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Digging Ports

Planned Expansions of Major Coal Ports

	Builders	Capacity (met. tons)	Estimated Cost
Philadelphia (which 4)	State of Pennsylvania	20 million	\$26.5 million
More in Marine (a)	Consolidation Coal	10 million	\$110 million
More in (sco)	Pittston, Mapco Inc., Elk River Res., Utah Int'l., Old Ben Coal, Soros Associates	15 million	\$150 million
on Roads, (er 9)	A.T. Massey	10 million	\$50 million
on Roads, (portsmouth)	Cox, Consolidation Coal, A.T. Massey, Pittston	20 million	\$100 million
on Roads, (ney ls.)	Virginia Port Authority	50 million	\$100 million

Associated Press

Hampton Roads, Va., port late last year

heart. In the past when a flurry of planning plans to expand installations at ports last. New projects quickly that a Gov- already warned of future.

ers who fear that railroads, coal com- to capture some of resulted in frag- plans. Such a helter- it is argued, may American produc- South Africa, Aus- where coal compa- more systematic

ficial of the Nippon said that the inabil- npanies to offer a oduction, rail lines ns raised doubts in hether the United

States can assure price stability to the long-term customer.

While the companies move to expand installations, coal exports are surging. Last year, they totaled 89.9 million tons, compared with 64.7 million in 1979, and shipments in the first quarter of this year were well ahead of those in the comparable period last year.

The increased foreign demand has been so great that Hampton Roads, Va., the nation's leading coal port, is seriously clogged and often has lines of ships waiting for months to be loaded.

The 74 million tons of estimated coal-loading capacity on the East Coast was strained to the limit last year, and it is expected to be stretched even further this year.

Mrs. Chasnov said that the Association Technique de L'Importation Charbonnière, or A.T.I.C., which last year bought 7.5 million tons of coal and ex-

Continued on Page D6

es, Joining Others

new price for its ld be \$37.50 a bar- Middle-grade oil barrel, to \$35.50, or lowest-grade, y \$1 a barrel, to

ut 63 million bar- every year, some- Arabia produces percent of Egypt's el. Ahmed Hilal, e Minister and oil that the reduc- art of a quarterly not in response to aelis.

Israel at prefer-

ential prices," he said.

The Egyptian cuts follow Mexico's \$2.50-a-barrel price reduction for its heavy crude, to \$32, and Ecuador's cut in the price of its Oriente crude by \$1.67 a barrel, to \$36.33. Ecuador also frequently adjusts its price in response to the world oil market.

The price cuts have been forced by Saudi Arabia's determination to impose pricing discipline on other members of the Organization of Petroleum Exporting Countries. The Saudis have been producing about 10.3 million barrels of oil a day. In concert with increased non-OPEC production and declining demand resulting from conser-

Conti on see D7

Commerce

New-Home Starts Rise, Permits Off Outlook Is Dim, Analysts Say; Factory Use Up

Housing starts rose 5.8 percent in March, to a relatively weak annual rate of 1.28 million units, the Commerce Department said yesterday.

But the issuance of building permits for future construction across the nation, continuing a slide that began late last year, slipped 3.2 percent.

Given rising mortgage interest rates, the slide in new building permits and the relatively low annual rate of new home starts, some industry experts predict weakness in the housing industry in coming months.

Effects of High Mortgage Costs

The annual rate of housing starts in March was 23.5 percent higher than that of 1.05 million logged in March 1980, the start of a slump in the housing industry that resulted in part from high mortgage costs.

Housing starts increased substantially late last year, to reach a seasonally adjusted annual rate of 1.66 million in January of this year. Then, in February, they tumbled a revised 27 percent, to 1.21 million.

Michael Carliner, vice president of Regional Data Associates, a Brunswick, N.J., forecasting firm that specializes in housing, said that the rise in housing starts last month had been relatively strong in the Northeast, which had experienced a fairly sharp decline in February.

Weather a Factor

"That suggests that the rise was weather-related," the analyst said. "February was a very wet month and March was a very dry month, which would have led to an increase in starts simply because rain tends to deter start activity."

Mr. Carliner said that the statistics on new home permits for March "would suggest that for the next month or so, housing starts would be on about the same level they were on for March and February."

Taking into account the fact that about 12 percent of housing starts occur outside permit-issuing areas, he suggested that "starts in the next month or so should be in the 1.2 million to 1.3 million range" on an annual basis.

"I would think that we'd have several more months of anemic housing-start activity, particularly given the weakness in deposit flows to thrift institutions," the chief source of mortgage money, Mr. Carliner said. "That, combined with increases in long-term interest rates, suggests that mortgage rates will not be declining over the near term. We would expect total housing starts for the year to be between 1.4 and 1.5 million."

More Layoffs Predicted

Herman J. Smith, president of the National Association of Home Builders, said that up to 300,000 more workers might have to be laid off in the con-

Conti on see D7

Merck Net Rises 10.4% Quarter

Merck Posts 10.7% Increase

Merck & Company Inc., a leading pharmaceuticals and chemical company based in Rahway, N.J., reported today that earnings in the first quarter of 1981 increased by 10.4 percent, a sales gain of 10.7 percent. Merck said that net income in the last three months rose to \$111.8 million, or \$1.47 a share, from \$101.3 million, or \$1.28 a share, in the first quarter of 1980. Sales increased to \$725.3 million from \$655 million.

John J. Horan, Merck's chairman and chief executive, said that the strength of the United States dollar, in addition to foreign currencies, adversely affected sales by 4 percent and profit by 11 percent.

Horan said that its foreign pharmaceuticals business made a major contribution to earnings results. Merck said its environmental and specialty chemical and services segments showed good growth in the latest quarter but that growth of the company's animal health products was affected by adverse economic conditions. Changes in the values of foreign currencies reduced first-quarter earnings by 12 cents a share, while a lower effective tax rate had a favorable effect of 4 cents a share.

Merck Inc., a leading ethical drug company with interests in chemicals

New-Home Construction Rises

Continued From First Business Page

construction industry and related fields; more than 600,000 have already been laid off in recent months.

He also cited high mortgage costs: "There's nothing wrong with the housing market" that could not be offset by a decline of three or four percentage points in mortgage interest rates, he said. But he observed that these rates, running about 15.4 percent in the past three months, appeared to be rising again.

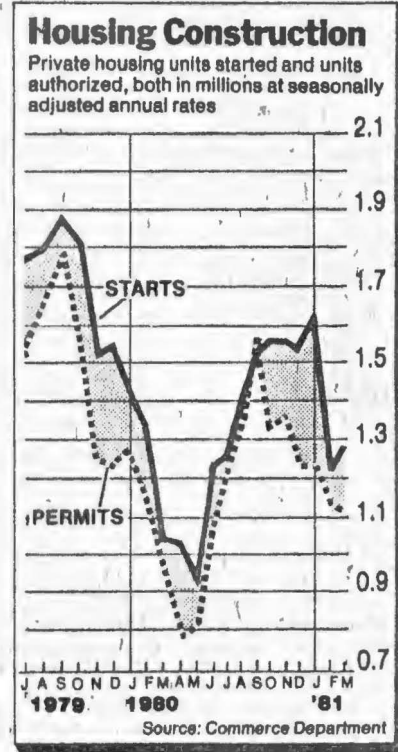
Steven Wood, a senior economist with Chase Econometrics Associates, a private forecasting firm in Bala Cynwyd, Pa., said the lengthening housing slump might thwart the upturn in the economy that some economists expect later this year.

The latest housing statistics tended to reinforce other recent statistics that showed a weakening economy.

Factory Use Rises

WASHINGTON, April 16 (AP) — In another Government report, the Federal Reserve Board said today that United States manufacturers operated at 79.5 percent of their capacity in March, an increase of one-tenth of a percentage point from February's revised rate.

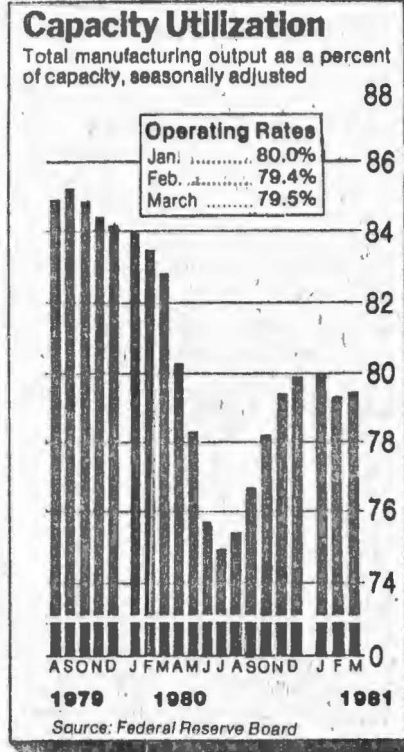
Much of the improvement reflected "a sizable increase, about 4.4 percentage points, in the operating rate for the



The New York Times / April 17, 1981

motor vehicle and parts industry, as output of cars and trucks rose 12.5 percent further from the depressed rate early in the year," the report said.

Overall manufacturing capacity



The New York Times / April 17, 1981

utilization had dropped from 80 percent in January to 79.4 percent in February, the first decline after six consecutive monthly gains following last year's recession.

and Exchange Commission that it has been negotiating with Garfinckel, Brooks Brothers, Miller & Rhoads Inc., the retail chain based in Washington, D.C., on the possibility of Garfinckel's buying back 927,175 of its common shares held by Gamble.

However, Gamble said an agreement with Garfinckel had not been reached. Garfinckel's stock closed up 1/8 yesterday, to 27 1/2, on the New York Stock Exchange, indicating a base value of about \$25.5 million on the transaction.

Gamble said it might decide to hold its 21 percent interest in Garfinckel or might sell all or part of the holdings. Gamble also said it might consider acquiring additional Garfinckel shares. Gamble is a unit of the Wickes Companies, a leading retailer of lumber and other building supplies.

Japan Group Seeks China Compensation

TOKYO, April 16 (UPI) — A consortium headed by Mitsubishi will demand \$119 million compensation from China to cover losses from a steel plant contract canceled by Peking, company sources said.

The \$390 million contract, canceled unilaterally by Peking earlier this year, involves the supply of plant and equipment for a hot steel rolling mill for the giant Baoshan steel project near Shanghai.

The Mitsubishi Group wants China to pay another 30 percent of the canceled order, because the 10 percent advance paid by the Chinese when the deal was signed last year was inadequate to cover the losses suffered.

the outstanding common stock on a fully diluted basis had been tendered and that all shares and warrants properly tendered had been accepted for payment.

Texas Instruments Earnings Off 32%

Texas Instruments Inc., citing severe price declines in semiconductors and lagging demand for calculators and other consumer products, reported a 32 percent drop in earnings for the first quarter of 1981.

Net income for the quarter was \$34.2 million, or \$1.47 a share, compared with \$50.3 million, or \$2.20 a share, in the first three months of 1980. Net sales climbed slightly, to \$1.06 billion, from \$960 million.

J. Fred Bucy, president, told shareholders at the annual meeting yesterday that higher depreciation and research and development expenses had also contributed to the earnings downturn.

Mr. Bucy told shareholders that "the first half of 1981 will continue to be difficult for the semiconductor and consumer markets" with improvements in the second half depending on an upturn in the economies of the United States and Europe.

Other semiconductor makers have also been suffering. The Intel Corporation, considered one of the most dynamic of the semiconductor companies, reported a 91 percent profit decline in the first quarter.

Energy Watch... Energy Watch... Energy Watch... Energy Watch...

Crude Oil Inventories

In millions of barrels



Gasoline Inventories

In millions of barrels



Distillate Inventories

Primarily heating oil and diesel fuel, in millions of barrels

400



COMPANY BRIEFS

• Aluminum Co. of America plans capital expenditures in 1981 of \$775 million, up from the \$638 million spent in 1980.

• Aminoll U.S.A. said it will spend

in the state of Washington for \$44.7 million.

• Marathon Oil Co. said it intended to spend in excess of \$100 million to build

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR KEN KHACHIGIAN

From: Misty L. Church *mk*

Date: 4/21/81

Subject: Space Shuttle

Per your request, I offer the following facts and quotes.

1. The Space Shuttle, Columbia, weighed 102 tons. NASA expects the Shuttle to be able to carry 6~~8~~⁵,000 pounds in its cargo area.
2. John Young, in his remarks at the landing site, said, "We're really not too far -- the human race isn't -- from going to the stars."
3. John Young, after rolling Columbia to a stop, said "We just became infinitely smarter."
4. Robert Crippen added, "This is the world's greatest flying machine. It was super."
5. U.S. News (2/23/81) quotes "one space official, 'it (Shuttle) will carry us into a new era, a revolution in space.'"

Ken, if you would like a fact sheet on the Shuttle, let us know. There are a tremendous amount of fascinating facts we could incorporate into a fact sheet for the President.

P.S. Welcome back.

Ronald Reagan Presidential Library Digital Collections

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Housing Starts Rise After Steepest Drop

\$60,000 Mortgage Now Out of Reach for 95% of American Families, Expert Says

LAT 4-17-81

WASHINGTON (UPI)—The government said Thursday housing construction bounced back in March from the previous month's record drop, but an industry expert reported a \$60,000 mortgage is now out of reach for 95% of American families.

The Commerce Department reported housing starts, the best measure of actual construction activity, rose 5.8% in March. The seasonally adjusted annual rate at March levels was set at 1,284,000 units.

But figures for the previous month were revised downward, making the drop in February's housing starts the steepest on record, at 26.9%.

The government's good statistical news was accompanied by a dire prediction from a housing industry expert.

with

With the latest mortgage interest rates, only five of every 100 American families can afford the \$800 monthly principal and interest payments on a mortgage in the \$60,000 range, said Michael Sumichrast, chief economist for the National Association of Home Builders.

Payments Higher

He pointed out insurance costs would make the total monthly payments even higher. Sumichrast said the only good news on the housing horizon is a prediction that "mortgage rates are not going much higher than they are now."

Thomas R. Harter, chief economist of the Mortgage Bankers Assn. whose members finance about one out of every four homes, called the March increase in housing starts a "quirk."

Harter predicted a decline in May and a growing shortage of mortgage money.

The Commerce Department also reported building permits in March were authorized at the seasonally adjusted annual rate of 1,128,000, or down 3.2%.

Herman J. Smith, president of the association representing builders, architects and suppliers, predicted that on the basis of the March building permit figures, construction-related unemployment will increase by another 300,000 people later this spring. More than 660,000 workers are already counted among the unemployed in the industry.

Construction of single-family houses, measured alone, increased slightly, while planned construction of apartment buildings was up 14%.

Economists watch the volatile housing industry closely, since overall construction expenditures account for about 11% of the nation's gross national product.

In another economic indicator, the Federal Reserve reported Thursday manufacturers used more of their factory capacity in March, thanks to a surge in auto production.

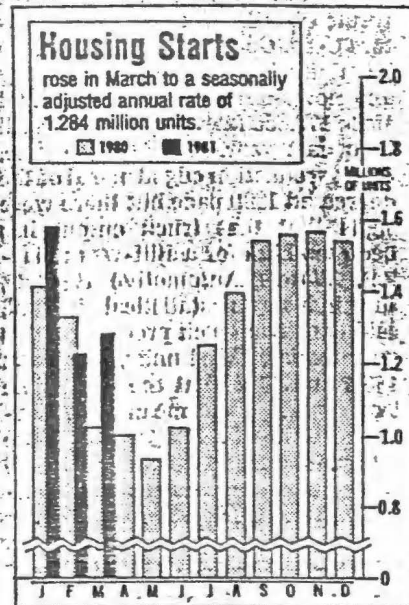
March Gain

Utilization of manufacturing capacity rose by 0.1 percentage point to 79.5% during the month—the same amount it had dropped the previous month.

The board said the increase reflects a 4.4% jump in the operating rate for the motor vehicles and parts industry as the output of cars and trucks rose by 12.5%.

Successful auto rebate promotions boosted auto sales in February and early March, spreading their effects through various economic indicators for the two months.

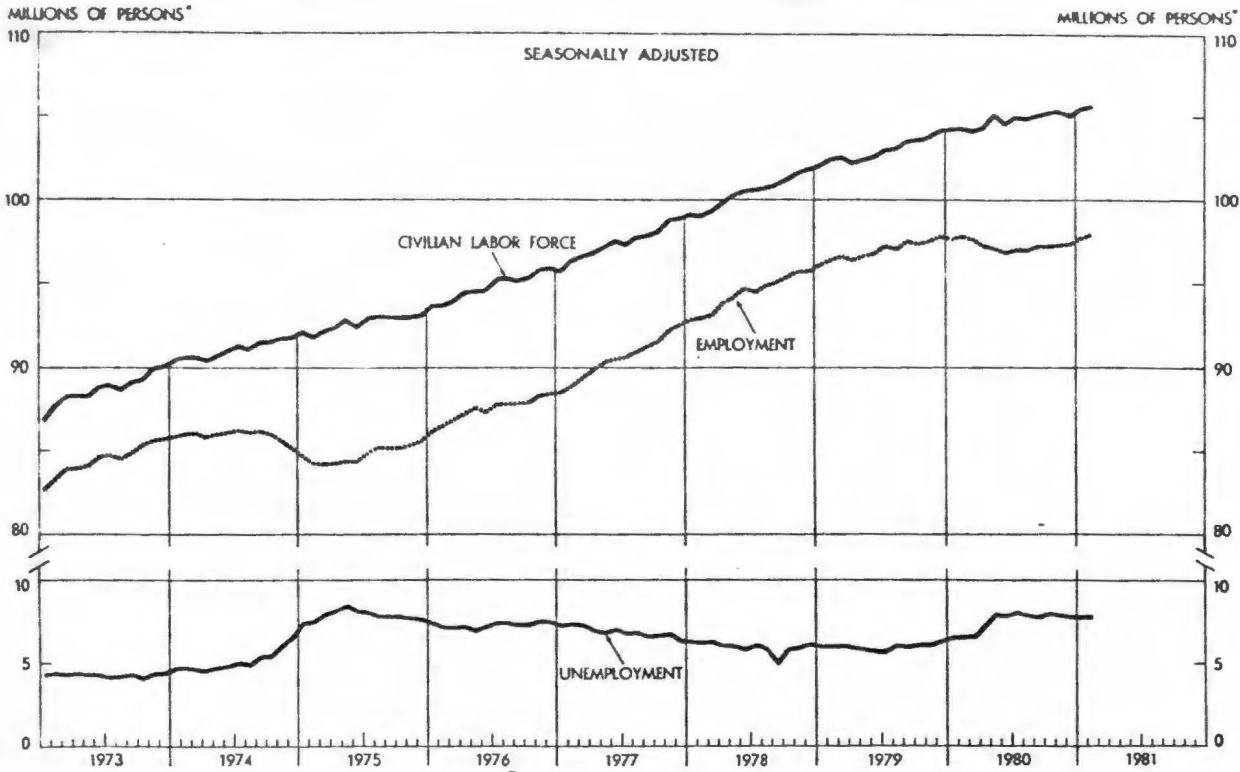
At the same time, the Fed confirmed a weakening in demand for oil and gasoline products in March, as the utilization rate for refineries fell 0.9%.



EMPLOYMENT, UNEMPLOYMENT, AND WAGES

STATUS OF THE LABOR FORCE

Seasonally adjusted employment rose 231,000 in February while unemployment fell 93,000.



