

THE PRESIDENT'S ANNUAL MESSAGE

Leading Problems Confronting Our Government Ablly Discussed By the Executive

CURRENCY REFORM PLAN

The Regulation of Public Service Corporations is Necessary, But They Must Have Fair Treatment—Integrity of Administration of Public Affairs a Duty That Applies to All.

To the Senate and House of Representatives:
No nation has greater resources than ours, and I think it can be truthfully said that the citizens of no nation possess greater energy and industrial ability. In no nation are the fundamental business conditions sounder than in ours at this very moment; and it is foolish, when such is the case, for people to hoard money instead of keeping it in sound banks; for it is such hoarding that is the immediate occasion of money stringency. Moreover, as a rule, the business of our people is conducted with honesty and probity, and this applies alike to farms and factories, to railroads and banks, to all our legitimate commercial enterprises.

In any large body of men, however, there are certain to be some who are dishonest, and if the conditions are such that these men prosper or commit their misdeeds with impunity, their example is a very evil thing for the community. Where these men are business men of great sagacity and of temperament both unscrupulous and reckless, and where the conditions are such that they act without supervision or control and at first without effective check from public opinion, they delude many innocent people into making investments or embarking in kinds of business that are really unsound. When the misdeeds of these successfully dishonest men are discovered, suffering comes not only upon them, but upon the innocent men whom they have misled. It is a painful awakening, whenever it occurs; and, naturally, when it does occur those who suffer are apt to forget that the longer it was deferred the more painful it would be. In the effort to punish the guilty it is both wise and proper to endeavor so far as possible to minimize the distress of those who have been misled by the guilty. Yet it is not possible to refrain because of such distress from striving to put an end to the misdeeds that are the ultimate causes of the suffering, and, as a means to this end, where possible to punish those responsible for them. Our steady aim should be by legislation, cautiously and carefully undertaken, but resolutely persevered in, to assert the sovereignty of the National Government by affirmative action.

Income Tax.
Reference is here made to the difficulty of framing a law that will withstand the test of the courts. The argument is made by the President that such a tax is not a tax on thrift or industry. The German law is given as an interesting example.

Sherman Antitrust Law.
Moreover, in my judgment there should be additional legislation looking to the proper control of the great business concerns engaged in interstate business, this control to be exercised for their own benefit and prosperity no less than for the protection of investors and of the general public. As I have repeatedly said in Messages to the Congress and elsewhere, experience has definitely shown not merely the wisdom, but the necessity of endeavoring to put a stop to all business combinations. Modern industrial conditions are such that combination is not only necessary but inevitable. It is so in the world of business just as it is in the world of labor, and it is as idle to desire to put an end to all corporations to all big combinations of capital, as to desire to put an end to combination of labor. Corporation and labor union alike have come to stay. Each if properly managed is a source of good and not evil. Whenever in either there is evil, it should be promptly held to account; but it should receive hearty encouragement so long as it is properly managed. It is profoundly immoral to put or keep on the statute books a law, nominally in the interest of public morality, that really puts a premium upon public immorality, by undertaking to forbid honest men from doing what must be done under modern business conditions, so that the law itself provides that its own infraction must be the condition precedent upon business success. To aim at the accomplishment of too much usually means the accomplishment of too little, and often the doing of positive damage.

Interstate Commerce.
No small part of the trouble that we have come from carrying to an extreme the national virtue of self-reliance, of independence in initiative and action. It is wise to conserve this virtue and to provide for its fullest exercise, compatible with seeing that liberty does not become a liberty to wrong others. Unfortunately, this is the kind of liberty that the lack of all effective regulation inevitably breeds. The founders of the Constitution provided that the National Government should have complete and sole control of interstate commerce. There was then practically no interstate business save such as was conducted by water, and this the National Government at once proceeded to regulate in thoroughgoing and effective fashion. Conditions have now so wholly changed that the interstate commerce by water is insignificant compared with amount that goes by land, and almost all big business concerns are now engaged in interstate commerce. As a result, it can be partially and imperfectly controlled or regulated by the action of any one of the several States; such action inevitably tending to be either too drastic or else too lax, and in either case ineffective for purposes of justice. Only the National Government can in thoroughgoing fashion exercise the needed control. This does not mean that there should be any extension of Federal authority, for such authority already exists under the Constitution in amplest and most far-reaching form; but it does mean that there should be an extension of Federal activity. It is merely looking facts in the face, and realizing that centralization in business has already come and cannot be avoided or undone, and that the public at large can only protect itself from certain evil effects of this business centralization by providing better methods for the exercise of control through the authority already centralized in the National Government by the Constitution itself. There must be no halt in the healthy constructive course of action which this Nation has elected to pursue, and has steadfastly pursued, during the last six years.

corporations by lawsuits means to impose upon both the Department of Justice and the courts an impossible burden; it is not feasible to carry on more than a limited number of such suits. Such a law to be really effective must of course be administered by an executive body, and not merely by means of lawsuits. The design should be to prevent the abuses incident to the creation of unhealthy and improper combinations, instead of waiting until they are in existence and then attempting to destroy them by civil or criminal proceedings.

