by calling in for that purpose the 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 \$10,864,100 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 three 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 in business circles 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 \$27,684,288.55, in the purchase of government bonds not yet due bearing 4 and 4½ per cent interest, the premium paid thereon averaging about 24 per cent for the former and 8

percent for the latter. In addition to this the interest account accruing during the current year upon the outstanding bonded indebtedness of the government was to some extent anticipated and the banks selected as depositories of the public money were permitted to somewhat increase their deposits. While

THE EXPEDIENTS

thus employed to release to the people the money lying in the treasury served to avert immediate danger, our surplus revenues have continued to accumulate, the excess for the present year amounting in the first day of December to \$53,238,871.19, and estimated to reach the sum of \$11,300,000 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 community 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 purposes, it idly holds money uselessly subtracted from the channels of trade, there seems to be reason for the claim that all legitimate means should be devised by the government to restore in emergency without waste or extravagance such money to its place among the people.

If such an emergency arises, there now exists no clear and undoubted executive power of relief. Heretofore the redemption of the 3 per cents only which were payable at the option of the government has afforded a means for the disbursement of the excess of our revenues, but these bonds have all been retired, and there are no bonds outstanding the payments of which we have the right to insist on. The contribution to the

SINKING FUND

which furnishes the occasion for expenditures in the purchase of bonds, has been already made for the current year, so there is no outlet in that direction. In the present state of legislation, the only pretense of any executive power to restore at this time any part of our surplus revenues to the people by its expenditure, consists in the supposition that the Secretary of the Treasury may enter them and purchase the bonds of the government not yet due at a rate of premium to be agreed upon. The only provision of the 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 supposition that it was intended as a temporary measure 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 way money held in the treasury and thus affect, at his will, the financial situation 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 his official 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 must of course be paid upon

SUCH PURCHASE,

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 that 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 securities paid in cash, thus finding a use for the surplus in the treasury. The success of this plan, it is apparent, must be founded upon the volition 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 proposition 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 the banks throughout the country for the use of the people, it seems to me, an exceedingly objectionable principle, as reaching too close a relationship between the operations of the government and the business of the country, and too extensive a commingling of their money, thus 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 ENTERPRISES.

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

I have deemed it my duty to bring the knowledge of my countrymen as well as the attention of their representatives, to the responsibility of legislative relief for the gravity of our financial situation. The failure of 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 their 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 inaction of Congress, the responsibility must rest where it belongs. 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 to the country, it is but a result growing out of a palpable and apparent cause constantly reproducing the same alarming circumstances, a

CONGESTED NATIONAL TREASURY

and a depleted monetary condition of the business of the country. It need hardly be stated that while the present situation demands a remedy, we can only be saved from a predicament in the future by the removal of the cause. One 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 mal liquors. It must be considered that none of these taxes relate to things subjected to internal revenue but are strictly speaking necessary, and it so appears to be no

JUST CAUSE

of complaint to the consumers of the 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 various inequitable and illegal sources 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 subjected to duty or 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 the duties now levied upon foreign goods and products are

CALLED PROTECTION

to those home manufactures because they render it impossible for those of our people who are manufacturers to make these taxed articles and sell them for a price equal to that demanded for 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 foreign products, purchase and use the same kind made in this country, and pay therefor nearly or quite the same enhanced price which the duty adds to the imported articles. Those who buy imports pay the duty charged thereon to 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 manufacturers. This reference to the operation of our

TARIFF LAWS

is not made by way of instruction, 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 imported articles, and thus create a tax upon all our people. It is not proposed to entirely relieve the country of this taxation. It must be extensively continued as the source of the government's income; and in a readjustment of our tariff the interests of American labor engaged in manufacture should be carefully considered, as well as the preservation of our manufactures. It may be called protection, or by any other name, but relief from the hardships and dangers of our present tariff laws should be devised with especial precaution against imperiling the existence of our

MANUFACTURING INTERESTS.

But this existence should not mean a condition which without regard to the public welfare or a national exigency must always insure the realization of the immense profits instead of moderately profitable returns. As the volume and diversity of our national activities increase, new recruits are added to those who desire a continuation of the advantages which they conceive the present system of tariff taxation directly affords them. Stubbornly have all efforts to reform the present condition been resisted by those of our fellow citizens thus en-

saged that they can hardly complain of the suspicion entertained to a certain extent that there exists an organized combination all along the line to maintain their advantage. We are in the midst of

CENTENNIAL CELEBRATIONS

and with becoming pride we rejoice in American skill and industry, in American energy and enterprise and the wonderful natural advantages and resources developed by a century's national growth; yet, when an attempt is made to justify a scheme which permits a tax to be laid on every consumer, in the land for the benefit of our manufactures, quite beyond a reasonable demand for governmental regard, it suits the purposes of manufacturers and infant industries still needing the highest and greatest degree of favor and care that can be wrung from federal legislation. It is also said that the increase in price of domestic manufactures resulting from the

PRESENT TARIFF

is necessary in order that higher wages may be paid to our workmen employed in manufactures than are paid what is called pauper labor. In all we acknowledge the force of an argument which involves the welfare and liberal compensation of our laboring people. Our labor is honorable in the eyes of every American citizen and lies at the foundation of our development. It is entitled, without affectation or hypocrisies, to the utmost regard. The standard of our laborers' life should not be marred by that of another country less favored, and they are entitled to their full share of our advantages.

