

THE PRESIDENT'S MESSAGE.

HE URGES CURRENCY REFORM AS AN IMMEDIATE NECESSITY.

Recommendations That When the Revenue is Sufficient to Pay the Expenses, Notes Which the Government Redeems in Gold Shall Be Retained Only in Exchange for Gold—Declares Against the Recognition of Cuban Belligerency as Unwise, and Therefore Inadvisable—Every Consideration of Dignity and Honor Requires the Ratification of the Hawaiian Treaty of Annexation.

WASHINGTON, Dec. 6.—President McKinley sent the following message to Congress to-day: To the Senate and House of Representatives:

It gives me pleasure to extend greeting to the Fifty-sixth Congress, assembled in regular session at the seat of Government, whose Senators and Representatives have been associated in the legislative service. Their meeting occurs under felicitous conditions, justifying sincere congratulation, and calling for our grateful acknowledgments to a beneficent Providence, which has so long deferred the realization of the highest blessings of the Union. The spirit of patriotism is universal and is ever increasing in fervor. The public questions which now most engage us are lifted far above either partisan prejudice, or former sectional differences. It gives me pleasure to extend greeting to the Fifty-sixth Congress, assembled in regular session at the seat of Government, whose Senators and Representatives have been associated in the legislative service. Their meeting occurs under felicitous conditions, justifying sincere congratulation, and calling for our grateful acknowledgments to a beneficent Providence, which has so long deferred the realization of the highest blessings of the Union. The spirit of patriotism is universal and is ever increasing in fervor. The public questions which now most engage us are lifted far above either partisan prejudice, or former sectional differences.

It gives me pleasure to extend greeting to the Fifty-sixth Congress, assembled in regular session at the seat of Government, whose Senators and Representatives have been associated in the legislative service. Their meeting occurs under felicitous conditions, justifying sincere congratulation, and calling for our grateful acknowledgments to a beneficent Providence, which has so long deferred the realization of the highest blessings of the Union. The spirit of patriotism is universal and is ever increasing in fervor. The public questions which now most engage us are lifted far above either partisan prejudice, or former sectional differences.

CURRENCY REVISION NECESSITY.

Tariff legislation having been settled by the extra session of Congress, the question next pressing for consideration is that of the currency. The work of putting our finances upon a sound basis is one of the most important which appear easier when we recall the financial operations of the Government since 1866. On the 30th day of June of that year we had outstanding demand liabilities in the sum of \$728,868,447.41. On the 1st of January, 1879, these liabilities had increased to \$1,000,000,000. Of our outstanding obligations, the figures are even more striking. On July 1, 1866, the principal of the interest-bearing debt of the Government was \$2,332,331,208. On the first day of July, 1893, this sum had been reduced to \$650,087,100, or an aggregate reduction of \$1,682,244,108. The principal of the debt of the Government on the first day of December, 1897, was \$847,365,620. The constant money now outstanding (Dec. 1) consists of \$346,681,016 of United States notes, \$107,793,250 of Treasury notes issued by authority of the law of 1891, and \$399,000,000 of standard silver dollars, and \$61,360,761 of standard silver dollars.

With the great resources of the Government, and with the honorable example of the past before us, we ought not to hesitate to enter upon a currency revision which will make our demand obligations less onerous to the Government and relieve our financial laws from ambiguity and doubt. The brief review of what has been accomplished from the close of the war to 1893 makes unreasonable and groundless any distrust either of our financial ability or soundness of the Government's financial policy. It is the admiring Congress of the immediate necessity of legislating as to make the return of the conditions then prevailing impossible.

There are many plans proposed as a remedy for the evil. Before we can find the true remedy we must appreciate the nature of the evil. It is not that of every kind is not good, for every dollar of it is good; good because the Government's pledge is out to keep it so, and that pledge will not be broken. However, the guarantee of our purpose to keep the pledge will be best shown by advancing toward its fulfillment.

EVIL OF THE PRESENT SYSTEM.