Pure-Food Law.
Incidentally, in the passage of the pure-food law the action of the various State food and dairy commissioners showed in striking fashion how much good for the whole people results from the hearty cooperation of the Federal and State officials in securing a given reform. It is primarily to the action of these State commissioners that we owe the enactment of this law; for they aroused the people, first to demand the enactment and enforcement of State laws on the subject, and then the enactment of the Federal law, without which the State laws were largely ineffective. There must be the closest cooperation between the National and State governments in administering these laws.

Enforcement of the Law.
A few years ago there was loud complaint that the law could not be invoked against wealthy offenders. There is no such complaint now. The course of the Department of Justice during the last few years has been such as to make it evident that no man stands above the law, that no corporation is so wealthy that it can not be held to account. The Department of Justice has been as prompt to proceed against the wealthiest malefactor whose crime was one of greed and cunning as to proceed against the agitator who incites to brutal violence. Everything that can be done under the existing law, and with the existing state of public opinion, which so profoundly influences both the courts and juries, has been done. But the laws themselves need strengthening in more than one important point; they should be made more definite, so that a honest man can be led unwittingly to break them, and so that the real wrongdoer can be readily punished.

Injunctions.
Instances of abuse in the granting of injunctions in labor disputes continue to occur and the resentment in the minds of those who feel that their rights are being invaded and their liberty of action and of speech unwarrantably restrained continues likewise to grow. Much of the attack on the use of the process of injunction is wholly without warrant; but I am constrained to express the belief that for some of it there is warrant. This question is becoming more and more one of prime importance, and unless the courts will themselves deal with it in effective manner, it is certain ultimately to demand some form of legislative action. It would be most unfortunate for our social welfare if we should permit many honest and lawabiding citizens to feel that they had just cause for regarding our courts with hostility. I earnestly commend to the attention of the Congress this matter, so that some way may be devised which will limit the abuse of injunctions and protect those rights which from time to time it unwarrantably invades. Moreover, disconcert is often expressed with the use of the process of injunction by the courts, not only in labor disputes, but where State laws are concerned. I refrain from discussion of this question as I am informed that it will soon receive the consideration of the Supreme Court.

Accidents.
The loss of life and limb from railroad accidents in this country has become appalling. It is a subject of which the National Government should take supervision. It might be well to begin by providing for a Federal inspection of interstate railroads somewhat along the lines of Federal inspection of steamboats, although not going so far.

Eight-Hour Law.
The Congress should consider the extension of the eight-hour law. The constitutionality of the present law has recently been called into question, and the Supreme Court has decided that the existing legislation is unquestionably within the powers of Congress. The principle of the eight-hour day should as rapidly and as far as practicable be extended to the entire work carried on by the Government; and the present law should be amended to embrace contracts on those public works which the present wording of the act has been construed to exclude. The general introduction of the eight-hour day should be the goal toward which we should steadily tend, and the Government

should set the example in this respect.

German Tariff Agreement.
A re-adjustment of the German tariffs made it necessary to appoint a commission composed of experts to investigate conditions and secure the fullest measure of rights to shippers, both exporters and importers.

Porto Rico.
I again recommend that the rights of citizenship be conferred upon the people of Porto Rico. A bureau of mines should be created under the control and direction of the Secretary of the Interior; the bureau to have power to collect statistics and make investigations in all matters pertaining to mining and particularly to the accidents and dangers of the industry.

Compulsory Investigation of Industrial Disputes.
Strikes and lockouts, with their attendant loss and suffering, continue to increase. For the five years ending December 31, 1905, the number of strikes was greater than those in any previous ten years and was double the number in the preceding five years. These figures indicate the increasing need of providing some machinery to deal with this class of disturbances in the interest alike of the employer, the employee, and the general public.

