MESSAGE.

Fellow-Citizens of the Senate and House of Representatives:

With devout gratitude to the bountiful Giver of all good, I congratulate you that, at the beginning of your first regular session, you find our country blessed with health and peace and abundant harvests, and with encouraging prospects of an early return of general prosperity.

To complete and make permanent the pacification of the country continues to be, and, until it is fully accomplished, must remain, the most important of all our national interests. The earnest purpose of good citizens generally to unite their efforts in this endeavor is evident. It found decided expression in the resolutions announced in 1876, by the national conventions of the leading political parties of the country. There was a wide-spread apprehension that the momentous results in our progress as a nation, marked by the recent amendments to the Constitution, were in imminent jeopardy; that the good understanding which prompted their adoption, in the interest of a loyal devotion to the general welfare, might prove a barren truce, and that the two sections of the country, once engaged in civil strife, might be again almost as widely severed and disunited as they were when arrayed in arms against each other.

The course to be pursued, which in my judgment seemed wisest, in the presence of this emergency, was plainly indicated in my inaugural address. It pointed to the time, which all our people desire to see, when a genuine love of our whole country, and of all that concerns its true welfare, shall supplant the destructive forces of the mutual animosity of races and of sectional hostility. Opinions have differed widely as to the measures best calculated to secure this great end. This was to be expected. The measures adopted by the administration have been subjected to severe and varied criticism. Any course whatever which might have been entered upon would certainly have encountered distrust and opposition. These measures were, in my judgment, such as were most in harmony with the Constitution and with the genius of our people, and best adapted, under all the circumstances, to attain the end in view. Beneficent results, already apparent, prove that these endeavors are not to be regarded as a mere experiment, and should sustain and encourage us in our efforts. Already, in the brief period which has elapsed, the immediate effectiveness, no less than the justice of the course pursued, is demonstrated, and I have an abiding faith that time will furnish its ample vindication in the minds of the great majority of
my fellow-citizens. The discontinuance of the use of the Army for the purpose of upholding local governments in two States of the Union was no less a constitutional duty and requirement, under the circumstances existing at the time, than it was a much-needed measure for the restoration of local self-government and the promotion of national harmony. The withdrawal of the troops from such employment was effected deliberately, and with solicitous care for the peace and good order of society, and the protection of the property and persons and every right of all classes of citizens.

The results that have followed are indeed significant and encouraging. All apprehension of danger from remitting those States to local self-government is dispelled; and a most salutary change in the minds of the people has begun, and is in progress in every part of that section of the country once the theater of unhappy civil strife, substituting for suspicion, distrust, and aversion concord, friendship, and patriotic attachment to the Union. No unprejudiced mind will deny that the terrible and often fatal collisions which for several years have been of frequent occurrence, and have agitated and alarmed the public mind, have almost entirely ceased, and that a spirit of mutual forbearance and hearty national interest has succeeded. There has been a general re-establishment of order and of the orderly administration of justice. Instances of remaining lawlessness have become of rare occurrence; political turmoil and turbulence have disappeared; useful industries have been resumed; public credit in the Southern States has been greatly strengthened; and the encouraging benefits of a revival of commerce between the sections of the country, lately embroiled in civil war, are fully enjoyed. Such are some of the results already attained, upon which the country is to be congratulated. They are of such importance, that we may with confidence patiently await the desired consummation that will surely come with the natural progress of events.

It may not be improper here to say that it should be our fixed and unalterable determination to protect, by all available and proper means, under the Constitution and the laws, the lately-emancipated race in the enjoyment of their rights and privileges; and I urge upon those to whom heretofore the colored people have sustained the relation of bondmen the wisdom and justice of humane and liberal local legislation with respect to their education and general welfare. A firm adherence to the laws, both national and State, as to the civil and political rights of the colored people, now advanced to full and equal citizenship; the immediate repression and sure punishment by the national and local authorities, within their respective jurisdictions, of every instance of lawlessness and violence toward them, is required for the security alike of both races, and is justly demanded by the public opinion of the country and the age. In this way the restoration of harmony and good-will, and the complete protection of every citizen in the full enjoyment of every constitutional right, will surely be attained. Whatever authority rests with me to this end, I shall not hesitate to put forth.
MESSAGE OF THE PRESIDENT.

Whatever belongs to the power of Congress and the jurisdiction of the courts of the Union, they may confidently be relied upon to provide and perform. And to the legislatures, the courts, and the executive authorities of the several States I earnestly appeal to secure, by adequate, appropriate, and seasonable means, within their borders, these common and uniform rights of a united people, which loves liberty, abhors oppression, and revere the justice. These objects are very dear to my heart. I shall continue most earnestly to strive for their attainment. The cordial co-operation of all classes—of all sections of the country and of both races—is required for this purpose; and with these blessings assured, and not otherwise, we may safely hope to hand down our free institutions of government unimpaired to the generations that will succeed us.