The evil of the present system is found in the great cost to the Government of maintaining the parity of our different forms of money; that is, keeping all of them at par with gold. We realize that the Government is not to be paid in this money upon the people, even under fairly prosperous conditions, while the past four years have demonstrated that it is not only an expensive charge upon the Government, but a dangerous menace to the national credit.

It is manifest that we must resort to some plan to reduce the Government's demand obligations for repeated redemptions. We must either curtail the opportunity for speculation, made easy by the multiplied redemptions of our demand obligations, or increase the gold reserve for their redemption. We have \$900,000,000 of currency notes which the Government is obliged to redeem. The banks are not required to redeem in gold. The Government is obliged to keep gold with all its outstanding currency and coin obligations, which its receipts are not sufficient to pay. The Government is obliged to pay in every kind of money but gold, and the only means by which the Government can with certainty get gold is by borrowing. It can get it in no other way when it most needs it.

The Government, without any fixed gold revenue, is perpetually obliged to pay its obligations. It has steadily and faithfully done so, and which, under the authority now given, it will continue to do. The law which requires the Government, after having redeemed its United States notes, to pay them out again as current funds, demands a more radical remedy. This is especially so in times of business panic and when the revenues are insufficient to meet the expenses of the Government. At such times the Government has no other way to supply its deficit and maintain reparation than through the increase of its demand debt, and the multiplication of the issue of its predecessor, when \$202,315,400 of 4 per cent. bonds were issued and sold and the proceeds used to pay the expenses of the Government in excess of the revenues and sustain the gold reserve. With our revenues equal to our expenses there would be no deficit requiring the issuance of bonds. But if the gold reserve falls below \$100,000,000, how will it be replenished except by selling more bonds? Is there any other way practicable under existing law?

THE SERIOUS QUESTION THAT IS TO BE CONTINUED.

The serious question that is to be continued is, when the gold reserve reaches the point of danger, issue more bonds and supply the needed gold, or shall we provide other means to prevent these recurring drains upon the gold reserves. If no further legislation is passed to prevent the gold reserve from being continued, then Congress should give the Secretary of the Treasury authority to sell bonds at long or short periods, bearing a low rate of interest than is now authorized by law. I earnestly recommend, as soon as the results of the census are sufficient to pay the expenses of the Government, that when any of the United States notes are presented for redemption in gold, and are redeemed, and only paid out in exchange for gold. This is an obvious duty. If the holder of the United States note prefers the gold, and gets it from the Government, he should not receive back from the Government a United States note without paying gold in exchange for it. The reason for this is made all the more apparent when the

Government issues an interest-bearing debt to provide gold for the redemption of United States notes—a non-interest-bearing debt on demand and a gold if they are put out on any other way, they must be followed by another bond issue to redeem them—another interest-bearing debt to redeem a non-interest-bearing debt. In my view it is of the utmost importance that the Government should be relieved from the burden of providing all the gold required for exchange and export. This responsibility is alone borne by the Government without any of the usual and necessary banking powers to help itself. The banks do not feel the strain of gold redemption. The whole strain rests upon the Government. The issue of the gold reserve in the hands of the public, for the purpose of raising the signal of danger or of security. This ought to be stopped.

If we are to have an era of prosperity in the country, with sufficient receipts for the expenses of the Government, we may feel no immediate need of the gold reserve. The danger is that the gold reserve will be ever present, menacing us so long as the existing system continues. And, besides, it is in time of adequate revenue and business tranquility that the Government should prepare for the worst. We cannot avoid, without serious consequences, the wise consideration and prompt solution of this question.

SECRETARY GARDNER'S PLAN.

The Secretary of the Treasury has outlined a plan in great detail for the purpose of removing the threatened recurrence of a depleted gold reserve, and save us from future embarrassment on that account. To this plan I invite your careful consideration.

The Secretary of the Treasury in his recommendation that national banks be allowed to issue notes to the face value of the bonds which they have deposited for circulation, and that the tax on circulating notes secured by deposit of such bonds be reduced to one-half of the present rate, is a plan which is commendable in its intention, and which, if carried out, would be a great benefit to the country. It is a plan which is commendable in its intention, and which, if carried out, would be a great benefit to the country.