*16 YEARS OF AGE AND OVER
SOURCE: DEPARTMENT OF LABOR

COUNCIL OF ECONOMIC ADVISERS

[Thousands of persons 16 years of age and over, except as noted]

Period	Non-institutional population	Civilian employment	Unemployment	Total labor force (including Armed Forces)	Civilian labor force	Civilian employment				Unemployment		Labor force participation rate (percent)
						Total	Agricultural	Nonagricultural		Total	15 weeks and over	
								Total	Part-time for economic reasons ¹			
1975.....	153,449	84,783	7,830	94,793	92,613	84,783	3,380	81,403	3,490	7,830	2,483	61.8
1976.....	156,048	87,485	7,288	96,917	94,773	87,485	3,297	84,188	3,272	7,288	2,340	62.1
1977.....	158,559	90,546	6,855	99,534	97,401	90,546	3,244	87,302	3,297	6,855	1,911	62.8
1978*.....	161,058	94,373	6,047	102,537	100,420	94,373	3,342	91,031	3,216	6,047	1,379	63.7
1979.....	163,620	96,945	5,963	104,996	102,908	96,945	3,297	93,648	3,281	5,963	1,202	64.2
1980.....	166,246	97,270	7,448	106,821	104,719	97,270	3,310	93,960	3,965	7,448	1,829	64.3
		Unadjusted			Seasonally adjusted							
1980: Feb..	165,298	96,264	6,993	106,357	104,271	97,817	3,329	94,488	3,454	6,454	1,299	64.3
Mar..	165,506	96,546	6,805	106,261	104,171	97,628	3,337	94,291	3,470	6,543	1,391	64.2
Apr..	165,693	96,566	6,846	106,519	104,427	97,225	3,262	93,963	3,803	7,202	1,599	64.3
May..	165,886	96,709	7,318	107,148	105,060	97,116	3,352	93,764	4,276	7,944	1,686	64.6
June..	166,105	97,776	8,291	106,683	104,591	96,780	3,232	93,548	3,969	7,811	1,777	64.2
July..	166,391	98,587	8,410	107,119	105,020	96,999	3,267	93,732	4,086	8,021	1,935	64.4
Aug..	166,578	98,115	8,011	107,059	104,945	97,003	3,210	93,793	4,143	7,942	2,150	64.3
Sept..	166,789	97,256	7,464	107,101	104,980	97,180	3,399	93,781	4,183	7,800	2,295	64.2
Oct..	167,005	97,933	7,482	107,288	105,167	97,206	3,319	93,887	4,220	7,961	2,292	64.2
Nov..	167,201	97,801	7,486	107,404	105,285	97,339	3,340	93,999	4,176	7,946	2,329	64.2
Dec..	167,396	97,545	7,233	107,191	105,067	97,282	3,394	93,888	4,218	7,785	2,378	64.0
1981: Jan..	167,585	96,128	8,543	107,668	105,543	97,696	3,403	94,294	4,474	7,847	2,358	64.2
Feb..	167,747	96,383	8,425	107,802	105,681	97,927	3,281	94,646	4,145	7,754	2,250	64.3

¹Persons at work. Economic reasons include slack work, material shortages, inability to find full-time work, etc.

revisions in the household survey, which added about 250,000 to labor force and to employment.

²Total labor force as percent of noninstitutional population 16 years of age and over.

Source: Department of Labor, Bureau of Labor Statistics.

³Data beginning 1978 not strictly comparable with earlier data because of

4/3
 Mar 167,902 97,318 8,087 108,305 106,177 98,412 3,276 95,136 4,327 7,764 2,192 11 64.5
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THE WHITE HOUSE

WASHINGTON
April 20, 1981

MEMORANDUM FOR: JAMES BAKER
JACK CAMPBELL
✓ RICHARD DARMAN
MICHAEL DEEVER
ELIZABETH DOLE
CRAIG FULLER
ROBERT GARRICK
DAVID GERGEN
DAVID GERSON
WILLIAM GRIBBIN
KEVIN HOPKINS
EDWIN MEESE
GLEN SCHLEEDE
LARRY SPEAKES
DAVID STOCKMAN
NORMAN TURE
RICH WILLIAMSON

FROM: FRANK A. URSOMARSO *fu*
MIKE BAROODY *MB*

SUBJECT: Briefing Book on the Economic Package

The attached talking points are proposed for inclusion in a second printing of the briefing book on the economic package. They are intended to present the major differences between the Reagan Economic Recovery Program and the Jones and Rostenkowski alternatives in the House. The Reagan bipartisan alternative is also discussed.

It would be appreciated if you would review this material and make any suggested changes in style and accuracy as soon as possible. Please return comments to Frank Ursomarso's office by 6:00 p.m. on Monday, April 20, 1981.

The Jones Alternative Budget

- Spends more -- \$25.4 billion more than the Reagan Bipartisan in fiscal year 1982; \$47.2 billion more in fiscal year 1983; and \$68.6 billion more in fiscal year 1984. This totals \$141.2 billion more in three years.
- Cuts \$6.7 billion from defense budget authority for fiscal year 1982 -- while spending \$21.9 billion more for social programs than the Reagan Bipartisan plan.
- Provides less tax relief -- \$20 billion less for fiscal year 1982. (Doesn't provide relief for individuals until 1982, whereas Reagan Bipartisan commences July 1981.) By 1984, the Jones cuts for individuals would be only one-third the Reagan Bipartisan's.
- Resorts to double-counting and illusory administrative savings. Over \$1.8 billion is double counted. And, for example, "savings" of \$1.5 billion from unresolved audits are claimed, but highly unlikely to be achieved.
- The Jones bill is business-as-usual in disguise: more taxing, more spending, continued "stagflation."

The Reagan Bipartisan Alternative

- Introduced by Congressman Phil Gramm and Delbert Latta.
- Restores all defense spending cuts proposed in the Jones alternative.
- Increases spending for Veterans' programs, some Economic Development programs and vocational education programs.
- Includes tax cuts contained in Reagan plan.
- Reduces spending \$25.4 billion more than the Jones budget and slightly more than the Reagan plan.
- Establishes budget and revenue amounts that would accomodate the President's program in its entirety.

The Rostenkowski Plan

- Not real tax relief: Means higher taxes for Americans.
- Cuts personal taxes only \$28 billion in FY 1982, over \$16 billion less than the Reagan plan. Provides no tax relief in 1983 and 1984.
- Unequal treatment: Cuts tax rates more for taxpayers in some income groups than for others. The Reagan plan cuts rates equally for all.
- Makes only modest cuts in tax rates, far less than those needed to eliminate disincentives to work, save and invest.
- Is vague about the specific revisions to be made in taxation of business. Rostenkowski apparently rejects the Reagan 10-5-3 accelerated cost recovery plan which has wide and bipartisan support in the Congress. The proposal speaks only of "standards" to be applied to changes in depreciation formulas but does not specify the changes.
- Proposes "forced long-term savings" through improperly designed and inadequate targeted incentives.

The Alternative Programs In The House

- The Jones and Rostenkowski plans have some Democratic support and differ substantially from the Reagan plan. A third, the Reagan Bipartisan alternative, keeps the Reagan plan tax cuts and most of its spending proposals intact.

General Points:

- The Jones and Rostenkowski plans set policy for only one year. The Reagan plan would set a three year consistent and predictable economic policy for individuals and businesses to rely on.
- Jones and Rostenkowski lack predictability because new policies will have to be set each year and will be held hostage to changing economic and political conditions.
- The Reagan plan puts first things first, insisting on a tax cut to stimulate economic recovery before other important but less urgent tax reforms (like eliminating the marriage penalty) can be considered.

By Mr. STEWART of New Jersey: Petition of 44 citizens of Hackensack, N. J., favoring an amendment to the Constitution relating to polygamy—to the Committee on the Judiciary.

By Mr. STEWART of New York: Resolution of Boiler Makers' Union No. 202, of Schenectady, N. Y., and Machinists' Union No. 100, of Amsterdam, N. Y., asking that war ships be constructed in the national navy-yards—to the Committee on Naval Affairs.

By Mr. TAWNEY: Resolutions of Retail Clerks' Union No. 52, American Federation of Labor, of Winona, Minn., favoring the construction of war ships in the United States navy-yards—to the Committee on Naval Affairs.

By Mr. THOMAS of North Carolina: Petition of citizens of Jones County, N. C., for an amendment to the Constitution prohibiting polygamy and making it a crime against the United States—to the Committee on the Judiciary.

By Mr. VREELAND: Resolutions of the First Presbyterian Church, Authors' Club, and St. Stephen's Church, all of Olean, N. Y., favoring antipolygamy amendment to the Constitution—to the Committee on the Judiciary.

Also, resolutions of Barbers' Union, Painters and Decorators' Union, and Carpenters and Joiners' Union, of Jamestown, N. Y., and Blacksmiths' Union, of Dunkirk, N. Y., favoring the construction of war vessels in the navy-yards of the United States—to the Committee on Naval Affairs.

By Mr. WADSWORTH: Petition of Cigar Makers' Union No. 429, favoring the building of war vessels at United States navy-yards—to the Committee on Naval Affairs.

By Mr. WARNER: Petition of citizens of Bloomington, Ill., favoring antipolygamy amendment to the Constitution—to the Committee on the Judiciary.

SENATE.

TUESDAY, December 3, 1901.

Prayer by the Chaplain, Rev. W. H. MILBURN, D. D.

JOSEPH L. RAWLINS, a Senator from the State of Utah, and HENRY M. TELLER, a Senator from the State of Colorado, appeared in their seats to-day.

The Journal of yesterday's proceedings was read and approved.

MESSAGE FROM THE HOUSE.

Mr. WILLIAM J. BROWNING, the Chief Clerk of the House of Representatives, appeared below the bar of the Senate and delivered the following message:

Mr. President, I am directed by the House of Representatives to inform the Senate that a quorum of the House of Representatives has assembled; that DAVID B. HENDERSON, a Representative from the State of Iowa, has been elected Speaker; that ALEXANDER McDOWELL, a citizen of the State of Pennsylvania, has been elected Clerk, and that the House is ready to proceed to business.

Also, that a committee of three had been appointed by the Speaker, on the part of the House of Representatives, to join the committee appointed on the part of the Senate to wait on the President of the United States and notify him that a quorum of each of the two Houses had assembled and that Congress was ready to receive any communication he might be pleased to make, and Mr. BINGHAM of Pennsylvania, Mr. PAYNE of New York, and Mr. RICHARDSON of Tennessee had been appointed such committee on the part of the House.

PRESIDENT'S MESSAGE.

Mr. HALE and Mr. MORGAN, the committee appointed, in conjunction with a similar committee of the House of Representatives, to wait upon the President of the United States, appeared at the bar; and

Mr. HALE said: Mr. President, the committee appointed by the Senate to wait upon the President, in conjunction with a like committee of the House of Representatives, and inform him of the organization of the two Houses and to ask him if he desired to make any communication to Congress, have attended to that duty, and the President was pleased to reply that he would forthwith communicate a message in writing to the two Houses.

Mr. O. L. PRUDEN, one of the secretaries of the President of the United States, appeared below the bar and said:

Mr. President, I am directed by the President of the United States to deliver to the Senate a message to the Congress.

The message was received from the secretary and handed to the President pro tempore.

The PRESIDENT pro tempore. The Chair lays before the Senate the following message from the President of the United States, which the Secretary will read:

The Secretary read the message, as follows:

To the Senate and House of Representatives:

The Congress assembles this year under the shadow of a great calamity. On the sixth of September, President McKinley was

shot by an anarchist while attending the Pan-American Exposition at Buffalo, and died in that city on the fourteenth of that month.

Of the last seven elected Presidents, he is the third who has been murdered, and the bare recital of this fact is sufficient to justify grave alarm among all loyal American citizens. Moreover, the circumstances of this, the third assassination of an American President, have a peculiar minister significance. Both President Lincoln and President Garfield were killed by assassins of types unfortunately not uncommon in history; President Lincoln falling a victim to the terrible passions aroused by four years of civil war, and President Garfield to the revengeful vanity of a disappointed office-seeker. President McKinley was killed by an utterly depraved criminal belonging to that body of criminals who object to all governments, good and bad alike, who are against any form of popular liberty if it is guaranteed by even the most just and liberal laws, and who are as hostile to the upright exponent of a free people's sober will as to the tyrannical and irresponsible despot.

It is not too much to say that at the time of President McKinley's death he was the most widely loved man in all the United States; while we have never had any public man of his position who has been so wholly free from the bitter animosities incident to public life. His political opponents were the first to bear the heartiest and most generous tribute to the broad kindness of nature, the sweetness and gentleness of character which so endeared him to his close associates. To a standard of lofty integrity in public life he united the tender affections and home virtues which are all-important in the make-up of national character. A gallant soldier in the great war for the Union, he also shone as an example to all our people because of his conduct in the most sacred and intimate of home relations. There could be no personal hatred of him, for he never acted with aught but consideration for the welfare of others. No one could fail to respect him who knew him in public or private life. The defenders of those murderous criminals who seek to excuse their criminality by asserting that it is exercised for political ends, inveigh against wealth and irresponsible power. But for this assassination even this base apology cannot be urged.

President McKinley was a man of moderate means, a man whose stock sprang from the sturdy tillers of the soil, who had himself belonged among the wage-workers, who had entered the Army as a private soldier. Wealth was not struck at when the President was assassinated, but the honest toil which is content with moderate gains after a lifetime of unremitting labor, largely in the service of the public. Still less was power struck at in the sense that power is irresponsible or centered in the hands of any one individual. The blow was not aimed at tyranny or wealth. It was aimed at one of the strongest champions the wage-worker has ever had; at one of the most faithful representatives of the system of public rights and representative government who has ever risen to public office. President McKinley filled that political office for which the entire people vote, and no President—not even Lincoln himself—was ever more earnestly anxious to represent the well-thought-out wishes of the people; his one anxiety in every crisis was to keep in closest touch with the people—to find out what they thought and to endeavor to give expression to their thought, after having endeavored to guide that thought aright. He had just been re-elected to the Presidency because the majority of our citizens, the majority of our farmers and wage-workers, believed that he had faithfully upheld their interests for four years. They felt themselves in close and intimate touch with him. They felt that he represented so well and so honorably all their ideals and aspirations that they wished him to continue for another four years to represent them.

And this was the man at whom the assassin struck! That there might be nothing lacking to complete the Judas-like infamy of his act, he took advantage of an occasion when the President was meeting the people generally; and advancing as if to take the hand outstretched to him in kindly and brotherly fellowship, he turned the noble and generous confidence of the victim into an opportunity to strike the fatal blow. There is no baser deed in all the annals of crime.

The shock, the grief of the country, are bitter in the minds of all who saw the dark days, while the President yet hovered between life and death. At last the light was stilled in the kindly eyes and the breath went from the lips that even in mortal agony uttered no words save of forgiveness to his murderer, of love for his friends, and of unflinching trust in the will of the Most High. Such a death, crowning the glory of such a life, leaves us with infinite sorrow, but with such pride in what he had accomplished and in his own personal character, that we feel the blow not as struck at him, but as struck at the Nation. We mourn a good and great President who is dead; but while we mourn we are lifted up by the splendid achievements of his life and the grand heroism with which he met his death.

When we turn from the man to the Nation, the harm done is so great as to excite our gravest apprehensions and to demand our wisest and most resolute action. This criminal was a professed anarchist, inflamed by the teachings of professed anarchists, and probably also by the reckless utterances of those who, on the stump and in the public press, appeal to the dark and evil spirits of malice and greed, envy and sullen hatred. The wind is sowed by the men who preach such doctrines, and they cannot escape their share of responsibility for the whirlwind that is reaped. This applies alike to the deliberate demagogue, to the exploiter of sensationalism, and to the crude and foolish visionary who, for whatever reason, apologizes for crime or excites aimless discontent.

The blow was aimed not at this President, but at all Presidents; at every symbol of government. President McKinley was as emphatically the embodiment of the popular will of the Nation expressed through the forms of law as a New England town meeting is in similar fashion the embodiment of the law-abiding purpose and practice of the people of the town. On no conceivable theory could the murder of the President be accepted as due to protest against "inequalities in the social order," save as the murder of all the freemen engaged in a town meeting could be accepted as a protest against that social inequality which puts a malefactor in jail. Anarchy is no more an expression of "social discontent" than picking pockets or wife-beating.

The anarchist, and especially the anarchist in the United States, is merely one type of criminal, more dangerous than any other because he represents the same depravity in a greater degree. The man who advocates anarchy directly or indirectly, in any shape or fashion, or the man who apologizes for anarchists and their deeds, makes himself morally accessory to murder before the fact. The anarchist is a criminal whose perverted instincts lead him to prefer confusion and chaos to the most beneficent form of social order. His protest of concern for workingmen is outrageous in its impudent falsity; for if the political institutions of this country do not afford opportunity to every honest and intelligent son of toil, then the door of hope is forever closed against him. The anarchist is everywhere not merely the enemy of system and of progress, but the deadly foe of liberty. If ever anarchy is triumphant, its triumph will last for but one red moment, to be succeeded for ages by the gloomy night of despotism.

For the anarchist himself, whether he preaches or practices his doctrines, we need not have one particle more concern than for any ordinary murderer. He is not the victim of social or political injustice. There are no wrongs to remedy in his case. The cause of his criminality is to be found in his own evil passions and in the evil conduct of those who urge him on, not in any failure by others or by the State to do justice to him or his. He is a malefactor and nothing else. He is in no sense, in no shape or way, a "product of social conditions," save as a highwayman is "produced" by the fact that an unarmed man happens to have a purse. It is a travesty upon the great and holy names of liberty and freedom to permit them to be invoked in such a cause. No man or body of men preaching anarchistic doctrines should be allowed at large any more than if preaching the murder of some specified private individual. Anarchistic speeches, writings, and meetings are essentially seditious and treasonable.

I earnestly recommend to the Congress that in the exercise of its wise discretion it should take into consideration the coming to this country of anarchists or persons professing principles hostile to all government and justifying the murder of those placed in authority. Such individuals as those who not long ago gathered in open meeting to glorify the murder of King Humbert of Italy perpetrate a crime, and the law should insure their rigorous punishment. They and those like them should be kept out of this country; and if found here they should be promptly deported to the country whence they came; and far-reaching provision should be made for the punishment of those who stay. No matter calls more urgently for the wisest thought of the Congress.

The Federal courts should be given jurisdiction over any man who kills or attempts to kill the President or any man who by the Constitution or by law is in line of succession for the Presidency, while the punishment for an unsuccessful attempt should be proportioned to the enormity of the offense against our institutions.

Anarchy is a crime against the whole human race; and all mankind should band against the anarchist. His crime should be made an offense against the law of nations, like piracy and that form of manstealing known as the slave trade; for it is of far blacker infamy than either. It should be so declared by treaties among all civilized powers. Such treaties would give to the Federal Government the power of dealing with the crime.

A grim commentary upon the folly of the anarchist position was afforded by the attitude of the law toward this very criminal who had just taken the life of the President. The people would have torn him limb from limb if it had not been that the law he defied was at once invoked in his behalf. So far from his deed being committed on behalf of the people against the Government, the Government was obliged at once to exert its full police power

to save him from instant death at the hands of the people. Moreover, his deed worked not the slightest dislocation in our governmental system, and the danger of a recurrence of such deeds, no matter how great it might grow, would work only in the direction of strengthening and giving harshness to the forces of order. No man will ever be restrained from becoming President by any fear as to his personal safety. If the risk to the President's life became great, it would mean that the office would more and more come to be filled by men of a spirit which would make them resolute and merciless in dealing with every friend of disorder. This great country will not fall into anarchy; and if anarchists should ever become a serious menace to its institutions, they would not merely be stamped out, but would involve in their own ruin every active or passive sympathizer with their doctrines. The American people are slow, but when their wrath is once kindled it burns like a consuming fire.

During the last five years business confidence has been restored, and the Nation is to be congratulated because of its present abounding prosperity. Such prosperity can never be created by law alone, although it is easy enough to destroy it by mischievous laws. If the hand of the Lord is heavy upon any country, if flood or drought comes, human wisdom is powerless to avert the calamity. Moreover, no law can guard us against the consequences of our own folly. The men who are idle or credulous, the men who seek gains not by genuine work with head or hand, but by gambling in any form, are always a source of menace not only to themselves, but to others. If the business world loses its head, it loses what legislation cannot supply. Fundamentally the welfare of each citizen, and therefore the welfare of the aggregate of citizens which makes the Nation, must rest upon individual thrift and energy, resolution and intelligence. Nothing can take the place of this individual capacity; but wise legislation and honest and intelligent administration can give it the fullest scope, the largest opportunity to work to good effect.

The tremendous and highly complex industrial development which went on with ever accelerated rapidity during the latter half of the nineteenth century brings us face to face, at the beginning of the twentieth, with very serious social problems. The old laws, and the old customs which had almost the binding force of law, were once quite sufficient to regulate the accumulation and distribution of wealth. Since the industrial changes which have so enormously increased the productive power of mankind, they are no longer sufficient.

The growth of cities has gone on beyond comparison faster than the growth of the country, and the upbuilding of the great industrial centers has meant a startling increase, not merely in the aggregate of wealth, but in the number of very large individual, and especially of very large corporate, fortunes. The creation of these great corporate fortunes has not been due to the tariff nor to any other governmental action, but to natural causes in the business world, operating in other countries as they operate in our own.