Among the other subjects of great and general importance to the people of this country, I cannot be mistaken, I think, in regarding as pre-eminent the policy and measures which are designed to secure the restoration of the currency to that normal and healthful condition in which, by the resumption of specie payments, our internal trade and foreign commerce may be brought into harmony with the system of exchanges which is based upon the precious metals as the intrinsic money of the world. In the public judgment that this end should be sought and compassed as speedily and securely as the resources of the people and the wisdom of their government can accomplish, there is a much greater degree of unanimity than is found to concur in the specific measures which will bring the country to this desired end or the rapidity of the steps by which it can be safely reached.

Upon a most anxious and deliberate examination which I have felt it my duty to give to the subject, I am but the more confirmed in the opinion which I expressed in accepting the nomination for the Presidency, and again upon my inauguration, that the policy of resumption should be pursued by every suitable means, and that no legislation would be wise that should disparage the importance or retard the attainment of that result. I have no disposition, and certainly no right, to question the sincerity or the intelligence of opposing opinions, and would neither conceal nor undervalue the considerable difficulties, and even occasional distresses, which may attend the progress of the nation toward this primary condition to its general and permanent prosperity. I must, however, adhere to my most earnest conviction that any wavering in purpose or unsteadiness in methods, so far from avoiding or reducing the inconvenience inseparable from the transition from an irredeemable to a redeemable paper currency, would only tend to increased and prolonged disturbance in values, and, unless retrieved, must end in serious disorder, dishonor, and disaster in the financial affairs of the government and of the people.

The mischiefs which I apprehend, and urgently deprecate, are confined to no class of the people indeed, but seem to me most certainly to threaten
the industrious masses, whether their occupations are of skilled or common labor. To them, it seems to me, it is of prime importance that their labor should be compensated in money which is itself fixed in exchangeable value by being irrevocably measured by the labor necessary to its production. This permanent quality of the money of the people is sought for and can only be gained by the resumption of specie payments. The rich, the speculative, the operating, the money-dealing classes, may not always feel the mischiefs of, or may find casual profits in, a variable currency, but the misfortunes of such a currency to those who are paid salaries or wages are inevitable and remediless.

Closely connected with this general subject of the resumption of specie payments is one of subordinate, but still of grave importance; I mean the readjustment of our coinage system by the renewal of the silver dollar as an element in our specie currency, endowed by legislation with the quality of legal tender to a greater or less extent.

As there is no doubt of the power of Congress under the Constitution "to coin money and regulate the value thereof," and as this power covers the whole range of authority applicable to the metal, the rated value, and the legal-tender quality which shall be adopted for the coinage, the considerations which should induce or discourage a particular measure connected with the coinage belong clearly to the province of legislative discretion and of public expediency. Without intruding upon this province of legislation in the least, I have yet thought the subject of such critical importance, in the actual condition of our affairs, as to present an occasion for the exercise of the duty imposed by the Constitution on the President of recommending to the consideration of Congress "such measures as he shall judge necessary and expedient."

Holding the opinion, as I do, that neither the interests of the government nor of the people of the United States would be promoted by disparaging silver as one of the two precious metals which furnish the coinage of the world, and that legislation which looks to maintaining the volume of intrinsic money to as full a measure of both metals as their relative commercial values will permit would be neither unjust nor inexpedient, I must ask your indulgence to a brief and definite statement of certain essential features in any such legislative measure which I feel it my duty to recommend.

I do not propose to enter the debate, represented on both sides by such able disputants in Congress and before the people and in the press, as to the extent to which the legislation of any one nation can control this question, even within its own borders, against the unwritten laws of trade or the positive laws of other governments. The wisdom of Congress in shaping any particular law that may be presented for my approval may wholly supersede the necessity of my entering into these considerations, and I willingly avoid either vague or intricate inquiries. It is only certain plain and practical traits of such legislation that I desire to recommend to your attention.
In any legislation providing for a silver coinage, regulating its value, and imparting to it the quality of legal tender, it seems to me of great importance that Congress should not lose sight of its action as operating in a twofold capacity and in two distinct directions. If the United States Government were free from a public debt, its legislative dealing with the question of silver coinage would be purely sovereign and governmental, under no restraints but those of constitutional power and the public good as affected by the proposed legislation. But in the actual circumstances of the nation, with a vast public debt distributed very widely among our own citizens, and held in great amounts also abroad, the nature of the silver-coinage measure, as affecting this relation of the government to the holders of the public debt, becomes an element, in any proposed legislation, of the highest concern. The obligation of the public faith transcends all questions of profit or public advantage otherwise. Its unquestionable maintenance is the dictate as well of the highest expediency as of the most necessary duty, and will ever be carefully guarded by Congress and people alike.