THE CUBAN PROBLEM.

The most important problem with which this Government is now called upon to deal pertaining to its foreign relations concerns its duty toward Cuba. The Cuban problem is one of the most important which appear easier when we recall the financial operations of the Government since 1866. On the 30th day of June of that year we had outstanding demand liabilities in the sum of \$728,868,447.41. On the 1st of January, 1879, these liabilities had increased to \$1,000,000,000. Of our outstanding obligations, the figures are even more striking. On July 1, 1866, the principal of the interest-bearing debt of the Government was \$2,332,331,208. On the first day of July, 1893, this sum had been reduced to \$650,087,100, or an aggregate reduction of \$1,682,244,108. The principal of the debt of the Government on the first day of December, 1897, was \$847,365,620. The constant money now outstanding (Dec. 1) consists of \$346,681,016 of United States notes, \$107,793,250 of Treasury notes issued by authority of the law of 1891, and \$399,000,000 of standard silver dollars, and \$61,360,761 of standard silver dollars.

With the great resources of the Government, and with the honorable example of the past before us, we ought not to hesitate to enter upon a currency revision which will make our demand obligations less onerous to the Government and relieve our financial laws from ambiguity and doubt. The brief review of what has been accomplished from the close of the war to 1893 makes unreasonable and groundless any distrust either of our financial ability or soundness of the Government's financial policy. It is the admiring Congress of the immediate necessity of legislating as to make the return of the conditions then prevailing impossible.

There are many plans proposed as a remedy for the evil. Before we can find the true remedy we must appreciate the nature of the evil. It is not that of every kind is not good, for every dollar of it is good; good because the Government's pledge is out to keep it so, and that pledge will not be broken. However, the guarantee of our purpose to keep the pledge will be best shown by advancing toward its fulfillment.

EVIL OF THE PRESENT SYSTEM.

The evil of the present system is found in the great cost to the Government of maintaining the parity of our different forms of money; that is, keeping all of them at par with gold. We realize that the Government is not to be paid in this money upon the people, even under fairly prosperous conditions, while the past four years have demonstrated that it is not only an expensive charge upon the Government, but a dangerous menace to the national credit.

It is manifest that we must resort to some plan to reduce the Government's demand obligations for repeated redemptions. We must either curtail the opportunity for speculation, made easy by the multiplied redemptions of our demand obligations, or increase the gold reserve for their redemption. We have \$900,000,000 of currency notes which the Government is obliged to redeem. The banks are not required to redeem in gold. The Government is obliged to keep gold with all its outstanding currency and coin obligations, which its receipts are not sufficient to pay. The Government is obliged to pay in every kind of money but gold, and the only means by which the Government can with certainty get gold is by borrowing. It can get it in no other way when it most needs it.

The Government, without any fixed gold revenue, is perpetually obliged to pay its obligations. It has steadily and faithfully done so, and which, under the authority now given, it will continue to do. The law which requires the Government, after having redeemed its United States notes, to pay them out again as current funds, demands a more radical remedy. This is especially so in times of business panic and when the revenues are insufficient to meet the expenses of the Government. At such times the Government has no other way to supply its deficit and maintain reparation than through the increase of its demand debt, and the multiplication of the issue of its predecessor, when \$202,315,400 of 4 per cent. bonds were issued and sold and the proceeds used to pay the expenses of the Government in excess of the revenues and sustain the gold reserve. With our revenues equal to our expenses there would be no deficit requiring the issuance of bonds. But if the gold reserve falls below \$100,000,000, how will it be replenished except by selling more bonds? Is there any other way practicable under existing law?

THE SERIOUS QUESTION THAT IS TO BE CONTINUED.