By the last census it is made to appear that of the 17,392,099 of our population engaged in all kinds of industries, 7,670,493 are employed

IN AGRICULTURE,

4,015,238 in professional and personal services, 2,499,876 of whom are domestic servants and laborers, while 1,810,250 are employed in trade and transportation, and 3,837,112 are classed as employed at manufacturing and mining. For the present purposes, however, the late 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, 375,144 carpenters and joiners, 285,170 milliners, dressmakers and seamstresses, 172,120 blacksmiths, 133,756 tailors and tailoresses, 107,000 masons, 76,241 butchers, 41,800 bakers, 22,182 plasterers and 4,801 manufacturing agricultural implements, leaving 2,623,089 persons employed in manufacturing industries as are claimed to be benefited in a

HIGH TARIFF.

To these the appeal is made to save their employment and maintain their wages by refusing a change. There should be no disposition to answer such suggestions by the allegation that they are in the minority among those who labor and therefore should forego an advantage in the interest of low prices for the majority. Their compensation, as it may be affected by the operations of tariff laws, should at all times be scrupulously kept in view, and yet with slight reflections they will not overlook the fact that they too have their wants and those of their families to supply from their earnings and that the prices of the

NECESSARIES OF LIFE,

as well as the amount of those wants, will regulate the measure of their welfare and comfort, but the reduction of taxation demanded should be so measured as to necessitate or justify neither 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 interests of his employees in either their opportunity to work or the diminution of their compensation. Nor can the working manufacturers 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, in a purchase for family use of an article which embraces his own labor, to return in the payment of the increasing price which the tariff permits the hard-earned compensation of many days of toil. The farmer and the agriculturist who manufactures nothing, but who pays 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 flocks and herds and such things as his husbandry produces from the soil, is invited to aid in maintaining the

PRESENT SITUATION.

Mind, he is told that a high duty on imported wool is necessary for the benefit of those who raise sheep, 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 purchase 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 them-

selves and their households must wear clothing, and use other articles that they use at tariff prices, and thus as consumers must return their share of this increased price to the tradesman.

I think it may be fairly assumed that a large proportion of the sheep owned by the farmers throughout the country are found in

SMALL FLOCKS

numbering from twenty-five to fifty. The duty on the grade of imported wool which these sheep yield is ten cents for each pound if of the value of 30 cents or less, and 12 cents if of the value of more than 30 cents. If the liberal estimate of six pounds be allowed for each fleece the duty thereon would be 60 or 72 cents, and this may be taken as the utmost enhancement of its price to the farmer by reason of this duty. Eighteen dollars would thus represent the increased price of the wool from twenty-five sheep, and \$36 from that of fifty sheep, and at present values this addition would amount to about one-third of its price. If on its sale the farmer receives this or less

TARIFF PROFIT

the wool leaves his hands charged with precisely that sum, which in all its charges will adhere to it until it reaches the consumer. When manufactured into cloth and other goods and material for use, its cost is not only increased to the extent of the farmer's tariff profit, but a further sum has been added for the benefit of the manufacturer under the operation of other tariff laws. In the meantime the day arrives when the farmer finds it necessary to purchase woolen goods and material to clothe himself and family for the winter. When he faces the tradesmen for that purpose he discovers that he is obliged not only to return in the way of increased prices his tariff profit on the wool he sold and which then perhaps lies before him in a manufactured form, but that he must add a

CONSIDERABLE SUM

thereto to meet a further increase caused by a tariff duty on the manufacturer. Thus in the end he is aroused to the fact that he has paid upon a moderate purchase, as a result of the tariff scheme, when he sold his wool seem so profitable, an increase in price of more than sufficient to sweep away all the tariff profit he received upon the wool he produced and sold. When the number of farmers engaged in wool raising is compared with all the farmers in the country, and the small proportion they bear to our population is considered, when it is made apparent that in the case of a large part of those who own sheep the benefit of the present tariff on wool

IS AN ILLUSION,

and when it must be 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 supported why the removal or reduction of this duty should be included in the revision of our tariff laws.

In speaking of the increased cost to the consumer of our home manufactures, resulting from a duty laid upon imported articles of the same description, the fact is

NOT OVERLOOKED

that competition among our domestic producers sometimes has the effect of keeping the price of our products below the highest limit allowed by such duty, but it is notorious that this competition is too often strangled by combinations, quite prevalent at times and frequently called trusts, which have for their object the regulation of the supply and price of commodities made and sold by members of the combination. The people can hardly hope for consideration in the operation of these selfish schemes. If, however, in the absence of such combination a healthy and free competition reduces the price of any particular dutiable article of home production below which it might otherwise reach under our tariff laws, and if, with such reduced price the manufacturer

CONTINUES TO THRIVE,

it is entirely evident that one thing has been discovered which should be carefully scrutinized in an effort to reduce taxation. The necessity of combination to maintain the price of any commodity to the tariff point furnishes proof that some one is willing to accept lower prices for such commodity and that such prices are remunerative, and the latter prices produced by competition prove the same thing. Thus, where either of these conditions exists 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 only to enforce an earnest recommendation that the surplus revenues of the government be prevented by the reduction of our customs duties and at the same time to emphasize a suggestion that, in accomplishing this purpose, we may discharge a

DOUBLE DUTY

to our people by granting to 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. Nor can the presentation made of such consid-