The process has aroused much antagonism, a great part of which is wholly without warrant. It is not true that as the rich have grown richer the poor have grown poorer. On the contrary, never before has the average man, the wage-worker, the farmer, the small trader, been so well off as in this country and at the present time. There have been abuses connected with the accumulation of wealth; yet it remains true that a fortune accumulated in legitimate business can be accumulated by the person specially benefited only on condition of conferring immense incidental benefits upon others. Successful enterprise, of the type which benefits all mankind, can only exist if the conditions are such as to offer great prizes as the rewards of success.

The captains of industry, who have driven the railway systems across this continent, who have built up our commerce, who have developed our manufactures, have on the whole done great good to our people. Without them the material development of which we are so justly proud could never have taken place. Moreover, we should recognize the immense importance to this material development of leaving as unhampered as is compatible with the public good the strong and forceful men upon whom the success of business operations inevitably rests. The slightest study of business conditions will satisfy anyone capable of forming a judgment that the personal equation is the most important factor in a business operation; that the business ability of the man at the head of any business concern, big or little, is usually the factor which fixes the gulf between striking success and hopeless failure.

An additional reason for caution in dealing with corporations is to be found in the international commercial conditions of to-day. The same business conditions which have produced the great aggregations of corporate and individual wealth have made them very potent factors in international commercial competition. Business concerns which have the largest means at their disposal and are managed by the ablest men are naturally those which take the lead in the strife for commercial supremacy among the nations of the world. America has only just begun to assume

that commanding position in the international business world which we believe will more and more be hers. It is of the utmost importance that this position be not jeopardized, especially at a time when the overflowing abundance of our own natural resources and the skill, business energy, and mechanical aptitude of our people make foreign markets essential. Under such conditions it would be most unwise to cramp or to fetter the youthful strength of our nation.

Moreover, it cannot too often be pointed out that to strike with ignorant violence at the interests of one set of men almost inevitably endangers the interests of all. The fundamental rule in our national life—the rule which underlies all others—is that, on the whole, and in the long run, we shall go up or down together. There are exceptions; and in times of prosperity some will prosper far more, and in times of adversity some will suffer far more, than others; but speaking generally, a period of good times means that all share more or less in them, and in a period of hard times all feel the stress to a greater or less degree. It surely ought not to be necessary to enter into any proof of this statement; the memory of the lean years which began in 1893 is still vivid, and we can contrast them with the conditions in this very year which is now closing. Disaster to great business enterprises can never have its effects limited to the men at the top. It spreads throughout, and while it is bad for everybody, it is worst for those farthest down. The capitalist may be shorn of his luxuries; but the wage-worker may be deprived of even bare necessities.

The mechanism of modern business is so delicate that extreme care must be taken not to interfere with it in a spirit of rashness or ignorance. Many of those who have made it their vocation to denounce the great industrial combinations which are popularly, although with technical inaccuracy, known as "trusts," appeal especially to hatred and fear. These are precisely the two emotions, particularly when combined with ignorance, which unfit men for the exercise of cool and steady judgment. In facing new industrial conditions, the whole history of the world shows that legislation will generally be both unwise and ineffective unless undertaken after calm inquiry and with sober self-restraint. Much of the legislation directed at the trusts would have been exceedingly mischievous had it not also been entirely ineffective. In accordance with a well-known sociological law, the ignorant or reckless agitator has been the really effective friend of the evils which he has been nominally opposing. In dealing with business interests, for the Government to undertake by crude and ill-considered legislation to do what may turn out to be bad, would be to incur the risk of such far-reaching national disaster that it would be preferable to undertake nothing at all. The men who demand the impossible or the undesirable serve as the allies of the forces with which they are nominally at war, for they hamper those who would endeavor to find out in rational fashion what the wrongs really are and to what extent and in what manner it is practicable to apply remedies.

All this is true; and yet it is also true that there are real and grave evils, one of the chief being over-capitalization because of its many baleful consequences; and a resolute and practical effort must be made to correct these evils.

There is a widespread conviction in the minds of the American people that the great corporations known as trusts are in certain of their features and tendencies hurtful to the general welfare. This springs from no spirit of envy or uncharitableness, nor lack of pride in the great industrial achievements that have placed this country at the head of the nations struggling for commercial supremacy. It does not rest upon a lack of intelligent appreciation of the necessity of meeting changing and changed conditions of trade with new methods, nor upon ignorance of the fact that combination of capital in the effort to accomplish great things is necessary when the world's progress demands that great things be done. It is based upon sincere conviction that combination and concentration should be, not prohibited, but supervised and within reasonable limits controlled; and in my judgment this conviction is right.

It is no limitation upon property rights or freedom of contract to require that when men receive from Government the privilege of doing business under corporate form, which frees them from individual responsibility, and enables them to call into their enterprises the capital of the public, they shall do so upon absolutely truthful representations as to the value of the property in which the capital is to be invested. Corporations engaged in interstate commerce should be regulated if they are found to exercise a license working to the public injury. It should be as much the aim of those who seek for social betterment to rid the business world of crimes of cunning as to rid the entire body politic of crimes of violence. Great corporations exist only because they are created and safeguarded by our institutions; and it is therefore our right and our duty to see that they work in harmony with these institutions.

The first essential in determining how to deal with the great industrial combinations is knowledge of the facts—publicity. In

the interest of the public, the Government should have the right to inspect and examine the workings of the great corporations engaged in interstate business. Publicity is the only sure remedy which we can now invoke. What further remedies are needed in the way of governmental regulation, or taxation, can only be determined after publicity has been obtained, by process of law, and in the course of administration. The first requisite is knowledge, full and complete—knowledge which may be made public to the world.

Artificial bodies, such as corporations and joint stock or other associations, depending upon any statutory law for their existence or privileges, should be subject to proper governmental supervision, and full and accurate information as to their operations should be made public regularly at reasonable intervals.

The large corporations, commonly called trusts, though organized in one State, always do business in many States, often doing very little business in the State where they are incorporated. There is utter lack of uniformity in the State laws about them; and as no State has any exclusive interest in or power over their acts, it has in practice proved impossible to get adequate regulation through State action. Therefore, in the interest of the whole people, the Nation should, without interfering with the power of the States in the matter itself, also assume power of supervision and regulation over all corporations doing an interstate business. This is especially true where the corporation derives a portion of its wealth from the existence of some monopolistic element or tendency in its business. There would be no hardship in such supervision; banks are subject to it, and in their case it is now accepted as a simple matter of course. Indeed, it is probable that supervision of corporations by the National Government need not go so far as is now the case with the supervision exercised over them by so conservative a State as Massachusetts, in order to produce excellent results.

When the Constitution was adopted, at the end of the eighteenth century, no human wisdom could foretell the sweeping changes, alike in industrial and political conditions, which were to take place by the beginning of the twentieth century. At that time it was accepted as a matter of course that the several States were the proper authorities to regulate, so far as was then necessary, the comparatively insignificant and strictly localized corporate bodies of the day. The conditions are now wholly different and wholly different action is called for. I believe that a law can be framed which will enable the National Government to exercise control along the lines above indicated; profiting by the experience gained through the passage and administration of the Interstate-Commerce Act. If, however, the judgment of the Congress is that it lacks the constitutional power to pass such an act, then a constitutional amendment should be submitted to confer the power.

There should be created a Cabinet officer, to be known as Secretary of Commerce and Industries, as provided in the bill introduced at the last session of the Congress. It should be his province to deal with commerce in its broadest sense; including among many other things whatever concerns labor and all matters affecting the great business corporations and our merchant marine.

The course proposed is one phase of what should be a comprehensive and far-reaching scheme of constructive statesmanship for the purpose of broadening our markets, securing our business interests on a safe basis, and making firm our new position in the international industrial world; while scrupulously safeguarding the rights of wage-worker and capitalist, of investor and private citizen, so as to secure equity as between man and man in this Republic.

With the sole exception of the farming interest, no one matter is of such vital moment to our whole people as the welfare of the wage-workers. If the farmer and the wage-worker are well off, it is absolutely certain that all others will be well off, too. It is therefore a matter for hearty congratulation that on the whole wages are higher to-day in the United States than ever before in our history, and far higher than in any other country. The standard of living is also higher than ever before. Every effort of legislator and administrator should be bent to secure the permanency of this condition of things and its improvement wherever possible. Not only must our labor be protected by the tariff, but it should also be protected so far as it is possible from the presence in this country of any laborers brought over by contract, or of those who, coming freely, yet represent a standard of living so depressed that they can undersell our men in the labor market and drag them to a lower level. I regard it as necessary, with this end in view, to re-enact immediately the law excluding Chinese laborers and to strengthen it wherever necessary in order to make its enforcement entirely effective.

The National Government should demand the highest quality of service from its employees; and in return it should be a good employer. If possible legislation should be passed, in connection with the Interstate Commerce Law, which will render effective the efforts of different States to do away with the competition of

convict contract labor in the open labor market. So far as practicable under the conditions of Government work, provision should be made to render the enforcement of the eight-hour law easy and certain. In all industries carried on directly or indirectly for the United States Government women and children should be protected from excessive hours of labor, from night work, and from work under unsanitary conditions. The Government should provide in its contracts that all work should be done under "fair" conditions, and in addition to setting a high standard should uphold it by proper inspection, extending if necessary to the subcontractors. The Government should forbid all night work for women and children, as well as excessive overtime. For the District of Columbia a good factory law should be passed; and, as a powerful indirect aid to such laws, provision should be made to turn the inhabited alleys, the existence of which is a reproach to our Capital City, into minor streets, where the inhabitants can live under conditions favorable to health and morals.

American wage-workers work with their heads as well as their hands. Moreover, they take a keen pride in what they are doing; so that, independent of the reward, they wish to turn out a perfect job. This is the great secret of our success in competition with the labor of foreign countries.

The most vital problem with which this country, and for that matter the whole civilized world, has to deal, is the problem which has for one side the betterment of social conditions, moral and physical, in large cities, and for another side the effort to deal with that tangle of far-reaching questions which we group together when we speak of "labor." The chief factor in the success of each man—wage-worker, farmer, and capitalist alike—must ever be the sum total of his own individual qualities and abilities. Second only to this comes the power of acting in combination or association with others. Very great good has been and will be accomplished by associations or unions of wage-workers, when managed with forethought, and when they combine insistence upon their own rights with law-abiding respect for the rights of others. The display of these qualities in such bodies is a duty to the Nation no less than to the associations themselves. Finally, there must also in many cases be action by the Government in order to safeguard the rights and interests of all. Under our Constitution there is much more scope for such action by the State and the municipality than by the Nation. But on points such as those touched on above the National Government can act.

When all is said and done, the rule of brotherhood remains as the indispensable prerequisite to success in the kind of national life for which we strive. Each man must work for himself, and unless he so works no outside help can avail him; but each man must remember also that he is indeed his brother's keeper, and that while no man who refuses to walk can be carried with advantage to himself or anyone else, yet that each at times stumbles or halts, that each at times needs to have the helping hand outstretched to him. To be permanently effective, aid must always take the form of helping a man to help himself; and we can all best help ourselves by joining together in the work that is of common interest to all.

Our present immigration laws are unsatisfactory. We need every honest and efficient immigrant fitted to become an American citizen, every immigrant who comes here to stay, who brings here a strong body, a stout heart, a good head, and a resolute purpose to do his duty well in every way and to bring up his children as law-abiding and God-fearing members of the community. But there should be a comprehensive law enacted with the object of working a threefold improvement over our present system. First, we should aim to exclude absolutely not only all persons who are known to be believers in anarchistic principles or members of anarchistic societies, but also all persons who are of a low moral tendency or of unsavory reputation. This means that we should require a more thorough system of inspection abroad and a more rigid system of examination at our immigration ports, the former being especially necessary.

The second object of a proper immigration law ought to be to secure by a careful and not merely perfunctory educational test some intelligent capacity to appreciate American institutions and act sanely as American citizens. This would not keep out all anarchists, for many of them belong to the intelligent criminal class. But it would do what is also in point, that is, tend to decrease the sum of ignorance, so potent in producing the envy, suspicion, malignant passion, and hatred of order, out of which anarchistic sentiment inevitably springs. Finally, all persons should be excluded who are below a certain standard of economic fitness to enter our industrial field as competitors with American labor. There should be proper proof of personal capacity to earn an American living and enough money to insure a decent start under American conditions. This would stop the influx of cheap labor, and the resulting competition which gives rise to so much

of bitterness in American industrial life; and it would dry up the springs of the pestilential social conditions in our great cities, where anarchistic organizations have their greatest possibility of growth.

Both the educational and economic tests in a wise immigration law should be designed to protect and elevate the general body politic and social. A very close supervision should be exercised over the steamship companies which mainly bring over the immigrants, and they should be held to a strict accountability for any infraction of the law.

There is general acquiescence in our present tariff system as a national policy. The first requisite to our prosperity is the continuity and stability of this economic policy. Nothing could be more unwise than to disturb the business interests of the country by any general tariff change at this time. Doubt, apprehension, uncertainty are exactly what we most wish to avoid in the interest of our commercial and material well-being. Our experience in the past has shown that sweeping revisions of the tariff are apt to produce conditions closely approaching panic in the business world. Yet it is not only possible, but eminently desirable, to combine with the stability of our economic system a supplementary system of reciprocal benefit and obligation with other nations. Such reciprocity is an incident and result of the firm establishment and preservation of our present economic policy. It was specially provided for in the present tariff law.

Reciprocity must be treated as the handmaiden of protection. Our first duty is to see that the protection granted by the tariff in every case where it is needed is maintained, and that reciprocity be sought for so far as it can safely be done without injury to our home industries. Just how far this is must be determined according to the individual case, remembering always that every application of our tariff policy to meet our shifting national needs must be conditioned upon the cardinal fact that the duties must never be reduced below the point that will cover the difference between the labor cost here and abroad. The well-being of the wage-worker is a prime consideration of our entire policy of economic legislation.

Subject to this proviso of the proper protection necessary to our industrial well-being at home, the principle of reciprocity must command our hearty support. The phenomenal growth of our export trade emphasizes the urgency of the need for wider markets and for a liberal policy in dealing with foreign nations. Whatever is merely petty and vexatious in the way of trade restrictions should be avoided. The customers to whom we dispose of our surplus products in the long run, directly or indirectly, purchase those surplus products by giving us something in return. Their ability to purchase our products should as far as possible be secured by so arranging our tariff as to enable us to take from them those products which we can use without harm to our own industries and labor, or the use of which will be of marked benefit to us.

It is most important that we should maintain the high level of our present prosperity. We have now reached the point in the development of our interests where we are not only able to supply our own markets, but to produce a constantly growing surplus for which we must find markets abroad. To secure these markets we can utilize existing duties in any case where they are no longer needed for the purpose of protection, or in any case where the article is not produced here and the duty is no longer necessary for revenue, as giving us something to offer in exchange for what we ask. The cordial relations with other nations which are so desirable will naturally be promoted by the course thus required by our own interests.

The natural line of development for a policy of reciprocity will be in connection with those of our productions which no longer require all of the support once needed to establish them upon a sound basis, and with those others where either because of natural or of economic causes we are beyond the reach of successful competition.

I ask the attention of the Senate to the reciprocity treaties laid before it by my predecessor.

The condition of the American merchant marine is such as to call for immediate remedial action by the Congress. It is discreditable to us as a Nation that our merchant marine should be utterly insignificant in comparison to that of other nations which we overtop in other forms of business. We should no longer submit to conditions under which only a trifling portion of our great commerce is carried in our own ships. To remedy this state of things would not merely serve to build up our shipping interests, but it would also result in benefit to all who are interested in the permanent establishment or a wider market for American products, and would provide an auxiliary force for the Navy. Ships work for their own countries just as railroads work for their terminal points. Shipping lines, if established to the principal countries with which we have dealings, would be of political as well as commercial benefit. From every standpoint it is unwise for

the United States to continue to rely upon the ships of competing nations for the distribution of our goods. It should be made advantageous to carry American goods in American-built ships.

At present American shipping is under certain great disadvantages when put in competition with the shipping of foreign countries. Many of the fast foreign steamships, at a speed of fourteen knots or above, are subsidized; and all our ships, sailing vessels and steamers alike, cargo carriers of slow speed and mail carriers of high speed, have to meet the fact that the original cost of building American ships is greater than is the case abroad; that the wages paid American officers and seamen are very much higher than those paid the officers and seamen of foreign competing countries; and that the standard of living on our ships is far superior to the standard of living on the ships of our commercial rivals.

Our Government should take such action as will remedy these inequalities. The American merchant marine should be restored to the ocean.

The Act of March 14, 1900, intended unequivocally to establish gold as the standard money and to maintain at a parity therewith all forms of money medium in use with us, has been shown to be timely and judicious. The price of our Government bonds in the world's market, when compared with the price of similar obligations issued by other nations, is a flattering tribute to our public credit. This condition it is evidently desirable to maintain.

In many respects the National Banking Law furnishes sufficient liberty for the proper exercise of the banking function; but there seems to be need of better safeguards against the deranging influence of commercial crises and financial panics. Moreover, the currency of the country should be made responsive to the demands of our domestic trade and commerce.

The collections from duties on imports and internal taxes continue to exceed the ordinary expenditures of the Government, thanks mainly to the reduced army expenditures. The utmost care should be taken not to reduce the revenues so that there will be any possibility of a deficit; but, after providing against any such contingency, means should be adopted which will bring the revenues more nearly within the limit of our actual needs. In his report to the Congress the Secretary of the Treasury considers all these questions at length, and I ask your attention to the report and recommendations.

I call special attention to the need of strict economy in expenditures. The fact that our national needs forbid us to be niggardly in providing whatever is actually necessary to our well-being should make us doubly careful to husband our national resources, as each of us husbands his private resources, by scrupulous avoidance of anything like wasteful or reckless expenditure. Only by avoidance of spending money on what is needless or unjustifiable can we legitimately keep our income to the point required to meet our needs that are genuine.

In 1887 a measure was enacted for the regulation of interstate railways, commonly known as the Interstate Commerce Act. The cardinal provisions of that act were that railway rates should be just and reasonable and that all shippers, localities, and commodities should be accorded equal treatment. A commission was created and endowed with what were supposed to be the necessary powers to execute the provisions of this act.

That law was largely an experiment. Experience has shown the wisdom of its purposes, but has also shown, possibly that some of its requirements are wrong, certainly that the means devised for the enforcement of its provisions are defective. Those who complain of the management of the railways allege that established rates are not maintained; that rebates and similar devices are habitually resorted to; that these preferences are usually in favor of the large shipper; that they drive out of business the smaller competitor; that while many rates are too low, many others are excessive; and that gross preferences are made, affecting both localities and commodities. Upon the other hand, the railways assert that the law by its very terms tends to produce many of these illegal practices by depriving carriers of that right of concerted action which they claim is necessary to establish and maintain non-discriminating rates.

The act should be amended. The railway is a public servant. Its rates should be just to and open to all shippers alike. The Government should see to it that within its jurisdiction this is so and should provide a speedy, inexpensive, and effective remedy to that end. At the same time it must not be forgotten that our railways are the arteries through which the commercial lifeblood of this nation flows. Nothing could be more foolish than the enactment of legislation which would unnecessarily interfere with the development and operation of these commercial agencies. The subject is one of great importance and calls for the earnest attention of the Congress.

The Department of Agriculture during the past fifteen years has steadily broadened its work on economic lines, and has accomplished results of real value in upbuilding domestic and

foreign trade. It has gone into new fields until it is now in touch with all sections of our country and with two of the island groups that have lately come under our jurisdiction, whose people must look to agriculture as a livelihood. It is searching the world for grains, grasses, fruits, and vegetables specially fitted for introduction into localities in the several States and Territories where they may add materially to our resources. By scientific attention to soil survey and possible new crops, to breeding of new varieties of plants, to experimental shipments, to animal industry and applied chemistry, very practical aid has been given our farming and stock-growing interests. The products of the farm have taken an unprecedented place in our export trade during the year that has just closed.

Public opinion throughout the United States has moved steadily toward a just appreciation of the value of forests, whether planted or of natural growth. The great part played by them in the creation and maintenance of the national wealth is now more fully realized than ever before.

Wise forest protection does not mean the withdrawal of forest resources, whether of wood, water, or grass, from contributing their full share to the welfare of the people, but, on the contrary, gives the assurance of larger and more certain supplies. The fundamental idea of forestry is the perpetuation of forests by use. Forest protection is not an end of itself; it is a means to increase and sustain the resources of our country and the industries which depend upon them. The preservation of our forests is an imperative business necessity. We have come to see clearly that whatever destroys the forest, except to make way for agriculture, threatens our well-being.