The serious question that is to be continued is, when the gold reserve reaches the point of danger, issue more bonds and supply the needed gold, or shall we provide other means to prevent these recurring drains upon the gold reserves. If no further legislation is passed to prevent the gold reserve from being continued, then Congress should give the Secretary of the Treasury authority to sell bonds at long or short periods, bearing a low rate of interest than is now authorized by law. I earnestly recommend, as soon as the results of the census are sufficient to pay the expenses of the Government, that when any of the United States notes are presented for redemption in gold, and are redeemed, and only paid out in exchange for gold. This is an obvious duty. If the holder of the United States note prefers the gold, and gets it from the Government, he should not receive back from the Government a United States note without paying gold in exchange for it. The reason for this is made all the more apparent when the

of the country fall by the hand of an assassin, although the Cabinet of the late Premier had proposed to the Congress that the Government should place with a few days thereafter a new administration in Spain.

SPAIN'S PROMISED REFORMS.

The reply to our note was received on the 23d day of October. It is in the direction of a better understanding of its position, and of the purposes of this Government. It admits that our country is deeply affected by the war in Cuba, and that it desires to see a speedy termination of the present Spanish Government, and that it desires to see a speedy termination of the present Spanish Government, and that it desires to see a speedy termination of the present Spanish Government.

In the absence of a declaration of the measure, this Government is not bound to carry out its promise of good offices. It suggests that Spain be left free to conduct military operations in Cuba, and that it be left free to conduct military operations in Cuba, and that it be left free to conduct military operations in Cuba.

RECOGNITION OF BELLIGERENCY USUW.

For these reasons, I regard the recognition of the belligerency of the insurgents as unwise and therefore inadvisable. Should that step hereafter be deemed wise as a measure of intervention upon humanitarian grounds, it should be taken with the understanding that the Government will not be bound to recognize the belligerency of the insurgents.

THE CUBAN PROBLEM.

The most important problem with which this Government is now called upon to deal pertaining to its foreign relations concerns its duty toward Cuba. The Cuban problem is one of the most important which appear easier when we recall the financial operations of the Government since 1866. On the 30th day of June of that year we had outstanding demand liabilities in the sum of \$728,868,447.41. On the 1st of January, 1879, these liabilities had increased to \$1,000,000,000. Of our outstanding obligations, the figures are even more striking. On July 1, 1866, the principal of the interest-bearing debt of the Government was \$2,332,331,208. On the first day of July, 1893, this sum had been reduced to \$650,087,100, or an aggregate reduction of \$1,682,244,108. The principal of the debt of the Government on the first day of December, 1897, was \$847,365,620. The constant money now outstanding (Dec. 1) consists of \$346,681,016 of United States notes, \$107,793,250 of Treasury notes issued by authority of the law of 1891, and \$399,000,000 of standard silver dollars, and \$61,360,761 of standard silver dollars.

With the great resources of the Government, and with the honorable example of the past before us, we ought not to hesitate to enter upon a currency revision which will make our demand obligations less onerous to the Government and relieve our financial laws from ambiguity and doubt. The brief review of what has been accomplished from the close of the war to 1893 makes unreasonable and groundless any distrust either of our financial ability or soundness of the Government's financial policy. It is the admiring Congress of the immediate necessity of legislating as to make the return of the conditions then prevailing impossible.

EVIL OF THE PRESENT SYSTEM.

The evil of the present system is found in the great cost to the Government of maintaining the parity of our different forms of money; that is, keeping all of them at par with gold. We realize that the Government is not to be paid in this money upon the people, even under fairly prosperous conditions, while the past four years have demonstrated that it is not only an expensive charge upon the Government, but a dangerous menace to the national credit.

It is manifest that we must resort to some plan to reduce the Government's demand obligations for repeated redemptions. We must either curtail the opportunity for speculation, made easy by the multiplied redemptions of our demand obligations, or increase the gold reserve for their redemption. We have \$900,000,000 of currency notes which the Government is obliged to redeem. The banks are not required to redeem in gold. The Government is obliged to keep gold with all its outstanding currency and coin obligations, which its receipts are not sufficient to pay. The Government is obliged to pay in every kind of money but gold, and the only means by which the Government can with certainty get gold is by borrowing. It can get it in no other way when it most needs it.

