

with the approval of President Pierce and Cabinet, authorized the negotiation of a treaty for making these islands a Territory of the United States. Commissioner Gregg was authorized to facilitate the negotiation by the promise to pay \$100,000 for pensions to the King, chiefs, and other official persons, on condition that the sovereignty and property of the islands should be transferred to the United States.

Commissioner Gregg exceeded his instructions by stipulating to pay, in all, three times the sum which Secretary Marcy named in his instructions. These terms were deemed onerous and unacceptable by the Washington Department of State, and consequently the treaty was dropped, after all negotiations had been completed, the King finally being induced by his Scotch minister of foreign affairs not to sign it, though the King and cabinet had previously given their support to the spirit and terms of the negotiations and the conclusions reached. The embarrassments and objections that then existed as to the number of the royal princes and chiefs, the small number of the American population, the want of ready communication with the United States, and distance from Washington, now no longer stand in the way of making Hawaii a well governed and prosperous United States Territory. The reasons for annexation in 1854 were certainly much less adequate and pressing than they are now.

THE EXISTING BUSINESS STATUS.

It is well to consider the existing state of things here resulting from the change in the United States sugar tariff. Only personal observation and a careful investigation of the facts can give an adequate idea of the severe blow sugar raised here has received. The production of sugar being the main business of the islands, the great reduction of the market price has effected powerfully the entire affairs and condition of the islands. I think it underestimating the truth to express the opinion that the loss to the owners of the sugar plantations and mills, etc., and the consequent depreciation of other property by the passage of the McKinley bill, wise and beneficial as that measure is proving to be for the vast interests of the United States, has not been less than \$12,000,000, a large portion of this loss falling on Americans residing here and in California. Unless some positive measures of relief be granted, the depreciation of sugar property here will continue to go on. Wise, bold action of the United States will rescue the property holders from great loss, give the islands a government which will put an end to a worse than useless expenditure of a large proportion of the revenues of the country, using them for the building of roads and bridges, thus helping to develop the natural resources of the islands, aiding to diversify the industries, and to increase the number of the responsible citizens.

WHAT SHOULD BE DONE?

One of two courses seem to me absolutely necessary to be followed, either bold and vigorous measures for annexation or a "customs union," an ocean cable from the Californian coast to Honolulu, Pearl Harbor perpetually ceded to the United States, with an implied but not necessarily stipulated American protectorate over the islands. I believe the former to be the better, that which will prove much the more advantageous to the islands, and the cheapest and least embarrassing in the end for the United States. If it was wise for the United