The practical usefulness of the national forest reserves to the mining, grazing, irrigation, and other interests of the regions in which the reserves lie has led to a widespread demand by the people of the West for their protection and extension. The forest reserves will inevitably be of still greater use in the future than in the past. Additions should be made to them whenever practicable, and their usefulness should be increased by a thoroughly business-like management.

At present the protection of the forest reserves rests with the General Land Office, the mapping and description of their timber with the United States Geological Survey, and the preparation of plans for their conservative use with the Bureau of Forestry, which is also charged with the general advancement of practical forestry in the United States. These various functions should be united in the Bureau of Forestry, to which they properly belong. The present diffusion of responsibility is bad from every standpoint. It prevents that effective cooperation between the Government and the men who utilize the resources of the reserves, without which the interests of both must suffer. The scientific bureaus generally should be put under the Department of Agriculture. The President should have by law the power of transferring lands for use as forest reserves to the Department of Agriculture. He already has such power in the case of lands needed by the Departments of War and the Navy.

The wise administration of the forest reserves will be not less helpful to the interests which depend on water than to those which depend on wood and grass. The water supply itself depends upon the forest. In the arid region it is water, not land, which measures production. The western half of the United States would sustain a population greater than that of our whole country to-day if the waters that now run to waste were saved and used for irrigation. The forest and water problems are perhaps the most vital internal questions of the United States.

Certain of the forest reserves should also be made preserves for the wild forest creatures. All of the reserves should be better protected from fires. Many of them need special protection because of the great injury done by live stock, above all by sheep. The increase in deer, elk, and other animals in the Yellowstone Park shows what may be expected when other mountain forests are properly protected by law and properly guarded. Some of these areas have been so denuded of surface vegetation by overgrazing that the ground breeding birds, including grouse and quail, and many mammals, including deer, have been exterminated or driven away. At the same time the water-storing capacity of the surface has been decreased or destroyed, thus promoting floods in times of rain and diminishing the flow of streams between rains.

In cases where natural conditions have been restored for a few years, vegetation has again carpeted the ground, birds and deer are coming back, and hundreds of persons, especially from the immediate neighborhood, come each summer to enjoy the privilege of camping. Some at least of the forest reserves should afford perpetual protection to the native fauna and flora, safe havens of refuge to our rapidly diminishing wild animals of the larger kinds, and free camping grounds for the ever-increasing numbers of men and women who have learned to find rest, health, and recreation in the splendid forests and flower-clad meadows of our

mountains. The forest reserves should be set apart forever for the use and benefit of our people as a whole and not sacrificed to the shortsighted greed of a few.

The forests are natural reservoirs. By restraining the streams in flood and replenishing them in drought they make possible the use of waters otherwise wasted. They prevent the soil from washing, and so protect the storage reservoirs from filling up with silt. Forest conservation is therefore an essential condition of water conservation.

The forests alone cannot, however, fully regulate and conserve the waters of the arid region. Great storage works are necessary to equalize the flow of streams and to save the flood waters. Their construction has been conclusively shown to be an undertaking too vast for private effort. Nor can it be best accomplished by the individual States acting alone. Far-reaching interstate problems are involved; and the resources of single States would often be inadequate. It is properly a national function, at least in some of its features. It is as right for the National Government to make the streams and rivers of the arid region useful by engineering works for water storage as to make useful the rivers and harbors of the humid region by engineering works of another kind. The storing of the floods in reservoirs at the headwaters of our rivers is but an enlargement of our present policy of river control, under which levees are built on the lower reaches of the same streams.

The Government should construct and maintain these reservoirs as it does other public works. Where their purpose is to regulate the flow of streams, the water should be turned freely into the channels in the dry season to take the same course under the same laws as the natural flow.

The reclamation of the unsettled arid public lands presents a different problem. Here it is not enough to regulate the flow of streams. The object of the Government is to dispose of the land to settlers who will build homes upon it. To accomplish this object water must be brought within their reach.

The pioneer settlers on the arid public domain chose their homes along streams from which they could themselves divert the water to reclaim their holdings. Such opportunities are practically gone. There remain, however, vast areas of public land which can be made available for homestead settlement, but only by reservoirs and main-line canals impracticable for private enterprise. These irrigation works should be built by the National Government. The lands reclaimed by them should be reserved by the Government for actual settlers, and the cost of construction should so far as possible be repaid by the land reclaimed. The distribution of the water, the division of the streams among irrigators, should be left to the settlers themselves in conformity with State laws and without interference with those laws or with vested rights. The policy of the National Government should be to aid irrigation in the several States and Territories in such manner as will enable the people in the local communities to help themselves, and as will stimulate needed reforms in the State laws and regulations governing irrigation.

The reclamation and settlement of the arid lands will enrich every portion of our country, just as the settlement of the Ohio and Mississippi valleys brought prosperity to the Atlantic States. The increased demand for manufactured articles will stimulate industrial production, while wider home markets and the trade of Asia will consume the larger food supplies and effectually prevent Western competition with Eastern agriculture. Indeed, the products of irrigation will be consumed chiefly in upbuilding local centers of mining and other industries, which would otherwise not come into existence at all. Our people as a whole will profit, for successful home-making is but another name for the upbuilding of the Nation.

The necessary foundation has already been laid for the inauguration of the policy just described. It would be unwise to begin by doing too much, for a great deal will doubtless be learned, both as to what can and what cannot be safely attempted, by the early efforts, which must of necessity be partly experimental in character. At the very beginning the Government should make clear, beyond shadow of doubt, its intention to pursue this policy on lines of the broadest public interest. No reservoir or canal should ever be built to satisfy selfish personal or local interests, but only in accordance with the advice of trained experts, after long investigation has shown the locality where all the conditions combine to make the work most needed and fraught with the greatest usefulness to the community as a whole. There should be no extravagance, and the believers in the need of irrigation will most benefit their cause by seeing to it that it is free from the least taint of excessive or reckless expenditure of the public moneys.

Whatever the Nation does for the extension of irrigation should harmonize with, and tend to improve, the condition of those now living on irrigated land. We are not at the starting point of this development. Over two hundred millions of private capital has

already been expended in the construction of irrigation works, and many million acres of arid land reclaimed. A high degree of enterprise and ability has been shown in the work itself; but as much cannot be said in reference to the laws relating thereto. The security and value of the homes created depend largely on the stability of titles to water; but the majority of these rest on the uncertain foundation of court decisions rendered in ordinary suits at law. With a few creditable exceptions, the arid States have failed to provide for the certain and just division of streams in times of scarcity. Lax and uncertain laws have made it possible to establish rights to water in excess of actual uses or necessities, and many streams have already passed into private ownership, or a control equivalent to ownership.

Whoever controls a stream practically controls the land it renders productive, and the doctrine of private ownership of water apart from land cannot prevail without causing enduring wrong. The recognition of such ownership, which has been permitted to grow up in the arid regions, should give way to a more enlightened and larger recognition of the rights of the public in the control and disposal of the public water supplies. Laws founded upon conditions obtaining in humid regions, where water is too abundant to justify hoarding it, have no proper application in a dry country.

In the arid States the only right to water which should be recognized is that of use. In irrigation this right should attach to the land reclaimed and be inseparable therefrom. Granting perpetual water rights to others than users, without compensation to the public, is open to all the objections which apply to giving away perpetual franchises to the public utilities of cities. A few of the Western States have already recognized this, and have incorporated in their constitutions the doctrine of perpetual State ownership of water.

The benefits which have followed the unaided development of the past justify the Nation's aid and cooperation in the more difficult and important work yet to be accomplished. Laws so vitally affecting homes as those which control the water supply will only be effective when they have the sanction of the irrigators; reforms can only be final and satisfactory when they come through the enlightenment of the people most concerned. The larger development which national aid insures should, however, awaken in every arid State the determination to make its irrigation system equal in justice and effectiveness that of any country in the civilized world. Nothing could be more unwise than for isolated communities to continue to learn everything experimentally, instead of profiting by what is known elsewhere. We are dealing with a new and momentous question, in the pregnant years while institutions are forming, and what we do will affect not only the present but future generations.

Our aim should be not simply to reclaim the largest area of land and provide homes for the largest number of people, but to create for this new industry the best possible social and industrial conditions; and this requires that we not only understand the existing situation, but avail ourselves of the best experience of the time in the solution of its problems. A careful study should be made, both by the Nation and the States, of the irrigation laws and conditions here and abroad. Ultimately it will probably be necessary for the Nation to cooperate with the several arid States in proportion as these States by their legislation and administration show themselves fit to receive it.

In Hawaii our aim must be to develop the Territory on the traditional American lines. We do not wish a region of large estates tilled by cheap labor; we wish a healthy American community of men who themselves fill the farms they own. All our legislation for the islands should be shaped with this end in view; the well-being of the average home-maker must afford the true test of the healthy development of the islands. The land policy should as nearly as possible be modeled on our homestead system.

It is a pleasure to say that it is hardly more necessary to report as to Porto Rico than as to any State or Territory within our continental limits. The island is thriving as never before, and it is being administered efficiently and honestly. Its people are now enjoying liberty and order under the protection of the United States, and upon this fact we congratulate them and ourselves. Their material welfare must be as carefully and jealously considered as the welfare of any other portion of our country. We have given them the great gift of free access for their products to the markets of the United States. I ask the attention of the Congress to the need of legislation concerning the public lands of Porto Rico.

In Cuba such progress has been made toward putting the independent government of the island upon a firm footing that before the present session of the Congress closes this will be an accomplished fact. Cuba will then start as her own mistress; and to the beautiful Queen of the Antilles, as she unfolds this new page of her destiny, we extend our heartiest greetings and good wishes. Elsewhere I have discussed the question of reciprocity. In the

case of Cuba, however, there are weighty reasons of morality and of national interest why the policy should be held to have a peculiar application, and I most earnestly ask your attention to the wisdom, indeed to the vital need, of providing for a substantial reduction in the tariff duties on Cuban imports into the United States. Cuba has in her constitution affirmed what we desired, that she should stand, in international matters, in closer and more friendly relations with us than with any other power; and we are bound by every consideration of honor and expediency to pass commercial measures in the interest of her material well-being.

In the Philippines our problem is larger. They are very rich tropical islands, inhabited by many varying tribes, representing widely different stages of progress toward civilization. Our earnest effort is to help these people upward along the stony and difficult path that leads to self-government. We hope to make our administration of the islands honorable to our Nation by making it of the highest benefit to the Filipinos themselves; and as an earnest of what we intend to do, we point to what we have done. Already a greater measure of material prosperity and of governmental honesty and efficiency has been attained in the Philippines than ever before in their history.

It is no light task for a nation to achieve the temperamental qualities without which the institutions of free government are but an empty mockery. Our people are now successfully governing themselves, because for more than a thousand years they have been slowly fitting themselves, sometimes consciously, sometimes unconsciously, toward this end. What has taken us thirty generations to achieve, we cannot expect to see another race accomplish out of hand, especially when large portions of that race start very far behind the point which our ancestors had reached even thirty generations ago. In dealing with the Philippine people we must show both patience and strength, forbearance and steadfast resolution. Our aim is high. We do not desire to do for the islanders merely what has elsewhere been done for tropic peoples by even the best foreign governments. We hope to do for them what has never before been done for any people of the tropics—to make them fit for self-government after the fashion of the really free nations.

History may safely be challenged to show a single instance in which a masterful race such as ours, having been forced by the exigencies of war to take possession of an alien land, has behaved to its inhabitants with the disinterested zeal for their progress that our people have shown in the Philippines. To leave the islands at this time would mean that they would fall into a welter of murderous anarchy. Such desertion of duty on our part would be a crime against humanity. The character of Governor Taft and of his associates and subordinates is a proof, if such be needed, of the sincerity of our effort to give the islanders a constantly increasing measure of self-government exactly as fast as they show themselves fit to exercise it. Since the civil government was established not an appointment has been made in the islands with any reference to considerations of political influence, or ought else save the fitness of the man and the needs of the service.

In our anxiety for the welfare and progress of the Philippines, it may be that here and there we have gone too rapidly in giving them local self-government. It is on this side that our error, if any, has been committed. No competent observer, sincerely desirous of finding out the facts and influenced only by a desire for the welfare of the natives, can assert that we have not gone far enough. We have gone to the very verge of safety in hastening the process. To have taken a single step farther or faster in advance would have been folly and weakness, and might well have been crime. We are extremely anxious that the natives shall show the power of governing themselves. We are anxious, first for their sakes, and next, because it relieves us of a great burden. There need not be the slightest fear of our not continuing to give them all the liberty for which they are fit.

The only fear is lest in our overanxiety we give them a degree of independence for which they are unfit, thereby inviting reaction and disaster. As fast as there is any reasonable hope that in a given district the people can govern themselves, self-government has been given in that district. There is not a locality fitted for self-government which has not received it. But it may well be that in certain cases it will have to be withdrawn because the inhabitants show themselves unfit to exercise it; such instances have already occurred. In other words, there is not the slightest chance of our failing to show a sufficiently humanitarian spirit. The danger comes in the opposite direction.

There are still troubles ahead in the islands. The insurrection has become an affair of local banditti and marauders, who deserve no higher regard than the brigands of portions of the Old World. Encouragement, direct or indirect, to these insurgents stands on the same footing as encouragement to hostile Indians in the days when we still had Indian wars. Exactly as our aim is to give to

the Indian who remains peaceful the fullest and amplest consideration, but to have it understood that we will show no weakness if he goes on the warpath, so we must make it evident, unless we are false to our own traditions and to the demands of civilization and humanity, that while we will do everything in our power for the Filipino who is peaceful, we will take the sternest measures with the Filipino who follows the path of the insurrecto and the ladrone.

The heartiest praise is due to large numbers of the natives of the islands for their steadfast loyalty. The Macabebes have been conspicuous for their courage and devotion to the flag. I recommend that the Secretary of War be empowered to take some systematic action in the way of aiding those of these men who are crippled in the service and the families of those who are killed.

The time has come when there should be additional legislation for the Philippines. Nothing better can be done for the islands than to introduce industrial enterprises. Nothing would benefit them so much as throwing them open to industrial development. The connection between idleness and mischief is proverbial, and the opportunity to do remunerative work is one of the surest preventives of war. Of course no business man will go into the Philippines unless it is to his interest to do so; and it is immensely to the interest of the islands that he should go in. It is therefore necessary that the Congress should pass laws by which the resources of the islands can be developed; so that franchises (for limited terms of years) can be granted to companies doing business in them, and every encouragement be given to the incoming of business men of every kind.

Not to permit this is to do a wrong to the Philippines. The franchises must be granted and the business permitted only under regulations which will guarantee the islands against any kind of improper exploitation. But the vast natural wealth of the islands must be developed, and the capital willing to develop it must be given the opportunity. The field must be thrown open to individual enterprise, which has been the real factor in the development of every region over which our flag has flown. It is urgently necessary to enact suitable laws dealing with general transportation, mining, banking, currency, homesteads, and the use and ownership of the lands and timber. These laws will give free play to industrial enterprise; and the commercial development which will surely follow will afford to the people of the islands the best proofs of the sincerity of our desire to aid them.

I call your attention most earnestly to the crying need of a cable to Hawaii and the Philippines, to be continued from the Philippines to points in Asia. We should not defer a day longer than necessary the construction of such a cable. It is demanded not merely for commercial but for political and military considerations.

Either the Congress should immediately provide for the construction of a Government cable, or else an arrangement should be made by which like advantages to those accruing from a Government cable may be secured to the Government by contract with a private cable company.

No single great material work which remains to be undertaken on this continent is of such consequence to the American people as the building of a canal across the Isthmus connecting North and South America. Its importance to the Nation is by no means limited merely to its material effects upon our business prosperity; and yet with view to these effects alone it would be to the last degree important for us immediately to begin it. While its beneficial effects would perhaps be most marked upon the Pacific Coast and the Gulf and South Atlantic States, it would also greatly benefit other sections. It is emphatically a work which it is for the interest of the entire country to begin and complete as soon as possible; it is one of those great works which only a great nation can undertake with prospects of success, and which when done are not only permanent assets in the nation's material interests, but standing monuments to its constructive ability.

I am glad to be able to announce to you that our negotiations on this subject with Great Britain, conducted on both sides in a spirit of friendliness and mutual good will and respect, have resulted in my being able to lay before the Senate a treaty which if ratified will enable us to begin preparations for an Isthmian canal at any time, and which guarantees to this Nation every right that it has ever asked in connection with the canal. In this treaty, the old Clayton-Bulwer treaty, so long recognized as inadequate to supply the base for the construction and maintenance of a necessarily American ship canal, is abrogated. It specifically provides that the United States alone shall do the work of building and assume the responsibility of safeguarding the canal and shall regulate its neutral use by all nations on terms of equality without the guaranty or interference of any outside nation from any quarter. The signed treaty will at once be laid before the Senate, and if approved the Congress can then proceed to give effect to the advantages it secures us by providing for the building of the canal.

The true end of every great and free people should be self-respecting peace; and this Nation most earnestly desires sincere and cordial friendship with all others. Over the entire world, of recent years, wars between the great civilized powers have become less and less frequent. Wars with barbarous and semi-barbarous peoples come in an entirely different category, being merely a most regrettable but necessary international police duty which must be performed for the sake of the welfare of mankind. Peace can only be kept with certainty where both sides wish to keep it; but more and more the civilized peoples are realizing the wicked folly of war and are attaining that condition of just and intelligent regard for the rights of others which will in the end, as we hope and believe, make world-wide peace possible. The peace conference at The Hague gave definite expression to this hope and belief and marked a stride toward their attainment.

This same peace conference acquiesced in our statement of the Monroe Doctrine as compatible with the purposes and aims of the conference.

The Monroe Doctrine should be the cardinal feature of the foreign policy of all the nations of the two Americas, as it is of the United States. Just seventy-eight years have passed since President Monroe in his Annual Message announced that "The American continents are henceforth not to be considered as subjects for future colonization by any European power." In other words, the Monroe Doctrine is a declaration that there must be no territorial aggrandizement by any non-American power at the expense of any American power on American soil. It is in no wise intended as hostile to any nation in the Old World. Still less is it intended to give cover to any aggression by one New World power at the expense of any other. It is simply a step, and a long step, toward assuring the universal peace of the world by securing the possibility of permanent peace on this hemisphere.

During the past century other influences have established the permanence and independence of the smaller states of Europe. Through the Monroe Doctrine we hope to be able to safeguard like independence and secure like permanence for the lesser among the New World nations.

This doctrine has nothing to do with the commercial relations of any American power, save that it in truth allows each of them to form such as it desires. In other words, it is really a guaranty of the commercial independence of the Americas. We do not ask under this doctrine for any exclusive commercial dealings with any other American state. We do not guarantee any state against punishment if it misconducts itself, provided that punishment does not take the form of the acquisition of territory by any non-American power.

Our attitude in Cuba is a sufficient guaranty of our own good faith. We have not the slightest desire to secure any territory at the expense of any of our neighbors. We wish to work with them hand in hand, so that all of us may be uplifted together, and we rejoice over the good fortune of any of them, we gladly hail their material prosperity and political stability, and are concerned and alarmed if any of them fall into industrial or political chaos. We do not wish to see any Old World military power grow up on this continent, or to be compelled to become a military power ourselves. The peoples of the Americas can prosper best if left to work out their own salvation in their own way.

The work of upbuilding the Navy must be steadily continued. No one point of our policy, foreign or domestic, is more important than this to the honor and material welfare, and above all to the peace, of our Nation in the future. Whether we desire it or not, we must henceforth recognize that we have international duties no less than international rights. Even if our flag were hauled down in the Philippines and Porto Rico, even if we decided not to build the Isthmian Canal, we should need a thoroughly trained Navy of adequate size, or else be prepared definitely and for all time to abandon the idea that our Nation is among those whose sons go down to the sea in ships. Unless our commerce is always to be carried in foreign bottoms, we must have war craft to protect it.

Inasmuch, however, as the American people have no thought of abandoning the path upon which they have entered, and especially in view of the fact that the building of the Isthmian Canal is fast becoming one of the matters which the whole people are united in demanding, it is imperative that our Navy should be put and kept in the highest state of efficiency, and should be made to answer to our growing needs. So far from being in any way a provocation to war, an adequate and highly trained navy is the best guaranty against war, the cheapest and most effective peace insurance. The cost of building and maintaining such a navy represents the very lightest premium for insuring peace which this Nation can possibly pay.