The Government, without any fixed gold revenue, is perpetually obliged to pay its obligations. It has steadily and faithfully done so, and which, under the authority now given, it will continue to do. The law which requires the Government, after having redeemed its United States notes, to pay them out again as current funds, demands a more radical remedy. This is especially so in times of business panic and when the revenues are insufficient to meet the expenses of the Government. At such times the Government has no other way to supply its deficit and maintain reparation than through the increase of its demand debt, and the multiplication of the issue of its predecessor, when \$202,315,400 of 4 per cent. bonds were issued and sold and the proceeds used to pay the expenses of the Government in excess of the revenues and sustain the gold reserve. With our revenues equal to our expenses there would be no deficit requiring the issuance of bonds. But if the gold reserve falls below \$100,000,000, how will it be replenished except by selling more bonds? Is there any other way practicable under existing law?

THE SERIOUS QUESTION THAT IS TO BE CONTINUED.

The serious question that is to be continued is, when the gold reserve reaches the point of danger, issue more bonds and supply the needed gold, or shall we provide other means to prevent these recurring drains upon the gold reserves. If no further legislation is passed to prevent the gold reserve from being continued, then Congress should give the Secretary of the Treasury authority to sell bonds at long or short periods, bearing a low rate of interest than is now authorized by law. I earnestly recommend, as soon as the results of the census are sufficient to pay the expenses of the Government, that when any of the United States notes are presented for redemption in gold, and are redeemed, and only paid out in exchange for gold. This is an obvious duty. If the holder of the United States note prefers the gold, and gets it from the Government, he should not receive back from the Government a United States note without paying gold in exchange for it. The reason for this is made all the more apparent when the

of the country fall by the hand of an assassin, although the Cabinet of the late Premier had proposed to the Congress that the Government should place with a few days thereafter a new administration in Spain.

RECOGNITION OF BELLIGERENCY USUW.

For these reasons, I regard the recognition of the belligerency of the insurgents as unwise and therefore inadvisable. Should that step hereafter be deemed wise as a measure of intervention upon humanitarian grounds, it should be taken with the understanding that the Government will not be bound to recognize the belligerency of the insurgents.

THE CUBAN PROBLEM.

The most important problem with which this Government is now called upon to deal pertaining to its foreign relations concerns its duty toward Cuba. The Cuban problem is one of the most important which appear easier when we recall the financial operations of the Government since 1866. On the 30th day of June of that year we had outstanding demand liabilities in the sum of \$728,868,447.41. On the 1st of January, 1879, these liabilities had increased to \$1,000,000,000. Of our outstanding obligations, the figures are even more striking. On July 1, 1866, the principal of the interest-bearing debt of the Government was \$2,332,331,208. On the first day of July, 1893, this sum had been reduced to \$650,087,100, or an aggregate reduction of \$1,682,244,108. The principal of the debt of the Government on the first day of December, 1897, was \$847,365,620. The constant money now outstanding (Dec. 1) consists of \$346,681,016 of United States notes, \$107,793,250 of Treasury notes issued by authority of the law of 1891, and \$399,000,000 of standard silver dollars, and \$61,360,761 of standard silver dollars.

EVIL OF THE PRESENT SYSTEM.

The evil of the present system is found in the great cost to the Government of maintaining the parity of our different forms of money; that is, keeping all of them at par with gold. We realize that the Government is not to be paid in this money upon the people, even under fairly prosperous conditions, while the past four years have demonstrated that it is not only an expensive charge upon the Government, but a dangerous menace to the national credit.

THE SERIOUS QUESTION THAT IS TO BE CONTINUED.

The serious question that is to be continued is, when the gold reserve reaches the point of danger, issue more bonds and supply the needed gold, or shall we provide other means to prevent these recurring drains upon the gold reserves. If no further legislation is passed to prevent the gold reserve from being continued, then Congress should give the Secretary of the Treasury authority to sell bonds at long or short periods, bearing a low rate of interest than is now authorized by law. I earnestly recommend, as soon as the results of the census are sufficient to pay the expenses of the Government, that when any of the United States notes are presented for redemption in gold, and are redeemed, and only paid out in exchange for gold. This is an obvious duty. If the holder of the United States note prefers the gold, and gets it from the Government, he should not receive back from the Government a United States note without paying gold in exchange for it. The reason for this is made all the more apparent when the

of the country fall by the hand of an assassin, although the Cabinet of the late Premier had proposed to the Congress that the Government should place with a few days thereafter a new administration in Spain.