Inland Waterways.
The conservation of our natural resources and their proper use constitute the fundamental problem which underlies almost every other problem of our National life. We must maintain for our civilization the adequate material basis without which that civilization can not exist. We must show foresight, we must look ahead. As a nation we not only enjoy a wonderful measure of present prosperity but if this prosperity is used aright it is an earnest of future success such as no other nation will have. The reward of foresight for this Nation is great and easily foretold. But there must be the look ahead, there must be a realization of the fact that to waste, to destroy, our natural resources, to skin and exhaust the land instead of using it so as to increase its usefulness, will result in undermining in the days of our children the very prosperity which we ought by right to hand down to them amplified and developed.

Tariff on Wood Pulp.
There should be no tariff on any forest product grown in this country; and, in especial, there should be no tariff on wood pulp; due notice of the change being of course given to those engaged in the business so as to enable them to adjust themselves to the new conditions. The repeal of the duty on wood pulp should if possible be accompanied by an agreement with Canada that there shall be no export duty on Canadian pulp wood.

The Panama Canal.
Work in now progressing at a satisfactory rate. The private bids for the construction of the canal were all unsatisfactory, and in consequence were all rejected.

Postal Affairs.
I commend to the favorable consideration of the Congress a postal savings bank system, as recommended by the Postmaster General. The primary object is to encourage among our people economy and thrift by the use of postal savings banks to give them an opportunity to husband their resources, particularly those who have not the facilities at hand for depositing their money in savings banks. Viewed, however, from the experience of the past few weeks, it is evident that the advantages of such an institution are still more far-reaching. Timid depositors have withdrawn their savings for the time being from national banks, trust companies, and savings banks; individuals have hoarded their cash and the workmen their earnings; all of which money has been withdrawn and kept in hiding or in the safe deposit box to the detriment of prosperity. Through the agency of the postal savings banks such money would be restored to the channels of trade, to the mutual benefit of capital and labor.

The Public Health.
There is a constantly growing interest in this country in the question of the public health. At last the public mind is awake to the fact that many diseases, notably tuberculosis, are national scourges. The work of the State and city boards of health should be supplemented by a constantly increasing interest on the part of the National Government.

The Navy.
It is recommended that this year provision be made for four new battleships, and that docks, coaling stations, colliers and supply ships be provided to meet the needs thus created. Our coast line is on the Pacific as well as the Atlantic and occasionally the fleet should be dispatched to the waters of the Pacific. Our duty to California, Washington and Oregon is the same as to Maine, New York, Louisiana and Texas. I sincerely hope that the fleet will be shifted from the Atlantic to the Pacific every year or two until our navy is of sufficient strength to admit of division.

Foreign Affairs.
In dealing with other nations it should be our policy to be neighborly and do all we can to help others without meddling; and at the same time to give them to understand in a proper way that we do not mean to be imposed upon.

The Philippines.
The Secretary of War has gone to the Philippines. On his return I shall submit to you his report on the island.

International Bureau of American Republics.
One of the results of the Pan-American Conference at Rio Janeiro in the summer of 1906 has been a great increase in the activity and usefulness of the International Bureau of American Republics. That institution, which includes all the American Republics in its membership and brings all their representatives together, is doing a really valuable work in informing the people of the United States about the other republics and in making the United States known to them. Its action is now limited by appropriations determined when it was doing a work on a much smaller scale and rendering much less valuable service. I recommend that the contribution of this government to the expenses of the bureau be made commensurate with its increased work.

Illinois Congressman Dead.
Murphysboro, Ill., Special.—Congressman George W. Smith, of the 25th Illinois district, died at his home here of typhoid fever. He had been sick two weeks but his condition was not considered critical until Friday night, when he became suddenly worse. He was a Republican and was serving his twentieth year in Congress.

Green, and Gaynor Appeal to United States Supreme Court.
Washington, Special.—Benjamin D. Greene and John F. Gaynor, who embezzled nearly \$600,000 of United States funds at Savannah, Ga., have petitioned the Supreme Court for a writ of certiorari in their case, raising some international questions upon which they hope to be released from prison. They are now under sentence of four years' imprisonment and a fine of \$75,000 each, and this appeal to the United States Supreme Court is the last straw of hope that remains to them.

Opening of Congress.
Brilliant Scene Characterizes the Formal Opening of the Sixtieth Session—Joseph Cannon Selected as Speaker and John Sharp Williams as Minority Leader.
Washington, Special.—A brilliant scene characterized the meeting of the Sixtieth Congress Monday. In Senate and House of Representatives there were notable gatherings of the official society of the capital. The coming together for the first time of the men who have been elected to the Senate and the House, about one hundred of whom have not before served in Congress, made the occasion one of particular interest.

Senate Convened.
The Senate convened promptly at 12 noon. After Vice President Fairbanks sounded the gavel proceedings were opened with prayer by the Rev. Edward Everett Hale, chaplain of the Senate.

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