Probably no other great nation in the world is so anxious for peace as we are. There is not a single civilized power which has anything whatever to fear from aggressiveness on our part. All we want is peace; and toward this end we wish to be able to secure

the same respect for our rights from others which we are eager and anxious to extend to their rights in return, to insure fair treatment to us commercially, and to guarantee the safety of the American people.

Our people intend to abide by the Monroe Doctrine and to insist upon it as the one sure means of securing the peace of the Western Hemisphere. The Navy offers us the only means of making our insistence upon the Monroe Doctrine anything but a subject of derision to whatever nation chooses to disregard it. We desire the peace which comes as of right to the just man armed; not the peace granted on terms of ignominy to the craven and the weakling.

It is not possible to improvise a navy after war breaks out. The ships must be built and the men trained long in advance. Some auxiliary vessels can be turned into makeshifts which will do in default of any better for the minor work, and a proportion of raw men can be mixed with the highly trained, their shortcomings being made good by the skill of their fellows; but the efficient fighting force of the Navy when pitted against an equal opponent will be found almost exclusively in the war ships that have been regularly built and in the officers and men who through years of faithful performance of sea duty have been trained to handle their formidable but complex and delicate weapons with the highest efficiency. In the late war with Spain the ships that dealt the decisive blows at Manila and Santiago had been launched from two to fourteen years, and they were able to do as they did because the men in the conning towers, the gun turrets, and the engine-rooms had through long years of practice at sea learned how to do their duty.

Our present Navy was begun in 1893. At that period our Navy consisted of a collection of antiquated wooden ships, already almost all out of place against modern war vessels as the galleys of Alcibiades and Hamilcar—certainly as the ships of Tromp and Blake. Nor at that time did we have men fit to handle a modern man-of-war. Under the wise legislation of the Congress and the successful administration of a succession of patriotic Secretaries of the Navy, belonging to both political parties, the work of upbuilding the Navy went on, and ships equal to any in the world of their kind were continually added; and what was even more important, these ships were exercised at sea singly and in squadrons until the men aboard them were able to get the best possible service out of them. The result was seen in the short war with Spain, which was decided with such rapidity because of the infinitely greater preparedness of our Navy than of the Spanish Navy.

While awarding the fullest honor to the men who actually commanded and manned the ships which destroyed the Spanish sea forces in the Philippines and in Cuba, we must not forget that an equal meed of praise belongs to those without whom neither blow could have been struck. The Congressmen who voted years in advance the money to lay down the ships, to build the guns, to buy the armor-plate; the Department officials and the business men and wage-workers who furnished what the Congress had authorized; the Secretaries of the Navy who asked for and expended the appropriations; and finally the officers who, in fair weather and foul, on actual sea service, trained and disciplined the crews of the ships when there was no war in sight—all are entitled to a full share in the glory of Manila and Santiago, and the respect accorded by every true American to those who wrought such signal triumph for our country. It was forethought and preparation which secured us the overwhelming triumph of 1898. If we fail to show forethought and preparation now, there may come a time when disaster will befall us instead of triumph; and should this time come, the fault will rest primarily, not upon those whom the accident of events puts in supreme command at the moment, but upon those who have failed to prepare in advance.

There should be no cessation in the work of completing our Navy. So far ingenuity has been wholly unable to devise a substitute for the great war craft whose hammering guns beat out the mastery of the high seas. It is unsafe and unwise not to provide this year for several additional battle ships and heavy armored cruisers, with auxiliary and lighter craft in proportion; for the exact numbers and character I refer you to the report of the Secretary of the Navy. But there is something we need even more than additional ships, and this is additional officers and men. To provide battle ships and cruisers and then lay them up, with the expectation of leaving them unmanned until they are needed in actual war, would be worse than folly; it would be a crime against the Nation.

To send any war ship against a competent enemy unless those aboard it have been trained by years of actual sea service, including incessant gunnery practice, would be to invite not merely disaster, but the bitterest shame and humiliation. Four thousand additional seamen and one thousand additional marines should be provided; and an increase in the officers should be provided by making a large addition to the classes at Annapolis. There is one small matter which should be mentioned in

connection with Annapolis. The pretentious and unmeaning title of "naval cadet" should be abolished; the title of "midshipman," full of historic association, should be restored.

Even in time of peace a war ship should be used until it wears out, for only so can it be kept fit to respond to any emergency. The officers and men alike should be kept as much as possible on blue water, for it is there only they can learn their duties as they should be learned. The big vessels should be manoeuvred in squadrons containing not merely battle ships, but the necessary proportion of cruisers and scouts. The torpedo boats should be handled by the younger officers in such manner as will best fit the latter to take responsibility and meet the emergencies of actual warfare.

Every detail ashore which can be performed by a civilian should be so performed, the officer being kept for his special duty in the sea service. Above all, gunnery practice should be unceasing. It is important to have our Navy of adequate size, but it is even more important that ship for ship it should equal in efficiency any navy in the world. This is possible only with highly drilled crews and officers, and this in turn imperatively demands continuous and progressive instruction in target practice, ship handling, squadron tactics, and general discipline. Our ships must be assembled in squadrons actively cruising away from harbors and never long at anchor. The resulting wear upon engines and hulls must be endured; a battle ship worn out in long training of officers and men is well paid for by the results, while, on the other hand, no matter in how excellent condition, it is useless if the crew be not expert.

We now have seventeen battle ships appropriated for, of which nine are completed and have been commissioned for actual service. The remaining eight will be ready in from two to four years, but it will take at least that time to recruit and train the men to fight them. It is of vast concern that we have trained crews ready for the vessels by the time they are commissioned. Good ships and good guns are simply good weapons, and the best weapons are useless save in the hands of men who know how to fight with them. The men must be trained and drilled under a thorough and well-planned system of progressive instruction, while the recruiting must be carried on with still greater vigor. Every effort must be made to exalt the main function of the officer—the command of men. The leading graduates of the Naval Academy should be assigned to the combatant branches, the line and marines.

Many of the essentials of success are already recognized by the General Board, which, as the central office of a growing staff, is moving steadily toward a proper war efficiency and a proper efficiency of the whole Navy, under the Secretary. This General Board, by fostering the creation of a general staff, is providing for the official and then the general recognition of our altered conditions as a Nation and of the true meaning of a great war fleet, which meaning is, first, the best men, and, second, the best ships.

The Naval Militia forces are State organizations, and are trained for coast service, and in event of war they will constitute the inner line of defense. They should receive hearty encouragement from the General Government.

But in addition we should at once provide for a National Naval Reserve, organized and trained under the direction of the Navy Department, and subject to the call of the Chief Executive whenever war becomes imminent. It should be a real auxiliary to the naval seagoing peace establishment, and offer material to be drawn on at once for manning our ships in time of war. It should be composed of graduates of the Naval Academy, graduates of the Naval Militia, officers and crews of coast-line steamers, longshore schooners, fishing vessels, and steam yachts, together with the coast population about such centers as life-saving stations and light-houses.

The American people must either build and maintain an adequate navy or else make up their minds definitely to accept a secondary position in international affairs, not merely in political, but in commercial matters. It has been well said that there is no surer way of courting national disaster than to be "opulent, aggressive, and unarmed."

It is not necessary to increase our Army beyond its present size at this time. But it is necessary to keep it at the highest point of efficiency. The individual units who as officers and enlisted men compose this Army are, we have good reason to believe, at least as efficient as those of any other army in the entire world. It is our duty to see that their training is of a kind to insure the highest possible expression of power to these units when acting in combination.

The conditions of modern war are such as to make an infinitely heavier demand than ever before upon the individual character and capacity of the officer and the enlisted man, and to make it far more difficult for men to act together with effect. At present the fighting must be done in extended order; which means that

each man must act for himself and at the same time act in combination with others with whom he is no longer in the old-fashioned elbow-to-elbow touch. Under such conditions a few men of the highest excellence are worth more than many men without the special skill which is only found as the result of special training applied to men of exceptional physique and morale. But nowadays the most valuable fighting man and the most difficult to perfect is the rifleman who is also a skillful and daring rider.

The proportion of our cavalry regiments has wisely been increased. The American cavalryman, trained to manoeuvre and fight with equal facility on foot and on horseback, is the best type of soldier for general purposes now to be found in the world. The ideal cavalryman of the present day is a man who can fight on foot as effectively as the best infantryman, and who is in addition unsurpassed in the care and management of his horse and in his ability to fight on horseback.

A general staff should be created. As for the present staff and supply departments, they should be filled by details from the line, the men so detailed returning after a while to their line duties. It is very undesirable to have the senior grades of the Army composed of men who have come to fill the positions by the mere fact of seniority. A system should be adopted by which there shall be an elimination grade by grade of those who seem unfit to render the best service in the next grade. Justice to the veterans of the Civil War who are still in the Army would seem to require that in the matter of retirements they be given by law the same privileges accorded to their comrades in the Navy.

The process of elimination of the least fit should be conducted in a manner that would render it practically impossible to apply political or social pressure on behalf of any candidate, so that each man may be judged purely on his own merits. Pressure for the promotion of civil officials for political reasons is bad enough, but it is tenfold worse where applied on behalf of officers of the Army or Navy. Every promotion and every detail under the War Department must be made solely with regard to the good of the service and to the capacity and merit of the man himself. No pressure, political, social, or personal, of any kind, will be permitted to exercise the least effect in any question of promotion or detail; and if there is reason to believe that such pressure is exercised at the instigation of the officer concerned, it will be held to militate against him. In our Army we cannot afford to have rewards or duties distributed save on the simple ground that those who by their own merits are entitled to the rewards get them, and that those who are peculiarly fit to do the duties are chosen to perform them.

Every effort should be made to bring the Army to a constantly increasing state of efficiency. When on actual service no work save that directly in the line of such service should be required. The paper work in the Army, as in the Navy, should be greatly reduced. What is needed is proved power of command and capacity to work well in the field. Constant care is necessary to prevent dry rot in the transportation and commissary departments.

Our Army is so small and so much scattered that it is very difficult to give the higher officers (as well as the lower officers and the enlisted men) a chance to practice manoeuvres in mass and on a comparatively large scale. In time of need no amount of individual excellence would avail against the paralysis which would follow inability to work as a coherent whole, under skillful and daring leadership. The Congress should provide means whereby it will be possible to have field exercises by at least a division of regulars, and if possible also a division of national guardsmen, once a year. These exercises might take the form of field manoeuvres; or, if on the Gulf Coast or the Pacific or Atlantic Seaboard, or in the region of the Great Lakes, the army corps when assembled could be marched from some inland point to some point on the water, there embarked, disembarked after a couple of days' journey at some other point, and again marched inland. Only by actual handling and providing for men in masses while they are marching, camping, embarking, and disembarking, will it be possible to train the higher officers to perform their duties well and smoothly.

A great debt is owing from the public to the men of the Army and Navy. They should be so treated as to enable them to reach the highest point of efficiency, so that they may be able to respond instantly to any demand made upon them to sustain the interests of the Nation and the honor of the flag. The individual American enlisted man is probably on the whole a more formidable fighting man than the regular of any other army. Every consideration should be shown him, and in return the highest standard of usefulness should be exacted from him. It is well worth while for the Congress to consider whether the pay of enlisted men upon second and subsequent enlistments should not be increased to correspond with the increased value of the veteran soldier.

Much good has already come from the act reorganizing the Army, passed early in the present year. The three prime reforms,

all of them of literally inestimable value, are, first, the substitution of four-year details from the line for permanent appointments in the so-called staff divisions; second, the establishment of a corps of artillery with a chief at the head; third, the establishment of a maximum and minimum limit for the Army. It would be difficult to overestimate the improvement in the efficiency of our Army which these three reforms are making, and have in part already effected.

The reorganization provided for by the act has been substantially accomplished. The improved conditions in the Philippines have enabled the War Department materially to reduce the military charge upon our revenue and to arrange the number of soldiers so as to bring this number much nearer to the minimum than to the maximum limit established by law. There is, however, need of supplementary legislation. Thorough military education must be provided, and in addition to the regulars the advantages of this education should be given to the officers of the National Guard and others in civil life who desire intelligently to fit themselves for possible military duty. The officers should be given the chance to perfect themselves by study in the higher branches of this art. At West Point the education should be of the kind most apt to turn out men who are good in actual field service; too much stress should not be laid on mathematics, nor should proficiency therein be held to establish the right of entry to a corps d'élite. The typical American officer of the best kind need not be a good mathematician; but he must be able to master himself, to control others, and to show boldness and fertility of resource in every emergency.

Action should be taken in reference to the militia and to the raising of volunteer forces. Our militia law is obsolete and worthless. The organization and armament of the National Guard of the several States, which are treated as militia in the appropriations by the Congress, should be made identical with those provided for the regular forces. The obligations and duties of the Guard in time of war should be carefully defined, and a system established by law under which the method of procedure of raising volunteer forces should be prescribed in advance. It is utterly impossible in the excitement and haste of impending war to do this satisfactorily if the arrangements have not been made long beforehand. Provision should be made for utilizing in the first volunteer organizations called out the training of those citizens who have already had experience under arms, and especially for the selection in advance of the officers of any force which may be raised; for careful selection of the kind necessary is impossible after the outbreak of war.

That the Army is not at all a mere instrument of destruction has been shown during the last three years. In the Philippines, Cuba, and Porto Rico it has proved itself a great constructive force, a most potent implement for the upbuilding of a peaceful civilization.

No other citizens deserve so well of the Republic as the veterans, the survivors of those who saved the Union. They did the one deed which if left undone would have meant that all else in our history went for nothing. But for their steadfast prowess in the greatest crisis of our history, all our annals would be meaningless, and our great experiment in popular freedom and self-government a gloomy failure. Moreover, they not only left us a united Nation, but they left us also as a heritage the memory of the mighty deeds by which the Nation was kept united. We are now indeed one Nation, one in fact as well as in name; we are united in our devotion to the flag which is the symbol of national greatness and unity; and the very completeness of our union enables us all, in every part of the country, to glory in the valor shown alike by the sons of the North and the sons of the South in the times that tried men's souls.

The men who in the last three years have done so well in the East and the West Indies and on the mainland of Asia have shown that this remembrance is not lost. In any serious crisis the United States must rely for the great mass of its fighting men upon the volunteer soldiery who do not make a permanent profession of the military career; and whenever such a crisis arises the deathless memories of the Civil War will give to Americans the lift of lofty purpose which comes to those whose fathers have stood valiantly in the forefront of the battle.

The merit system of making appointments is in its essence as democratic and American as the common school system itself. It simply means that in clerical and other positions where the duties are entirely non-political, all applicants should have a fair field and no favor, each standing on his merits as he is able to show them by practical test. Written competitive examinations offer the only available means in many cases for applying this system. In other cases, as where laborers are employed, a system of registration undoubtedly can be widely extended. There are, of course, places where the written competitive examination cannot be applied, and others where it offers by no means an ideal solution, but where under existing political conditions it is, though

an imperfect means, yet the best present means of getting satisfactory results.

Wherever the conditions have permitted the application of the merit system in its fullest and widest sense, the gain to the Government has been immense. The navy-yards and postal service illustrate, probably better than any other branches of the Government, the great gain in economy, efficiency, and honesty due to the enforcement of this principle.

I recommend the passage of a law which will extend the classified service to the District of Columbia, or will at least enable the President thus to extend it. In my judgment all laws providing for the temporary employment of clerks should hereafter contain a provision that they be selected under the Civil Service Law.

It is important to have this system obtain at home, but it is even more important to have it applied rigidly in our insular possessions. Not an office should be filled in the Philippines or Porto Rico with any regard to the man's partisan affiliations or services, with any regard to the political, social, or personal influence which he may have at his command; in short, heed should be paid to absolutely nothing save the man's own character and capacity and the needs of the service.

The administration of these islands should be as wholly free from the suspicion of partisan politics as the administration of the Army and Navy. All that we ask from the public servant in the Philippines or Porto Rico is that he reflect honor on his country by the way in which he makes that country's rule a benefit to the peoples who have come under it. This is all that we should ask, and we cannot afford to be content with less.

The merit system is simply one method of securing honest and efficient administration of the Government; and in the long run the sole justification of any type of government lies in its proving itself both honest and efficient.

The consular service is now organized under the provisions of a law passed in 1856, which is entirely inadequate to existing conditions. The interest shown by so many commercial bodies throughout the country in the reorganization of the service is heartily commended to your attention. Several bills providing for a new consular service have in recent years been submitted to the Congress. They are based upon the just principle that appointments to the service should be made only after a practical test of the applicant's fitness, that promotions should be governed by trustworthiness, adaptability, and zeal in the performance of duty, and that the tenure of office should be unaffected by partisan considerations.

The guardianship and fostering of our rapidly expanding foreign commerce, the protection of American citizens resorting to foreign countries in lawful pursuit of their affairs, and the maintenance of the dignity of the Nation abroad, combine to make it essential that our consuls should be men of character, knowledge, and enterprise. It is true that the service is now, in the main, efficient, but a standard of excellence cannot be permanently maintained until the principles set forth in the bills heretofore submitted to the Congress on this subject are enacted into law.

In my judgment the time has arrived when we should definitely make up our minds to recognize the Indian as an individual and not as a member of a tribe. The General Allotment Act is a mighty pulverizing engine to break up the tribal mass. It acts directly upon the family and the individual. Under its provisions some sixty thousand Indians have already become citizens of the United States. We should now break up the tribal funds, doing for them what allotment does for the tribal lands; that is, they should be divided into individual holdings. There will be a transition period during which the funds will in many cases have to be held in trust. This is the case also with the lands. A stop should be put upon the indiscriminate permission to Indians to lease their allotments. The effort should be steadily to make the Indian work like any other man on his own ground. The marriage laws of the Indians should be made the same as those of the whites.

In the schools the education should be elementary and largely industrial. The need of higher education among the Indians is very, very limited. On the reservations care should be taken to try to suit the teaching to the needs of the particular Indian. There is no use in attempting to induce agriculture in a country suited only for cattle raising, where the Indian should be made a stock grower. The ration system, which is merely the corral and the reservation system, is highly detrimental to the Indians. It promotes beggary, perpetuates pauperism, and stifles industry. It is an effectual barrier to progress. It must continue to a greater or less degree as long as tribes are herded on reservations and have everything in common. The Indian should be treated as an individual—like the white man. During the change of treatment inevitable hardships will occur; every effort should be made to minimize these hardships; but we should not because of them hesitate to make the change. There should be a continuous reduction in the number of agencies.

In dealing with the aboriginal races few things are more important than to preserve them from the terrible physical and moral degradation resulting from the liquor traffic. We are doing all we can to save our own Indian tribes from this evil. Wherever by international agreement this same end can be attained as regards races where we do not possess exclusive control, every effort should be made to bring it about.

I bespeak the most cordial support from the Congress and the people for the St. Louis Exposition to Commemorate the One Hundredth Anniversary of the Louisiana Purchase. This purchase was the greatest instance of expansion in our history. It definitely decided that we were to become a great continental republic, by far the foremost power in the Western Hemisphere. It is one of three or four great landmarks in our history—the great turning points in our development. It is eminently fitting that all our people should join with heartiest good will in commemorating it, and the citizens of St. Louis, of Missouri, of all the adjacent region, are entitled to every aid in making the celebration a noteworthy event in our annals. We earnestly hope that foreign nations will appreciate the deep interest our country takes in this Exposition, and our view of its importance from every standpoint, and that they will participate in securing its success. The National Government should be represented by a full and complete set of exhibits.

The people of Charleston, with great energy and civic spirit, are carrying on an Exposition which will continue throughout most of the present session of the Congress. I heartily commend this Exposition to the good will of the people. It deserves all the encouragement that can be given it. The managers of the Charleston Exposition have requested the Cabinet officers to place thereat the Government exhibits which have been at Buffalo, promising to pay the necessary expenses. I have taken the responsibility of directing that this be done, for I feel that it is due to Charleston to help her in her praiseworthy effort. In my opinion the management should not be required to pay all these expenses. I earnestly recommend that the Congress appropriate at once the small sum necessary for this purpose.

The Pan-American Exposition at Buffalo has just closed. Both from the industrial and the artistic standpoint this Exposition has been in a high degree creditable and useful, not merely to Buffalo but to the United States. The terrible tragedy of the President's assassination interfered materially with its being a financial success. The exposition was peculiarly in harmony with the trend of our public policy, because it represented an effort to bring into closer touch all the peoples of the Western Hemisphere, and give them an increasing sense of unity. Such an effort was a genuine service to the entire American public.

