and in the spirit of conciliation and magnanimity. The annexation sentiment has constantly increased since the departure of the Commissioners for Washington, and with healthful earnestness is taking possession of all classes. Nearly all the Germans, the larger proportion of the respectable and responsible English, and almost the entire Portuguese population are warmly for annexation. This inclination of the Portuguese is quite important, for they number seven or eight thousand, and are among the most industrious and saving.

As to terms of annexation I still adhere firmly to the opinion expressed in my dispatch 74, that the sugar bounty to be paid to the Hawaiian sugar planters should be limited to 6 mills per pound, $12 per ton, so long and only so long as the United States bounty system shall be maintained. To the objection that this allows only $12 per ton on Hawaiian sugar, while the Hawaiian planters get twice the amount per acre that the Louisiana planters do, on the average, and as I said in my dispatch 74, the consensus of opinion among the leading planters here, obtained by me five or six months since, was and is that $12 per ton bounty will place all the Hawaiian plantations worth maintaining on the road of financial safety and success.

As to the form of government for the islands I now only vary from views expressed in my 74 as to incline strongly to the opinion that the beginning should be substantially like that of President Jefferson and Congress in respect of Louisiana, in the act of 1804 (page 283, United States Statutes at Large), only differing from that by providing in addition to governor, attorney-general, a commissioner of finance, and commissioner of the interior, and a legislative council of thirteen or fourteen, all to be appointed by the President, unless it should be deemed best for the governor to appoint attorney-general and the commissioners of finance and of the interior, who would be practically a cabinet of three to aid the governor to carry on the government. This plan and method of government could be maintained as a transition government until experience should prove it best to change to a more popular form.

In the meantime the responsible voters would rapidly increase, and American ideas and interests would gain in force and volume. My private consultation with the Provisional Government since the departure of the commissioners for Washington has led us to think highly of the Jefferson act of 1804 for Louisiana as a transition expedient for Hawaii. This would cause no shock, and would allow affairs to move along on safe and conservative lines until time and experience demand something better. It would be fortunate to have such a man as Sanford B. Dole, the present head of the Provisional Government, the first American governor of Hawaii.

As to liquidation of all political claims of the fallen Queen and the crown princess, may I be allowed to suggest that the spirit and import of the March treaty plan of 1854 had better be adopted, which authorized the expenditure of $160,000 for like purposes. I therefore suggest, that if a liquidation of this kind be now under consideration and $150,000 should be allowed as the total sum for this purpose, $70,000 should go to the fallen Queen, Lilinokalani, and $70,000 to the crown princess, Kaifulani, and $5,000 to each of the two young princes. The last named, the two princes, are harmless young persons, of little account, not chiefs by blood, but they were made princes by the late King Kalakaua, without any constitutional right or power to do so, the then boys being nephews of his wife, Kapiolani. Should the entire sum