RECOGNITION OF BELLIGERENCY USUW.

For these reasons, I regard the recognition of the belligerency of the insurgents as unwise and therefore inadvisable. Should that step hereafter be deemed wise as a measure of intervention upon humanitarian grounds, it should be taken with the understanding that the Government will not be bound to recognize the belligerency of the insurgents.

THE CUBAN PROBLEM.

The most important problem with which this Government is now called upon to deal pertaining to its foreign relations concerns its duty toward Cuba. The Cuban problem is one of the most important which appear easier when we recall the financial operations of the Government since 1866. On the 30th day of June of that year we had outstanding demand liabilities in the sum of \$728,868,447.41. On the 1st of January, 1879, these liabilities had increased to \$1,000,000,000. Of our outstanding obligations, the figures are even more striking. On July 1, 1866, the principal of the interest-bearing debt of the Government was \$2,332,331,208. On the first day of July, 1893, this sum had been reduced to \$650,087,100, or an aggregate reduction of \$1,682,244,108. The principal of the debt of the Government on the first day of December, 1897, was \$847,365,620. The constant money now outstanding (Dec. 1) consists of \$346,681,016 of United States notes, \$107,793,250 of Treasury notes issued by authority of the law of 1891, and \$399,000,000 of standard silver dollars, and \$61,360,761 of standard silver dollars.

EVIL OF THE PRESENT SYSTEM.

The evil of the present system is found in the great cost to the Government of maintaining the parity of our different forms of money; that is, keeping all of them at par with gold. We realize that the Government is not to be paid in this money upon the people, even under fairly prosperous conditions, while the past four years have demonstrated that it is not only an expensive charge upon the Government, but a dangerous menace to the national credit.

THE SERIOUS QUESTION THAT IS TO BE CONTINUED.

The serious question that is to be continued is, when the gold reserve reaches the point of danger, issue more bonds and supply the needed gold, or shall we provide other means to prevent these recurring drains upon the gold reserves. If no further legislation is passed to prevent the gold reserve from being continued, then Congress should give the Secretary of the Treasury authority to sell bonds at long or short periods, bearing a low rate of interest than is now authorized by law. I earnestly recommend, as soon as the results of the census are sufficient to pay the expenses of the Government, that when any of the United States notes are presented for redemption in gold, and are redeemed, and only paid out in exchange for gold. This is an obvious duty. If the holder of the United States note prefers the gold, and gets it from the Government, he should not receive back from the Government a United States note without paying gold in exchange for it. The reason for this is made all the more apparent when the

of the country fall by the hand of an assassin, although the Cabinet of the late Premier had proposed to the Congress that the Government should place with a few days thereafter a new administration in Spain.

RECOGNITION OF BELLIGERENCY USUW.

For these reasons, I regard the recognition of the belligerency of the insurgents as unwise and therefore inadvisable. Should that step hereafter be deemed wise as a measure of intervention upon humanitarian grounds, it should be taken with the understanding that the Government will not be bound to recognize the belligerency of the insurgents.

THE CUBAN PROBLEM.

The most important problem with which this Government is now called upon to deal pertaining to its foreign relations concerns its duty toward Cuba. The Cuban problem is one of the most important which appear easier when we recall the financial operations of the Government since 1866. On the 30th day of June of that year we had outstanding demand liabilities in the sum of \$728,868,447.41. On the 1st of January, 1879, these liabilities had increased to \$1,000,000,000. Of our outstanding obligations, the figures are even more striking. On July 1, 1866, the principal of the interest-bearing debt of the Government was \$2,332,331,208. On the first day of July, 1893, this sum had been reduced to \$650,087,100, or an aggregate reduction of \$1,682,244,108. The principal of the debt of the Government on the first day of December, 1897, was \$847,365,620. The constant money now outstanding (Dec. 1) consists of \$346,681,016 of United States notes, \$107,793,250 of Treasury notes issued by authority of the law of 1891, and \$399,000,000 of standard silver dollars, and \$61,360,761 of standard silver dollars.