The advancement of the highest interests of national science and learning and the custody of objects of art and of the valuable results of scientific expeditions conducted by the United States have been committed to the Smithsonian Institution. In furtherance of its declared purpose—for the "increase and diffusion of knowledge among men"—the Congress has from time to time given it other important functions. Such trusts have been executed by the Institution with notable fidelity. There should be no halt in the work of the Institution, in accordance with the plans which its Secretary has presented, for the preservation of the vanishing races of great North American animals in the National Zoological Park. The urgent needs of the National Museum are recommended to the favorable consideration of the Congress.

Perhaps the most characteristic educational movement of the past fifty years is that which has created the modern public library and developed it into broad and active service. There are now over five thousand public libraries in the United States, the product of this period. In addition to accumulating material, they are also striving by organization, by improvement in method, and by cooperation, to give greater efficiency to the material they hold, to make it more widely useful, and by avoidance of unnecessary duplication in process to reduce the cost of its administration.

In these efforts they naturally look for assistance to the Federal Library, which, though still the Library of Congress, and so entitled, is the one national library of the United States. Already the largest single collection of books on the Western Hemisphere, and certain to increase more rapidly than any other through purchase, exchange, and the operation of the copyright law, this library has a unique opportunity to render to the libraries of this country—to American scholarship—service of the highest importance. It is housed in a building which is the largest and most magnificent yet erected for library uses. Resources are now being provided which will develop the collection properly, equip it with the apparatus and service necessary to its effective use, render its bibliographic work widely available, and enable it to become, not merely a center of research, but the chief factor in great cooperative efforts for the diffusion of knowledge and the advancement of learning.

For the sake of good administration, sound economy, and the advancement of science, the Census Office as now constituted should be made a permanent Government bureau. This would insure better, cheaper, and more satisfactory work, in the interest not only of our business but of statistic, economic, and social science.

The remarkable growth of the postal service is shown in the fact that its revenues have doubled and its expenditures have nearly doubled within twelve years. Its progressive development compels constantly increasing outlay, but in this period of business energy and prosperity its receipts grow so much faster than its expenses that the annual deficit has been steadily reduced from \$11,411,779 in 1897 to \$3,923,727 in 1901. Among recent postal advances the success of rural free delivery wherever established has been so marked, and actual experience has made its benefits so plain, that the demand for its extension is general and urgent.

It is just that the great agricultural population should share in the improvement of the service. The number of rural routes now in operation is 6,009, practically all established within three years, and there are 6,000 applications awaiting action. It is expected that the number in operation at the close of the current fiscal year will reach 8,600. The mail will then be daily carried to the doors of 5,700,000 of our people who have heretofore been dependent upon distant offices, and one-third of all that portion of the country which is adapted to it will be covered by this kind of service.

The full measure of postal progress which might be realized has long been hampered and obstructed by the heavy burden imposed on the Government through the entrenched and well-understood abuses which have grown up in connection with second-class mail matter. The extent of this burden appears when it is stated that while the second-class matter makes nearly three-fifths of the weight of all the mail, it paid for the last fiscal year only \$4,291,445 of the aggregate postal revenue of \$11,631,193. If the pound rate of postage, which produces the large loss thus entailed, and which was fixed by the Congress with the purpose of encouraging the dissemination of public information, were limited to the legitimate newspapers and periodicals actually contemplated by the law, no just exception could be taken. That expense would be the recognized and accepted cost of a liberal public policy deliberately adopted for a justifiable end. But much of the matter which enjoys the privileged rate is wholly outside of the intent of the law, and has secured admission only through an evasion of its requirements or through lax construction. The proportion of such wrongly included matter is estimated by postal experts to be one-half of the whole volume of second-class mail. If it be only one-third or one-quarter, the magnitude of the burden is apparent. The Post-Office Department has now undertaken to remove the abuses so far as is possible by a stricter application of the law; and it should be sustained in its effort.

Owing to the rapid growth of our power and our interests on the Pacific, whatever happens in China must be of the keenest national concern to us.

The general terms of the settlement of the questions growing out of the antiforeign uprisings in China of 1900, having been formulated in a joint note addressed to China by the representatives of the injured powers in December last, were promptly accepted by the Chinese Government. After protracted conferences the plenipotentiaries of the several powers were able to sign a final protocol with the Chinese plenipotentiaries on the 7th of last September, setting forth the measures taken by China in compliance with the demands of the joint note, and expressing their satisfaction therewith. It will be laid before the Congress, with a report of the plenipotentiary on behalf of the United States, Mr. William Woodville Rockhill, to whom high praise is due for the tact, good judgment, and energy he has displayed in performing an exceptionally difficult and delicate task.

The agreement reached disposes in a manner satisfactory to the powers of the various grounds of complaint, and will contribute materially to better future relations between China and the powers. Reparation has been made by China for the murder of foreigners during the uprising and punishment has been inflicted on the officials, however high in rank, recognized as responsible for or having participated in the outbreak. Official examinations have been forbidden for a period of five years in all cities in which foreigners have been murdered or cruelly treated, and edicts have been issued making all officials directly responsible for the future safety of foreigners and for the suppression of violence against them.

Provisions have been made for insuring the future safety of the foreign representatives in Peking by setting aside for their exclusive use a quarter of the city which the powers can make defensible and in which they can if necessary maintain permanent military guards; by dismantling the military works between the capital and the sea; and by allowing the temporary maintenance of foreign military posts along this line. An edict has been issued by

the Emperor of China prohibiting for two years the importation of arms and ammunition into China. China has agreed to pay adequate indemnities to the states, societies, and individuals for the losses sustained by them and for the expenses of the military expeditions sent by the various powers to protect life and restore order.

Under the provisions of the joint note of December, 1900, China has agreed to revise the treaties of commerce and navigation and to take such other steps for the purpose of facilitating foreign trade as the foreign powers may decide to be needed.

The Chinese Government has agreed to participate financially in the work of bettering the water approaches to Shanghai and to Tientsin, the centers of foreign trade in central and northern China, and an international conservancy board, in which the Chinese Government is largely represented, has been provided for the improvement of the Shanghai River and the control of its navigation. In the same line of commercial advantages a revision of the present tariff on imports has been assented to for the purpose of substituting specific for *ad valorem* duties, and an expert has been sent abroad on the part of the United States to assist in this work. A list of articles to remain free of duty, including flour, cereals, and rice, gold and silver coin and bullion, has also been agreed upon in the settlement.

During these troubles our Government has unswervingly advocated moderation, and has materially aided in bringing about an adjustment which tends to enhance the welfare of China and to lead to a more beneficial intercourse between the Empire and the modern world; while in the critical period of revolt and massacre we did our full share in safeguarding life and property, restoring order, and vindicating the national interest and honor. It behooves us to continue in these paths, doing what lies in our power to foster feelings of good will, and leaving no effort untried to work out the great policy of full and fair intercourse between China and the nations, on a footing of equal rights and advantages to all. We advocate the "open door" with all that it implies; not merely the procurement of enlarged commercial opportunities on the coasts, but access to the interior by the waterways with which China has been so extraordinarily favored. Only by bringing the people of China into peaceful and friendly community of trade with all the peoples of the earth can the work now auspiciously begun be carried to fruition. In the attainment of this purpose we necessarily claim parity of treatment, under the conventions, throughout the Empire for our trade and our citizens with those of all other powers.

We view with lively interest and keen hopes of beneficial results the proceedings of the Pan-American Congress, convoked at the invitation of Mexico, and now sitting at the Mexican capital. The delegates of the United States are under the most liberal instructions to cooperate with their colleagues in all matters promising advantage to the great family of American commonwealths, as well in their relations among themselves as in their domestic advancement and in their intercourse with the world at large.

My predecessor communicated to the Congress the fact that the Weil and La Abra awards against Mexico have been adjudged by the highest courts of our country to have been obtained through fraud and perjury on the part of the claimants, and that in accordance with the acts of the Congress the money remaining in the hands of the Secretary of State on these awards has been returned to Mexico. A considerable portion of the money received from Mexico on these awards had been paid by this Government to the claimants before the decision of the courts was rendered. My judgment is that the Congress should return to Mexico an amount equal to the sums thus already paid to the claimants.

The death of Queen Victoria caused the people of the United States deep and heartfelt sorrow, to which the Government gave full expression. When President McKinley died, our Nation in turn received from every quarter of the British Empire expressions of grief and sympathy no less sincere. The death of the Empress Dowager Frederick of Germany also aroused the genuine sympathy of the American people; and this sympathy was cordially reciprocated by Germany when the President was assassinated. Indeed, from every quarter of the civilized world we received, at the time of the President's death, assurances of such grief and regard as to touch the hearts of our people. In the midst of our affliction we reverently thank the Almighty that we are at peace with the nations of mankind; and we firmly intend that our policy shall be such as to continue unbroken these international relations of mutual respect and good will.

THEODORE ROOSEVELT.

WHITE HOUSE, December 3, 1901.

The PRESIDENT pro tempore. Without objection, the President's message and the accompanying documents will be printed and lie on the table.

DEATH OF PRESIDENT M'KINLEY.

Mr. FORAKER. Mr. President, I offer the resolution which I send to the desk and ask for its immediate consideration.

The PRESIDENT pro tempore. The resolution will be read to the Senate.

The Secretary read the resolution, as follows:

Resolved, That a committee of eleven Senators be appointed on the part of the Senate, to join such committee as may be appointed on the part of the House, to consider and report by what token of respect and affection it may be proper for the Congress of the United States to express the deep sensibility of the nation to the tragic death of the late President, William McKinley, and that so much of the message of the President as relates to that deplorable event be referred to such committee.

The PRESIDENT pro tempore. Is there objection to the present consideration of the resolution?

The resolution was considered by unanimous consent, and agreed to.

Mr. FORAKER. Mr. President, as a further mark of respect to memory of the late President, I move that the Senate do now adjourn.

The motion was unanimously agreed to; and (at 2 o'clock and 27 minutes p. m.) the Senate adjourned until to-morrow, Wednesday, December 4, 1901, at 12 o'clock meridian.

HOUSE OF REPRESENTATIVES.

TUESDAY, December 3, 1901.

The House met at 12 o'clock m. Prayer by the Chaplain, Rev. HENRY N. COUDEN, D. D.

The Journal of yesterday's proceedings was read, corrected, and approved.

ADJOURNMENT OVER.

Mr. PAYNE. Mr. Speaker, I move that when the House adjourns to-day it adjourn to meet on Friday next.

The SPEAKER. The gentleman from New York moves that when the House adjourns to-day it adjourn to meet on Friday next.

The motion was agreed to.

COMMITTEE ON RULES.

The SPEAKER. The Chair will announce the following committee appointments:

Committee on Rules—D. B. HENDERSON of Iowa, JOHN DALZELL of Pennsylvania, C. H. GROSVENOR of Ohio, JAMES D. RICHARDSON of Tennessee, and OSCAR W. UNDERWOOD of Alabama.

MESSAGE FROM THE SENATE.

A message from the Senate, by Mr. PLATT, one of its clerks, announced that the Senate had passed the following resolutions:

Resolved, That the Senate has heard with profound sorrow of the death of the Hon. JAMES H. KYLE, late a Senator from the State of South Dakota.

Resolved, That the Secretary communicate a copy of these resolutions to the House of Representatives.

Resolved, That as a further mark of respect to the memory of the deceased the Senate do now adjourn.

SWEARING IN OF MEMBERS.

The SPEAKER. The Chair is informed that two members are present ready to be sworn in.

Mr. Cooper of Texas and Mr. Woods of California then presented themselves at the bar of the House and were duly qualified, taking the oath of office required by law.

REPORT OF COMMITTEE APPOINTED TO AWAIT ON THE PRESIDENT.

The SPEAKER. The House is ready to receive the report of the committee appointed to await on the President, if it is ready to report.

Mr. BINGHAM. Mr. Speaker, the committee appointed by the House has performed its duty, and in connection with a similar committee from the Senate have duly informed the President of the United States that the constitutional quorums of the two Houses are present and that Congress is ready to receive any communication he may be pleased to make. The President expressed his great pleasure to receive the committee and that he would submit to the Congress a message in writing at once.

MESSAGE FROM THE PRESIDENT.

A message in writing from the President of the United States was communicated to the House by Mr. PRUDEN, one of his secretaries.

The SPEAKER laid before the House the annual message of the President, which was read.

[For text of the message see proceedings of the Senate of this date.]

If Agnew pays the state the quarter-of-a-million dollars, he apparently will be allowed to claim a federal income tax deduction.
See AGNEW, A2, Col. 1

(R-Kan.), chairman of the Finance Committee, who said "it won't take many votes to break the bank."
See FARM, A9, Col. 1

te Dept. Aides

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The mountain fighting and the rising tempo of shelling in Beirut appeared to compromise official hopes of a rapid end to the nearly month-long round of fighting. Despite yet another cease-fire announcement late tonight, there were suggestions that Foreign Minister Abdel Halim Khaddam of Syria might cancel a visit planned for Tuesday aimed at negotiating a resolution of the crisis.

The shelling of West Beirut was described by the official Beirut radio as indiscriminate. It apparently was re-
See LEBANON, A14, Col. 1

~~Fresh Momentum~~ ~~Given to Reagan's~~ ~~Austerity Budget~~

By Helen Dewar
Washington Post Staff Writer

President Reagan's austerity budget got a double shot of fresh momentum yesterday as Speaker Thomas P. O'Neill Jr. (D-Mass.) virtually conceded it will pass the Democratic House, and Senate Republicans edged closer to a resolution of their dispute over projected budget deficits.

O'Neill's pessimistic assessment of the chances for a Democratic budget alternative caught many members by surprise. Apparently seeking to head off any adverse impact, House Budget Committee Chairman James R. Jones (D-Okla.) issued a statement later saying O'Neill had an "erroneous perception of how some members are leaning."

Jones predicted the vote would be "very close," and some Republicans agreed that the outcome of the House vote on the budget, which is expected late this week or early next, is not yet certain.

O'Neill's remarks on the budget alternative drafted by Jones' Budget Committee came as Congress returned from its two-week Easter recess and Reagan prepared to address a joint session of House and Senate tonight on his economic program.

Reagan's campaign for his budget during the recess had a "tremendous impact" and "many of the Democrats" will vote with the president when the
See BUDGET, A5, Col. 5

return to academia, even though his
pressuring him to get work and
pull strings for Larry in Washing-
wanted no part of that. He had
the Pennsylvania attorney general's
ut a position, and was trying for a
advocate with the state of New
t he complained to his parents that
ews never went well.
r that had driven him from Cali-
ere he was convinced a punk rock
d The Mutants was conspiring to

take over his mind, preoccupied him even more. Larry felt hounded by enemies and anxieties.

"At the time, my brother was feeling like a refugee," said his younger sister Ruth. "He was feeling like his back was against the wall."

Ten days after he'd relocated, Larry bounced a check and his landlord kicked him out. Not long afterward, he hauled all his
See FISHMAN, A2, Col. 1

Reagan's Austerity Budget Is Given Fresh Momentum

BUDGET, From A1

budget comes to the House floor later this week, O'Neill told reporters.

"I can read Congress . . . They go with the will of the people, and the will of the people is to go along with the president," said the speaker. "I've been in politics a long time," he asserted at another point, "and I know when you fight and when you don't." Added O'Neill dispiritedly: "Time cures all ills."

O'Neill, who has enjoyed cordial relations with Reagan since the start of his administration, was also severely critical of the president. Expressing doubt that Reagan would consciously cut a program for vaccinating children against disease and hand it over to the states, as his budget proposes to do, O'Neill said, "The president of the United States doesn't know what's in his own bill."

The House will have two main choices when the budget comes to the floor, probably Thursday. One is a White House-blessed "bipartisan" version of the Reagan budget, which calls for more extensive savings than Reagan did but adds a few sweeteners like more money for veterans and comes up with less of a deficit. The other, drafted by Budget Committee Democrats and supported by the Democratic leadership, provides more money for social programs than Reagan did and less of a tax cut than he wants, with about half the deficit that the president envisions.

The budget sets spending and taxing targets for fiscal 1982 — essentially guidelines, with some enforcement provisions, for authorizations and appropriations that will come later in the year.

In the Senate, Republicans claimed to be on the verge of resolving an embarrassing dispute that sidetracked

Reagan's budget just before the congressional recess began. Three of them joined Democrats on the Senate Budget Committee in defeating the preliminary budget for 1982 because, the GOP trio complained, it would not put the government on the path to a balanced budget in 1984, as Reagan has promised.

After meeting with Sen. William L. Armstrong (R-Colo.), leader of the group, Budget Committee Chairman Pete V. Domenici (R-N.M.) said he expected final details would be worked out in time for the committee to approve the budget today. As of late yesterday, only Sen. Charles E. Grassley (R-Iowa) had not agreed to go along.

The budget will project a balance by 1984, Domenici indicated, but only by assuming billions of dollars in unspecified cuts and other general savings. The administration was not forced to pledge specific future budget cuts, and Domenici noted that any provisions for future years were "advisory" in any case.

The plan anticipates savings of about \$7 billion from reducing waste, fraud and abuse throughout the budget, \$5 billion from expanding the president's authority to rescind appropriations, \$7.5 billion from accepting the administration's defense spending figures (the committee said earlier that they were too low) and \$1.9 billion from anticipating that the Pentagon will not spend all the money that it says it needs for pay raises.

In addition, there will be about \$22 billion in totally unspecified spending cuts that the administration will be expected to make in fiscal 1983 and 1984. Together these unspecified and semi-specified cuts will add up to roughly the same \$44.7 billion deficit that had been projected earlier in the

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SB section more jobs than any other

69-76 - 16 m new

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~~92%~~

66%

20 or fewer empl

69-76

77%

50 or fewer

82%

100 or fewer

Definition:

indep owned, operated not
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dollars -

87%

500 or fewer employees

mpg

Sm, non-farm business

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\$15,000 payment to Roemer Sept. 25, 1979 and a \$10,000 payment Oct. 11, 1979.

According to the indictment, Marinello, the New Orleans lawyer, had taken \$10,000 in cash from Hauser Sept. 27, 1979, which he delivered to then-Lt. Gov. James E. Fitzmorris Jr. The indictment said that the conspirators wanted Fitzmorris to help them secure insurance contracts from the city of New Orleans, the state and elsewhere.

According to federal officials, the FBI had used court-authorized wiretaps in the Brilab investigation, which included monitoring Marcello's conversations on his home and business telephones in Metairie, La.

The four defendants were charged in the indictment with engaging in racketeering, conspiracy, and wire and mail fraud. Marcello and Davidson were also accused of interstate travel in aid of racketeering. □

Economy

1st Quarter Payments Gap Reported. The U.S.'s payments deficit in its balance on current account, swelled by higher prices for imported oil, surged to a seasonally adjusted \$2.57 billion in the first quarter of 1980, the Commerce Department reported June 19. [See p. 263B3]

The first quarter deficit followed a revised \$1.80 billion gap in 1979's fourth quarter. The Commerce Department had previously reported the fourth quarter deficit as a seasonally adjusted \$923 million.

The first quarter 1980 gap was the largest since the \$3.07 billion recorded in the third quarter of 1978. The current account had shown a surplus of \$1.4 billion in the first quarter of 1979.

The current-account deficit for 1979 overall was a revised \$788 million, down from 1978's \$13.47 billion deficit.

The nation's petroleum import bill rose 14.3%, or \$2.76 billion, in the first quarter of 1980 to an adjusted \$21.6 billion. That increase occurred despite a 4% drop in the volume of imports. □

May Production Drops 2.1%. Industrial production dropped a seasonally adjusted 2.1% in May, according to the Federal Reserve Board June 13. [See p. 384B3]

The drop, the largest since a 2.2% decline in February 1975, during the last recession, followed a revised 2% drop in April.

The index for May stood at 145.5% of the 1967 base average. That was 4.5% below the level of May 1979.

The output of durable goods, including automobiles, fell 4.9% in May, matching April's decline. The Fed said home goods and construction supplies also saw reductions in output. □

May Housing Starts Decline 11.5%. The pace of housing starts fell 11.5% to a seasonally adjusted rate of 920,000 in May, the lowest level in five years, the Commerce Department reported June 17. [See p. 384G2]

It was the lowest monthly pace since the 904,000 of February 1975, which was the

bottom level for housing starts during the recession of 1974-75.

The May rate was 48.9% below the May 1979 clip of 1,801,000 annually. The May 1980 rate was also behind April 1980's revised annual rate of 1,039,000.

Building permits, an indicator of future residential construction activity, were issued in May at a rate 2.2% over April, but 51.1% below May 1979.

Starts of single-family homes declined 2.4% to a rate of 616,000 after a revised April pace of 631,000. Multifamily starts declined 25.5% in May to a 304,000 rate after an April rate of 408,000 (revised), and were 46.9% off the 572,000 rate of May 1979.

Housing and construction experts said that if the present trend continued, 1980 would be the first year since 1945 in which construction began on fewer than a million homes.

Commerce Department Secretary Philip M. Klutznick described the figures as "bad news for both home builders and potential home buyers." But Klutznick pointed to falling interest rates in claiming that the "financial underpinnings for a recovery of home building are now falling into place." □

May Income Posts Slight Gain. Americans' personal income rose .1% in May to a seasonally adjusted annual rate of \$2.070 trillion, the Commerce Department reported June 17. [See p. 384C3]

Total personal income rose \$3 billion in May, after a revised April decline of \$3 billion to a revised annual rate of \$2.067 trillion.

The Commerce Department also reported that personal consumption spending declined .2% after adjustment for inflation in May, following a 1% drop in April. □

Business

Hardships for Small Business. Several studies released in the first half of 1980 blamed Carter Administration credit policies for difficulties faced by small business in the United States.

Rep. Henry J. Nowak (D, N.Y.), chairman of the House Small Business subcommittee on business opportunities, said small business was bearing more of the costs of the federal government's tight credit policies than big business. He submitted a report May 29 that claimed high interest rates caused the number of commercial loans between \$1,000 and \$99,000 to drop by 48% from November 1979 to February 1980.

(Many small firms were dependent on the loans to meet payrolls and maintain inventories.)

Nowak's report said the number of commercial loans between \$100,000 and \$499,000 dropped by 24% in the same period. At the same time, loans of \$1 million and more, traditionally sought and received by large businesses, rose 16%.

A Small Business Administration study reported May 15 said small business bankruptcies increased 48% after the Carter Administration began its tight money policy of raising interest rates in October 1979. The report estimated that

over a quarter of a million more small businesses would fail in the twelve-month period up to October 1980 than the 400,000 that failed in an average year. The projected increase in bankruptcies would mean a loss of an additional 3.2 million jobs and \$228 billion in sales revenue, the report said.

The White House Commission on Small Business ended a two-year study and sent a report with recommendations to President Carter May 15. The report made 60 proposals for reversing what the commission called the government's "double tilt" against small business. The chief proposals included the reduction of corporate tax rates for lower earning firms and the granting of tax credits for investment in new small businesses.

A study by the National Center for Economic Alternatives said that small business was becoming "an endangered species in America," it was reported Jan. 13. The report said the Carter Administration's tight money policies were only part of the reason 80% of small businesses failed before their fifth year of operation.

The study focused on regulatory policies that led to the dominance of an industry by a small number of large firms. The report claimed small businesses carried a disproportionate share of responsibility for complying with government regulations. □

Small Businesses

The Small Business Administration defined small business according to the number of employees working in a manufacturing firm, or by the annual dollar sales of a non-manufacturing firm. The SBA estimated there were 6.3 million small businesses in the United States, including one million full-time farms. The firms contributed an estimated 33% of the nation's gross national product.

A Massachusetts Institute of Technology study found that between 1969 and 1976, nearly two-thirds of all new jobs in the U.S. were in businesses that employed fewer than 20 workers, it was reported Jan. 18.

Trigger Price Return Suit Dismissed. U.S. District Judge Aubrey Robinson Jr. May 16 dismissed a suit brought by Korf Industries, Inc., a North Carolina steel-rod producer, seeking to reimpose the steel "trigger price" mechanism. [See p. 225E1]

The Commerce Department had suspended the trigger price in retaliation for the dumping complaint filed by U.S. Steel Corp. against seven European steelmakers. [See below]

The two-year-old trigger price system was intended to automatically trigger a government investigation if products were imported below the trigger price. In the case of steel, the price was based on the cost of production by the most efficient producer, Japan. Stiff duties could be imposed against foreign producers if they undersold the trigger price.

Judge Robinson ruled that the procedure was in effect a policy statement and



First of two sections.*



Ronald Reagan and wife Nancy, wave to supporters following election.

WIDE WORLD

Ronald Reagan Defeats President Carter by Wide Margin, Breaks Democratic Coalition; GOP Wins Senate Control

Ronald Reagan won the presidency, which was not unexpected, but the sweeping Republican vote that ousted the Carter Administration and brought the GOP into control of the Senate stunned the Democratic Party. Its revered coalition of support since Franklin Delano Roosevelt's day lay in ruins. The blue-collar vote, the ethnic vote, Roman Catholics, Jews and the South all deserted to Reagan.

Standing almost alone among the debris, Democratic House Speaker Thomas O'Neill called the election results a "disaster for the Democrats." Although they lost 33 seats to the Republicans, the Democrats retained their majority in the House. The GOP also picked up four governorships, for a total of 23.

The liberal Democratic ranks were decimated. George McGovern (S.D.) was gone, as was Birch Bayh (Ind.), Frank Church (Idaho), John Culver (Iowa), Gaylord Nelson (Wis.), Warren Magnuson (Wash.) and John Durkin (N.H.).

Election victims in the House included Majority Whip John Brademas (Ind.), Ways & Means Committee Chairman Al Ullman (Ore.), Public Works Committee Chairman Harold Johnson (Cal.) and such House fixtures as James Corman (Cal.), Bob Eckhardt (Texas) and Thomas Ashley (Ohio), among others.

The takeover in the Senate, plus the influx of young conservative blood, surprised even the Republicans. One of the most startling changes, and most symbolic, was that conservative spokesman Strom Thurmond (S.C.) would head the Senate Judiciary Committee in place of liberal spokesman Edward Kennedy (Mass.).

But, Carter graciously extended total cooperation for a smooth transition. He felt that Iran's intrusion, a few days before the election, of terms for release of the American hostages, plus ever-intractable inflation, had done him in.

President-elect Reagan said he wanted the world to know "that there is no political division that affects our foreign policy." He intended to move "as swiftly as possible," once in office, to carry out an economic overhaul—tax cuts, a federal hiring freeze and a spending reduction.

Scope of Victory Unpredicted. Ronald Wilson Reagan was elected 40th President of the United States Nov. 4 by an outpouring of support from across the nation. Elected along with him as vice president was his running mate, George Bush.

Incumbent President Jimmy Carter won only six states and the District of Columbia. His concession, at 9:50 p.m. election night, was the earliest concession since 1904 when Alton B. Parker bowed to Theodore Roosevelt. He became the first elected incumbent President since Herbert Hoover in 1932 to be defeated.

Independent presidential candidate John B. Anderson took 7% of the vote, which made him eligible for federal election subsidies. His support was not a factor in the outcome.

Reagan won 43,201,220 votes, or 51% of the total cast, to 34,913,332, or 41%, for Carter. Anderson drew 5,581,379 votes.

The electoral count was more sweeping—489 to 49 in favor of Reagan, whose mandate was nationwide in scope. He captured most of Carter's native South, all the West and almost all of the Midwest and much of the East.

IN THIS ISSUE**U.S. Elections**

Ronald Reagan defeats President Carter; scope of victory unpredicted; GOP takes control of Senate, gains in House; Carter pledges 'fine transition'; Reagan meets the press; campaign windup, endorsements; foreign reaction to Reagan victory; market reacts.

Charts of Senate, House, state governors; state by state election roundup.

Pages 837-852

World Affairs

Iranian parliament sets terms for releasing U.S. hostages; President Carter hopeful; Iran urges quick U.S. response; Iran reacts to Reagan election.

Seaga, JLP win Jamaican election by wide margin.

Iraq captures Iran's oil minister; Iraq threatens to increase war demands.

Fears of grain shortage boost prices.

U.S. representatives visit Hanoi seeking news of MIAs.

Hong Kong announces immigrant ban.

Lloyd's of London members endorse Fisher plan.

Pages 853-855

Other U.S. Affairs

Ex-CIA agent pleads guilty to espionage charge.

Supreme Court refuses stay on GOP campaign aid method; Myers Abscam entrapment plea refused; other actions.

Veterans' aid bill signed by Carter; pension bill approved.

U.S. auto sale decline eases in October.

Final heat wave death toll reported; religious deprogrammer sentenced.

Pages 855-857

Other Nations

Australian prime minister shuffles Cabinet; stock market jumps.

Canadian energy plan introduced.

Peking railroad station bombed; two top Communist Party aides expelled.

U.K. economic outlook remains grim.

Shah of Iran's son takes title; Egypt recognizes Iran.

Kenyans protest freeing of U.S. sailor.

Polish leaders get Soviet support.

Pages 857-860

Miscellaneous

Synanon founder granted probation; other crime news.

Page 860

*Section Two is an interim index.

REFERENCES in brackets give location of background information in this & preceding volumes

Popular Vote for President

State	% of Precincts	Carter	Reagan	Anderson	Clark	Commoner
Alabama	100	627,808	641,609	15,855	12,002	538
Alaska	86	31,408	66,874	8,091	14,495	—
Arizona	100	243,498	523,124	75,805	18,570	—
Arkansas	99	392,404	396,689	21,057	8,638	2,237
California	100	3,040,600	4,447,266	727,871	146,780	60,072
Colorado	100	367,966	650,786	130,579	25,628	5,608
Connecticut	100	537,407	672,648	168,260	8,272	5,956
Delaware	100	106,650	111,631	16,344	1,986	—
District of Columbia	100	124,376	21,765	14,971	1,037	1,686
Florida	100	1,369,120	1,943,989	178,483	29,322	—
Georgia	100	882,785	644,691	34,912	15,261	—
Hawaii	100	135,879	130,112	32,021	3,269	1,548
Idaho	100	109,410	289,789	27,142	8,482	—
Illinois	99	1,951,073	2,335,806	344,836	23,604	4,117
Indiana	99	832,213	1,232,764	107,729	17,776	4,522
Iowa	100	508,735	676,556	114,589	12,324	2,191
Kansas	100	324,974	562,848	67,535	14,089	—
Kentucky	99	605,876	626,072	29,428	5,427	1,242
Louisiana	100	707,981	796,240	26,198	8,247	1,698
Maine	100	220,387	238,156	53,450	5,087	4,491
Maryland	100	706,327	656,255	113,452	13,924	—
Massachusetts	100	1,051,104	1,054,562	382,044	21,170	3,146
Michigan	100	1,659,208	1,914,559	272,948	41,060	12,089
Minnesota	99	924,770	844,459	169,960	30,375	8,202
Mississippi	100	429,988	440,747	11,871	4,651	—
Missouri	100	917,663	1,055,355	76,488	14,135	—
Montana	99	111,972	195,108	27,919	9,536	—
Nebraska	100	164,276	413,401	44,025	8,920	—
Nevada	100	66,468	154,570	17,580	4,346	—
New Hampshire	100	109,080	221,771	49,295	2,063	1,276
New Jersey	100	1,119,576	1,506,437	224,173	20,094	7,765
New Mexico	100	165,054	245,433	28,404	4,348	2,359
New York	99	2,632,099	2,797,684	440,480	51,280	19,410
North Carolina	100	875,776	913,898	52,364	9,866	2,341
North Dakota	98	76,533	187,483	22,390	3,498	417
Ohio	100	1,743,829	2,201,864	255,521	49,543	8,888
Oklahoma	100	399,292	683,807	38,051	15,642	—
Oregon	100	446,721	557,381	109,621	25,407	13,362
Pennsylvania	100	1,932,336	2,252,260	288,704	31,118	10,760
Rhode Island	100	185,319	145,576	56,213	2,411	—
South Carolina	99	417,633	421,117	13,990	4,919	—
South Dakota	100	103,909	198,102	21,342	3,839	—
Tennessee	100	781,512	787,244	35,921	6,784	1,099
Texas	100	1,844,349	2,539,144	109,707	36,825	—
Utah	100	123,447	435,839	30,191	7,193	1,844
Vermont	100	81,421	93,554	31,671	1,861	2,315
Virginia	100	748,638	983,311	93,813	12,462	13,761
Washington	100	583,596	764,393	165,443	25,848	8,442
West Virginia	97	353,508	326,645	30,499	4,259	—
Wisconsin	100	988,255	1,089,750	159,793	29,245	7,701
Wyoming	100	49,123	110,096	12,350	4,694	—
Total		34,913,332	43,201,220	5,581,379	881,612	221,083

Carter's home state of Georgia was the largest state, electorally, won by the President. His other victories were in Maryland, Rhode Island, Minnesota, Hawaii and West Virginia, in addition to the District of Columbia.

The rest was Reagan country.

The decisive turn to Reagan apparently came within two or three days of the election and thus was not indicated by the polls, which took longer to prepare. Up to that point, most of them were pointing to a toss-up vote, although Reagan was leading in electoral counts.

"Exit" polls of voters leaving the voting booths showed a dissatisfaction with Jimmy Carter as a major ingredient of the Reagan sweep. The biggest irritant was the state of the economy, especially inflation.

Dissatisfaction also was voiced against Carter's "weak" handling of foreign policy. This apparently grew in intensity prior to the voting with Iran's demands of concessions by the U.S. for release of the 52 American hostages, whose first anniversary of capture fell on Election Day.

An ABC exit poll showed that 25% of the voters had made up their minds in the last week of the campaign. Of these, 44% chose Reagan, 38% Carter and 13% Anderson.

"The Iranian thing reminded people of all their frustration," commented Robert S. Strauss, Carter campaign chairman, after the results were in. "They just poured down on him."

Patrick H. Caddell, Carter's pollster, reported detecting a 10-point drop in the President's standing in the final 48 hours before the election. "Iran became a trigger for a whole lot of frustration," he said.

"What we saw was a massive protest vote directed against the in-party," Caddell said. "We've known for a long time there's been a lot of frustration and anger out there. Finally, a lot of people said, 'I've had enough and I'm not going to take any more.'"

Reagan pollster Richard Wirthlin thought it was "really a referendum on leadership."

"The presidential debate did not have a tremendous influence on the vote," he said, "but it strengthened Reagan's credibility for taking Carter on as sharply as he did in the last five days and drive home the attack on the economy."

Political Breakthrough—A Times-CBS News poll Election Day showed a large loss of traditional support for the Democrats among blue-collar workers, Roman Catho-

lics and Jews. These segments of support, plus the South, had formed the traditional coalition of strength for Democrats since New Deal days.

"We cracked the unions, blue-collar voters, ethnics, Catholics and the South, just as he had planned," Wirthlin commented.

"This could be the breakpoint election in bringing about a party realignment," said Republican National Chairman Bill Brock. "In this election we have brought together the elements of a new coalition."

"The cementing of that coalition depends on our performance in office," he added.

The turnout—52.3% of the nation's 160,491,000 eligible voters—was the lowest in a presidential election since 1948, when 51.1% voted in President Harry Truman's win over Thomas E. Dewey.

Carter Pledges 'Fine Transition'—President Carter congratulated Reagan on "a fine victory" and pledged to work closely with him for "a very fine transition period."

The President reported on his telephone call to Reagan in his concession statement at a Washington hotel at 9:50 p.m. Nov. 4.

"I promised you four years ago that I would never lie to you," he told a crowd of supporters, "so I can't stand here tonight and say it doesn't hurt."

"I've not achieved all I set out to do, perhaps no one ever does, but we have faced the tough issues," he said.

He was "thankful" for having been able to serve. "But we must now come together as a united and a unified people."

Carter paid tribute to his running mate, Walter F. Mondale, who went down to defeat with him. He was "the best Vice President anybody ever had," Carter said.

In an informal meeting with reporters in the Oval Office Nov. 5, Carter stressed that while he would keep Reagan informed "it's important for the world and the American public to realize that I'll be the President for the next two and a half months."

He did not feel that his landslide loss was "a personal turning against me." He thought the voters had expressed frustration over Iran, the economy and America's diminished position in world affairs.

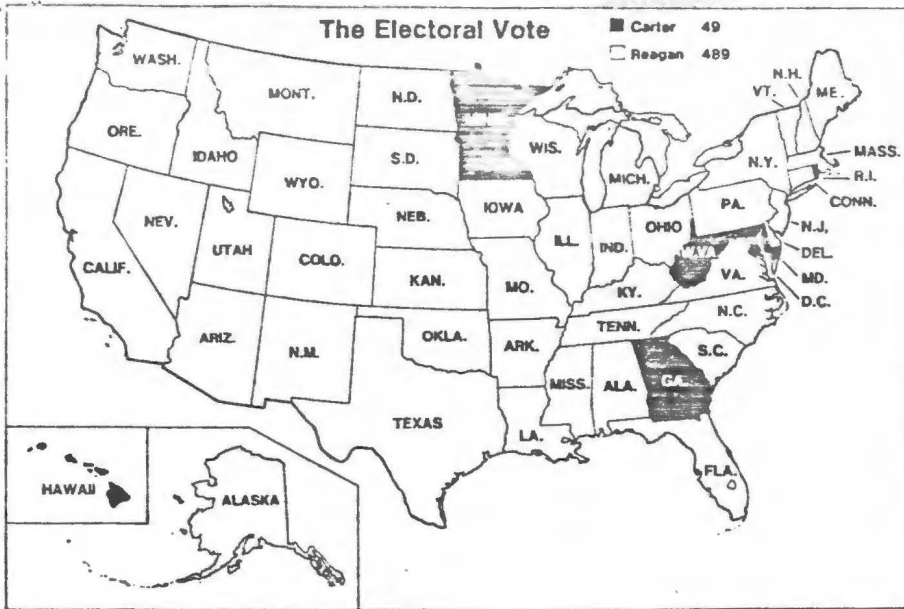
What was next for him? He intended to go back to Georgia and begin on his memoirs.

As to Anderson's prospects, he told reporters Nov. 5 he had "a very positive feeling about the whole experience."

"This campaign must not, shall not and will not end for me," he said.

While he was not predicting another run in 1984, "nothing happened to me in this campaign that was such a dreadful experience . . . that I would never get myself into that situation" again.

For one thing, by attaining more than 5% of the total vote, Anderson and his National Unity ticket gained eligibility for partial campaign subsidies in 1984 if another ticket was fielded. For this campaign, the ticket qualified for a minimum of \$4.2 million in federal subsidies to help pay a \$5 million campaign debt. □



Reagan Meets the Press. In his first press conference in Los Angeles Nov. 6 as President-elect, Ronald Reagan said that he was "not going to intrude" while the Carter Administration was still in office.

Reagan stressed the point especially in reference to foreign affairs.

"Foreign leaders must be aware that the President is still the president," he said.

Insisting that he did not want to appear "to be trying to invade the province of the President," Reagan cautioned Iran not to "have any ideas that there will be profit to them in waiting any period of time" in release of the American hostages. [See p. 853A1]

"We want those people home," he said.

Asked if he had a different approach to gaining release of the hostages and he would "prefer to hold on and hold back

until you take office," Reagan responded: "No. Not if I thought for one minute that could, by one minute, move up their release."

Reagan said he and Vice President-elect George Bush, who was with him at the conference, would be "helpful" if Carter requested their input, because "like everyone else, we want the hostages to be returned."

On several other foreign affairs issues, Reagan indicated a departure from courses currently being pursued.

With regard to the Soviet Union, he revived a theory of "linkage" associated with former Secretary of State Henry A. Kissinger during the Nixon Administration. [See 1975, p. 970A1]

"I don't think you simply sit down at the table with the Soviet Union to discuss arms limitation, for example, but you discuss the whole attitude—world attitude—as to whether we're going to have a world at peace or whether we're simply going to talk about weaponry and not bring up these other subjects," Reagan said. "In other words, I believe in linkage."

On the issue of human rights, Reagan recommended consistency. He opposed punishing countries "basically friendly" to the U.S. because of the issue while ignoring it with other countries "where human rights are virtually nonexistent."

But Reagan stressed bipartisanship throughout the conference. "I want the world to know that there is no political division that affects our foreign policy," he said.

Kissinger was among those named by Reagan as members of his foreign relations advisory panel. Another member was Richard V. Allen, who had separated himself from the Reagan campaign shortly before the election after reports of having mixed private gain with official work in the Nixon Administration. [See p. 817E3]

Reagan said his staff had found "no evidence of wrongdoing whatsoever" by Allen.

The panel also included three Democrats: Sen. Henry Jackson (Wash.), Sen. Richard Stone (Fla.) and attorney Edward Bennett Williams.

Reagan also named a panel to handle the transition period with the Carter Administration. William J. Casey, his campaign director, was named chairman. Edwin Meese 3rd, his campaign chief of staff, was appointed director.