EVIL OF THE PRESENT SYSTEM.

The evil of the present system is found in the great cost to the Government of maintaining the parity of our different forms of money; that is, keeping all of them at par with gold. We realize that the Government is not to be paid in this money upon the people, even under fairly prosperous conditions, while the past four years have demonstrated that it is not only an expensive charge upon the Government, but a dangerous menace to the national credit.

THE SERIOUS QUESTION THAT IS TO BE CONTINUED.

The serious question that is to be continued is, when the gold reserve reaches the point of danger, issue more bonds and supply the needed gold, or shall we provide other means to prevent these recurring drains upon the gold reserves. If no further legislation is passed to prevent the gold reserve from being continued, then Congress should give the Secretary of the Treasury authority to sell bonds at long or short periods, bearing a low rate of interest than is now authorized by law. I earnestly recommend, as soon as the results of the census are sufficient to pay the expenses of the Government, that when any of the United States notes are presented for redemption in gold, and are redeemed, and only paid out in exchange for gold. This is an obvious duty. If the holder of the United States note prefers the gold, and gets it from the Government, he should not receive back from the Government a United States note without paying gold in exchange for it. The reason for this is made all the more apparent when the

of the country fall by the hand of an assassin, although the Cabinet of the late Premier had proposed to the Congress that the Government should place with a few days thereafter a new administration in Spain.

RECOGNITION OF BELLIGERENCY USUW.

For these reasons, I regard the recognition of the belligerency of the insurgents as unwise and therefore inadvisable. Should that step hereafter be deemed wise as a measure of intervention upon humanitarian grounds, it should be taken with the understanding that the Government will not be bound to recognize the belligerency of the insurgents.

THE CUBAN PROBLEM.

The most important problem with which this Government is now called upon to deal pertaining to its foreign relations concerns its duty toward Cuba. The Cuban problem is one of the most important which appear easier when we recall the financial operations of the Government since 1866. On the 30th day of June of that year we had outstanding demand liabilities in the sum of \$728,868,447.41. On the 1st of January, 1879, these liabilities had increased to \$1,000,000,000. Of our outstanding obligations, the figures are even more striking. On July 1, 1866, the principal of the interest-bearing debt of the Government was \$2,332,331,208. On the first day of July, 1893, this sum had been reduced to \$650,087,100, or an aggregate reduction of \$1,682,244,108. The principal of the debt of the Government on the first day of December, 1897, was \$847,365,620. The constant money now outstanding (Dec. 1) consists of \$346,681,016 of United States notes, \$107,793,250 of Treasury notes issued by authority of the law of 1891, and \$399,000,000 of standard silver dollars, and \$61,360,761 of standard silver dollars.

EVIL OF THE PRESENT SYSTEM.

The evil of the present system is found in the great cost to the Government of maintaining the parity of our different forms of money; that is, keeping all of them at par with gold. We realize that the Government is not to be paid in this money upon the people, even under fairly prosperous conditions, while the past four years have demonstrated that it is not only an expensive charge upon the Government, but a dangerous menace to the national credit.

THE SERIOUS QUESTION THAT IS TO BE CONTINUED.

The serious question that is to be continued is, when the gold reserve reaches the point of danger, issue more bonds and supply the needed gold, or shall we provide other means to prevent these recurring drains upon the gold reserves. If no further legislation is passed to prevent the gold reserve from being continued, then Congress should give the Secretary of the Treasury authority to sell bonds at long or short periods, bearing a low rate of interest than is now authorized by law. I earnestly recommend, as soon as the results of the census are sufficient to pay the expenses of the Government, that when any of the United States notes are presented for redemption in gold, and are redeemed, and only paid out in exchange for gold. This is an obvious duty. If the holder of the United States note prefers the gold, and gets it from the Government, he should not receive back from the Government a United States note without paying gold in exchange for it. The reason for this is made all the more apparent when the