In the matter of appointments to his administration, Reagan said he would listen to advice from such organizations as the Moral Majority, which supported his election, as well as any others. "I am going to be open to these people.... You are president of all the people," he said.

On other matters, Reagan said he would move "as swiftly as possible" to carry out his economic program for tax cuts, a federal hiring freeze and a reduction of at least 2% in spending by all federal departments and agencies.

He thought "it would be just fine" if Congress began consideration of his tax-cut proposal in the lame-duck session this year.

In answer to a question relating to the Republican platform, specifically about its support for a constitutional amendment to prohibit abortions, Reagan renewed his support for the platform. It would be "very cynical and callous" to turn away from it at this point, he said.

Reagan Finishes Strong. Ronald Reagan touched a lot of bases in his final campaigning.

The Electoral Vote		
State	Carter	Reagan
Alabama		9
Alaska		3
Arizona		6
Arkansas		6
California		45
Colorado		7
Connecticut		8
Delaware		3
District of Columbia	3	
Florida		17
Georgia	12	
Hawaii	4	
Idaho		4
Illinois		26
Indiana		13
Iowa		8
Kansas		7
Kentucky		9
Louisiana		10
Maine		4
Maryland	10	
Massachusetts		14
Michigan		21
Minnesota	10	
Mississippi		7
Missouri		12
Montana		4
Nebraska		5
Nevada		3
New Hampshire		4
New Jersey		17
New Mexico		4
New York		41
North Carolina		13
North Dakota		3
Ohio		25
Oklahoma		8
Oregon		6
Pennsylvania		27
Rhode Island	4	
South Carolina		8
South Dakota		4
Tennessee		10
Texas		26
Utah		4
Vermont		3
Virginia		12
Washington		9
West Virginia	6	
Wisconsin		11
Wyoming		3
Total	49	489



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RELEASE NO: 81-50

SPACE SHUTTLE COLUMBIA TO BE RETURNED TO FLORIDA

"That Magnificent Flying Machine," NASA's Space Shuttle orbiter Columbia is being prepared for its return flight to the Kennedy Space Center in Florida.

The 100-ton spacecraft will be ferried from the Dryden Flight Research Center, Edwards, Calif., to the Kennedy Space Center aboard a 747 jet aircraft modified to carry Space Shuttle orbiters. Departure date from Dryden is expected no earlier than April 25.

The cross country trip is scheduled to take two days. A re-fueling and overnight stop will be made at Tinker Air Force Base, near Oklahoma City, Okla. The 747/orbiter combination will arrive at the Kennedy Space Center the following day.

April 22, 1981

-more-

Technicians have been working around the clock deservicing the DC-9 size spacecraft. Numerous systems aboard the Columbia must be cleared of toxic materials, fuel cells purged and a thorough inspection of the more than 30,750 thermal protection system tiles must be conducted before the Columbia is loaded atop the 747 for its piggyback ride to Florida.

In addition, to improve flight characteristics of the tandem aircraft, a streamlined tailcone will be attached to the aft end of the orbiter to cover the three main liquid fuel rocket engines.

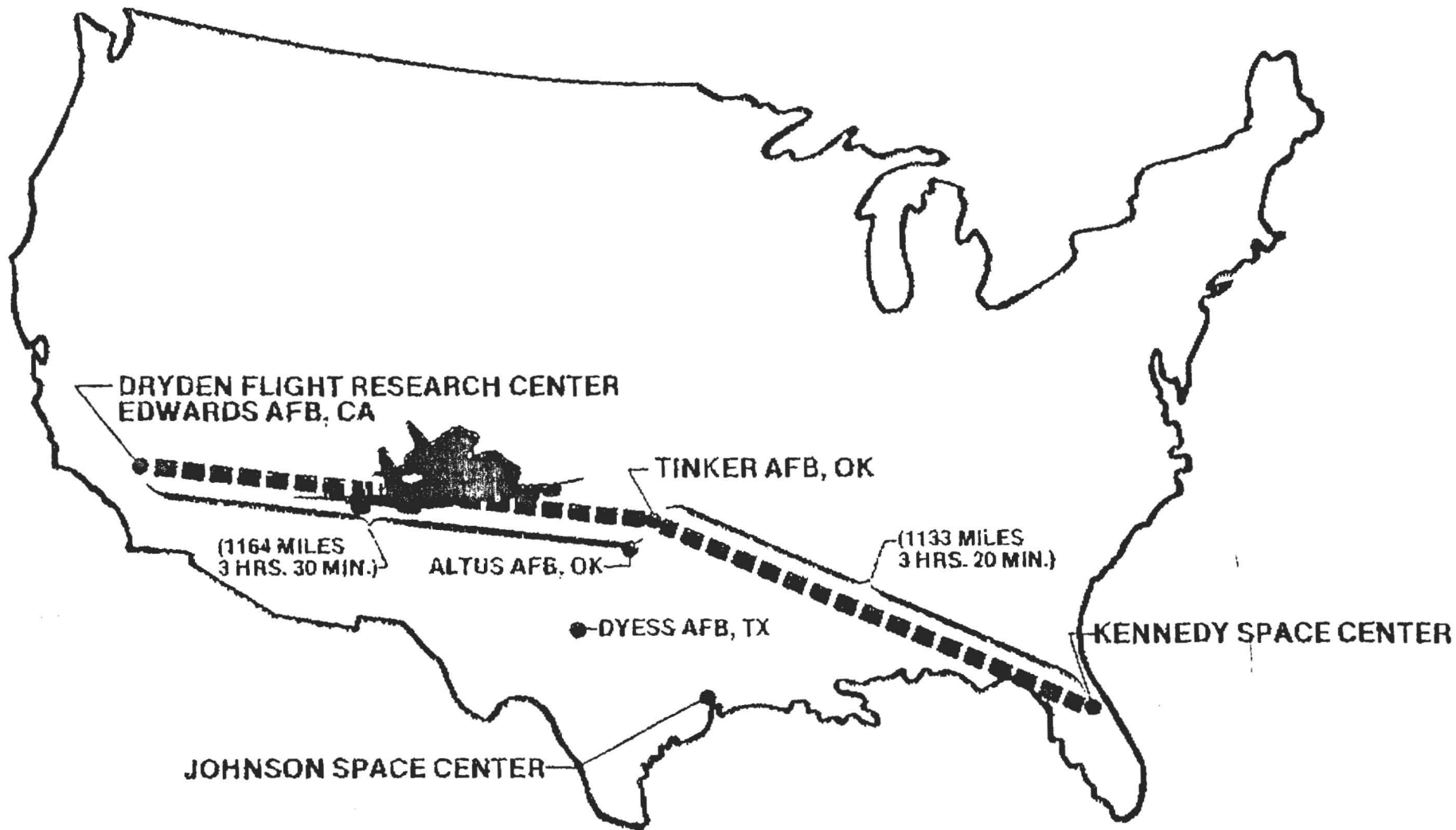
NASA officials report that the Columbia is in excellent condition following its 54 1/2-hour space mission.

Donald K. "Deke" Slayton, Orbital Flight Test Manager and former astronaut, will be the senior NASA official accompanying the Columbia back to the Kennedy Center.

The 747/orbiter will land on the 15,000-foot Shuttle Landing Facility at the Kennedy Space Center, be demated and towed to the Orbiter Processing Facility where it then will undergo servicing in preparation for its next flight in four or five months.

(END OF GENERAL RELEASE; ADDITIONAL INFORMATION FOLLOWS.)

Route of the Space Shuttle Columbia from Dryden Flight Research Center to Kennedy Space Center



SPACE SHUTTLE ORBITER COLUMBIA

The Space Shuttle orbiter Columbia completed its first space flight on April 14, 1981, when it landed on Rogers Dry Lake at Edwards Air Force Base, Calif. Its condition upon return was deemed excellent by program officials of the National Aeronautics and Space Administration.

Columbia was launched from the Kennedy Space Center, Fla., at 7:00 a.m. EST, April 12. The spacecraft was manned by astronauts John Young and Robert Crippen. The first mission of the Columbia lasted 54.5 hours and was described "better than could be expected."

Columbia is the first of four orbiters to be built. Subsequent orbiters are Challenger, Discovery and Atlantis. Following four flight tests, Columbia will be returned to the Rockwell International facility at Palmdale, Calif., where it will undergo refurbishing. Ejection seats, now in the Columbia for the first four flights, will be removed. It will be prepared to carry a crew of three and as many as four passengers.

Astronauts Young and Crippen reported during the first flight (STS-1) that it was a "remarkable flying machine." Only a few minor problems occurred and none were serious enough to jeopardize the flight.

At launch, the spacecraft weighed over 100 tons and was attached to a large external fuel tank flanked by two large solid rocket boosters. The combination of liquid and solid fuel rocket engines provided 6.5 million pounds of thrust to lift the Columbia into Earth orbit.

At liftoff, the liquid fuel main engines and the solid rocket boosters quickly powered the Columbia off the launch pad. Two and one-half minutes into the ascent the solid rocket boosters burned out and were jettisoned. The three liquid fuel main engines continued to fire for six more minutes.

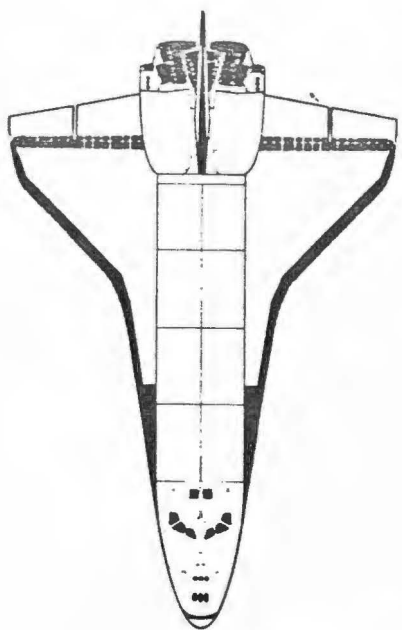
Shortly before reaching Earth orbit, the main engines shut down and the large external tank was jettisoned. Two smaller rocket engines (orbital maneuvering system) in the aft end of the Columbia fired and provided the thrust to place Columbia in Earth orbit.

During most of the Columbia's first space mission the astronauts remained in the upper cabin and in their seats, except for duties that required them to move around in the weightless environment of space.

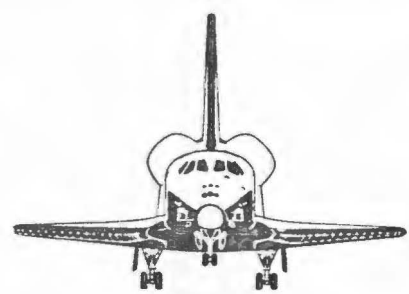
Following completion of the mission in space, the astronauts prepared for reentry. Turning the Columbia around so that the orbital maneuvering system engines faced the direction of flight, the engines were fired, slowing the Columbia's velocity. The orbiter was then turned around to face the heat build-up as it descended through the atmosphere.

As the orbiter began to encounter the atmosphere, the thermal protection system rejected the tremendous heat build-up experienced from friction with the atmosphere.

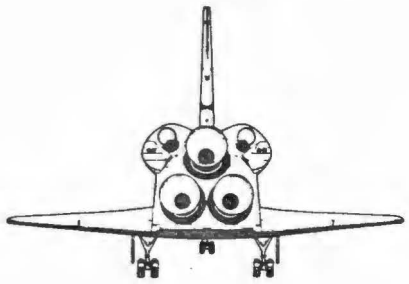
Columbia, literally a "space truck" the size of a DC-9 jet aircraft, landed on Rogers Dry Lake at Edwards Air Force Base in full view of several hundred thousand spectators who gathered for the historic event.



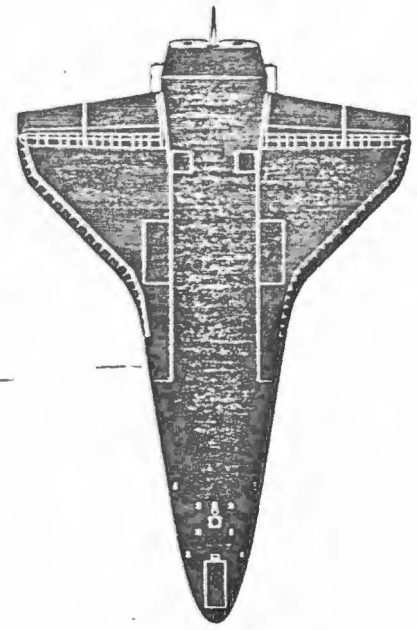
TOP VIEW



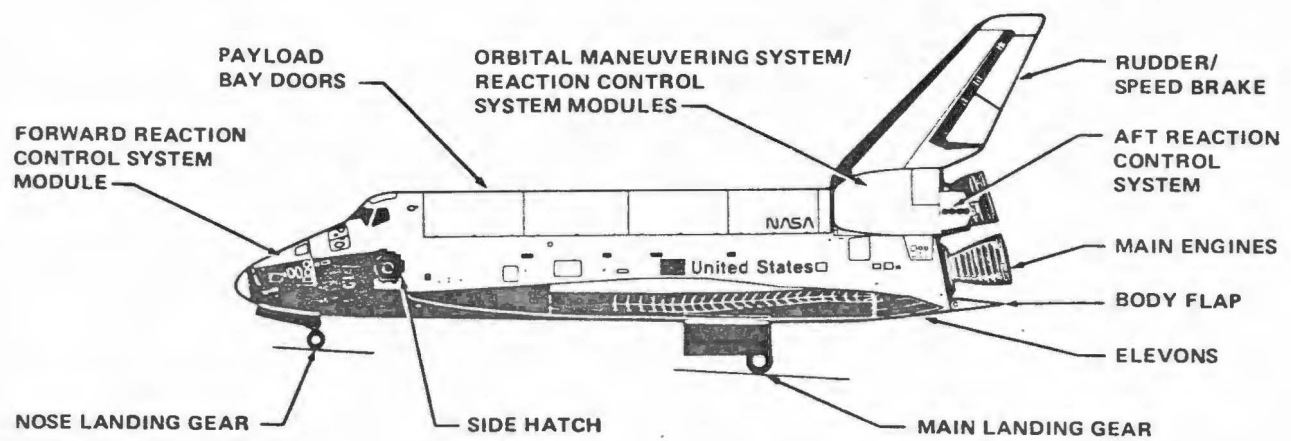
FRONT VIEW



REAR VIEW



BOTTOM VIEW



DIMENSIONS AND WEIGHT

WING SPAN	23.79 m	(78.06 FT)
LENGTH	37.24 m	(122.17 FT)
HEIGHT	17.25 m	(56.58 FT)
TREAD WIDTH	6.91 m	(22.67 FT)
GROSS TAKEOFF WEIGHT		VARIABLE
GROSS LANDING WEIGHT		VARIABLE
INERT WEIGHT (APPROX)	74 844 kg	(165 000 LB)

MINIMUM GROUND CLEARANCES

BODY FLAP (AFT END)	3.68 m	(12.07 FT)
MAIN GEAR (DOOR)	0.87 m	(2.85 FT)
NOSE GEAR (DOOR)	0.90 m	(2.95 FT)
WINGTIP	3.63 m	(11.92 FT)

The Space Shuttle Orbiter.

DESERVICING THE COLUMBIA

For more than a week the orbiter Columbia has been undergoing deservicing that will prepare it for its trip back to Kennedy Space Center and eventual relaunch. The deservicing takes place in NASA Dryden's Mate/Demate Device, a large 30.5-meter (100-foot) high open steel trusswork structure that permits workers to move in close to the spacecraft's vital areas.

During the days following Columbia's faultless reentry from space and landing, ground personnel have been working around the clock in a painstaking, detailed deservicing procedure. Since the orbiter is one of the most complex space systems ever developed, its deservicing is, necessarily, not simple. In addition, each step in the deservicing process is carefully documented so future activities may be quicker or improved.

Deservicing the orbiter involves removal or containment of hazardous propellants such as toxic hypergolics and cryogenics, inspecting the various orbiter systems including its thermal protection system and setting up the orbiter with ferry equipment that allows it to be perched on the Boeing 747 Shuttle Carrier Aircraft. This includes the installation of the 17-piece tail-cone assembly which smooths the airflow around the orbiter so the 747 flight crew can control the mammoth craft. Various ferry locks are installed to prevent the spacecraft's elevons, rudder and other control surfaces from moving in flight and damaging its control system.

When Columbia's systems are finally safed for its earthly flight, it will be raised to the 18-m (60-ft.) level of the Mate/Demate Device and connected with the 747. This connection includes its girder-like supports, as well as power and control systems. Soon afterward the two aircraft will wing their way across the country to return the orbiter to its launch place for the next flight in space.

SHUTTLE CARRIER AIRCRAFT (SCA)

The Shuttle Carrier Aircraft (SCA) is a modified Boeing 747 originally purchased by American Airlines in 1970.

In July 1974, NASA purchased the aircraft for \$15 million and redesignated it N905NA(SA). First use of the aircraft was in a flight research program conducted by NASA's Dryden Flight Research Center to investigate the problems associated with wake vortex flow from wide-body jet transports. Following the program the 747 was returned to Boeing for modifications in April of 1976.

While at Boeing, the 747 was modified to carry the Space Shuttle orbiter. Its main structure was reinforced to support the weight of the 67,500-kilogram (150,000-pound) orbiter. Forward and aft supports and adapters were positioned atop the fuselage to carry the orbiter, and tip fans were added to the plane's horizontal stabilizer to provide added aerodynamic stability during mated flights. Modifications were also made in the cockpit for controls and displays necessary for air launching and ferry missions.

Because of the increased weight of the Shuttle and the requirements to achieve as high an altitude as possible for Approach and Landing Test launch, the 747's Pratt and Whitney JT9D-3A engines were converted to a JT9D-7AH configuration, increasing takeoff thrust from 19,575 kg (43,500 lb.) to 21,128 kg (46,950 lb.). A special increased climb thrust rating will be used which will permit the engines to climb (at altitude) using sea level temperature limits. A 10-minute restriction is imposed for this rating.

The inside of the 747 was stripped of seats, galleys, etc., resulting in a weight of 153,900 kg (342,000 lb.) unfueled. Adding fuel and the orbiter, takeoff weight of the combination is 265,350 kg (585,000 lb.). Length of the 747 itself is 68 m (225 ft.); wingspan is 59 m (195 ft.); height of the 747/orbiter combination is 23 m (75 ft.).

In the Approach and Landing Tests, the orbiter was carried aloft on the 747 in a series of captive manned and unmanned flights. In April of this year, the first manned space flight of the orbiter took place.

The 747 will be used to ferry the orbiter back to its launch site, John F. Kennedy Space Center, Fla. The 747 will also serve as a ferry aircraft in other future missions.

The 747 crew consists of the pilot, co-pilot and two flight engineers.

-end-

(Index: 37)

STS-1 PRELIMINARY FACTS AND FIGURES

Spacecraft: Columbia (OV 102)

Crew: John W. Young (Commander)
Robert L. Crippen, Capt., USN (Pilot)

Launch site: Launch complex 39A, Kennedy Space Center, Fla.

Launch date: April 12, 1981, 7:00:03.9 Eastern Standard Time

Weight at launch: entire vehicle -- 4,458,000 lbs.

Weight of orbiter at orbital insertion: 209,000 lbs.

Solid rocket booster separation: 00:02:11 Mission Elapsed Time

Solid rocket booster impact: approx. 00:07:13 MET

Main engine cutoff: 00:08:42 Mission Elapsed Time (MET)

External tank separation: 00:09:02 MET

Orbital Maneuvering System burn data:	1) 00:10:36 MET	
velocity change		164.7 ft. per second
resulting orbit		57 x 132 NM
	2) 00:44:02 MET	
	approx. 137 ft. per second	
		133.5 x 132 NM
	3) 06:20:45 MET	
		25.7 ft. per second
		131.7 x 148.6 NM
	4) 07:05:31 MET	
		28.4 ft. per second
		149.3 x 147.6 NM

*= 169.5 -
171.5
ref. m.c.*

Touchdown: 54:20:52 MET; approx. 215 mph; Edwards AFB, Calif.

Landing rollout: 8,993 ft. from touchdown point

Weight at landing: 196,500 lbs.

Mission duration: 54:20:52

Number of orbits: 36.5

Distance traveled in orbit: approx. 933,000 miles

Deorbit ignition: 53:05:21 MET; retrograde 297.5 ft. per sec.

Blackout: entered: 53:51 MET exit: 54:08 MET

Temperature: Max. on reentry: 2,700 F

Orbital speed and duration: approx 17,500 mph; 90 min.