The public debt of the United States to the amount of $729,000,000 bears interest at the rate of 6 per cent., and $708,000,000 at the rate of 5 per cent., and the only way in which the country can be relieved from the payment of these high rates of interest is by advantageously refunding the indebtedness. Whether the debt is ultimately paid in gold or in silver coin is of but little moment compared with the possible reduction of interest one-third by refunding it at such reduced rate. If the United States had the unquestioned right to pay its bonds in silver coin, the little benefit from that process would be greatly overbalanced by the injurious effect of such payment if made or proposed against the honest convictions of the public creditors.

All the bonds that have been issued since February 12, 1873, when gold became the only unlimited legal-tender metallic currency of the country, are justly payable in gold coin or in coin of equal value. During the time of these issues, the only dollar that could be or was received by the government in exchange for bonds was the gold dollar. To require the public creditors to take in repayment any dollar of less commercial value would be regarded by them as a repudiation of the full obligation assumed. The bonds issued prior to 1873 were issued at a time when the gold dollar was the only coin in circulation or contemplated by either the government or the holders of the bonds as the coin in which they were to be paid. It is far better to pay these bonds in that coin than to seem to take advantage of the unforeseen fall in silver bullion to pay in a new issue of silver coin thus made so much less valuable. The power of the United States to coin money and to regulate the value thereof ought never to be exercised for the purpose of enabling the government to pay its obligations in a coin of less value than that contemplated by the parties when the bonds were issued. Any attempt to pay the national indebtedness in a coinage of less com-
commercial value than the money of the world would involve a violation of
the public faith and work irreparable injury to the public credit.

It was the great merit of the act of March, 1869, in strengthening
the public credit, that it removed all doubt as to the purpose of the
United States to pay their bonded debt in coin. That act was accepted
as a pledge of public faith. The government has derived great benefit
from it in the progress thus far made in refunding the public debt at
low rates of interest. An adherence to the wise and just policy of an
exact observance of the public faith will enable the government rapidly
to reduce the burden of interest on the national debt to an amount
exceeding $20,000,000 per annum, and effect an aggregate saving to the
United States of more than $300,000,000 before the bonds can be fully
paid.

In adapting the new silver coinage to the ordinary uses of currency
in the every-day transactions of life and prescribing the quality of legal
tender to be assigned to it, a consideration of the first importance
should be so to adjust the ratio between the silver and the gold coin-
age, which now constitutes our specie currency, as to accomplish the
desired end of maintaining the circulation of the two metallic currencies,
and keeping up the volume of the two precious metals as our intrinsic
money. It is a mixed question for scientific reasoning and historical
experience to determine how far, and by what methods, a practical
equilibrium can be maintained which will keep both metals in circula-
tion in their appropriate spheres of common use.

An absolute equality of commercial value, free from disturbing fluctu-
tuations, is hardly attainable, and without it, an unlimited legal tender
for private transactions assigned to both metals would irresistibly
tend to drive out of circulation the dearer coinage, and disappoint the
principal object proposed by the legislation in view. I apprehend, there-
fore, that the two conditions of a near approach to equality of commer-
cial value between the gold and silver coinage of the same denomina-
tion and of a limitation of the amounts for which the silver coinage is
to be a legal tender are essential to maintaining both in circulation. If
these conditions can be successfully observed, the issue from the mint
of silver dollars would afford material assistance to the community in
the transition to redeemable paper money, and would facilitate the re-
sumption of specie payment and its permanent establishment. With-
out these conditions, I fear that only mischief and misfortune would flow
from a coinage of silver dollars with the quality of unlimited legal ten-
der, even in private transactions.

Any expectation of temporary ease from an issue of silver coinage to
pass as a legal tender, at a rate materially above its commercial value,
is, I am persuaded, a delusion. Nor can I think that there is any sub-
stantial distinction between an original issue of silver dollars at a
nominal value materially above their commercial value, and the restora-
tion of the silver dollar at a rate which once was, but has ceased to be,
its commercial value. Certainly, the issue of our gold coinage, reduced in weight materially below its legal-tender value, would not be any the less a present debasement of the coinage by reason of its equaling or even exceeding in weight a gold coinage which at some past time had been commercially equal to the legal-tender value assigned to the new issue.

In recommending that the regulation of any silver coinage which may be authorized by Congress should observe these conditions of commercial value and limited legal tender, I am governed by the feeling that every possible increase should be given to the volume of metallic money which can be kept in circulation, and thereby every possible aid afforded to the people in the process of resuming specie payments. It is because of my firm conviction that a disregard of these conditions would frustrate the good results which are desired from the proposed coinage, and embarrass with new elements of confusion and uncertainty the business of the country, that I urge upon your attention these considerations.

I respectfully recommend to Congress that in any legislation providing for a silver coinage, and imparting to it the quality of legal tender, there be impressed upon the measure a firm provision exempting the public debt, heretofore issued and now outstanding, from payment, either of principal or interest, in any coinage of less commercial value than the present gold coinage of the country.

The organization of the civil service of the country has for a number of years attracted more and more of the public attention. So general has become the opinion that the methods of admission to it, and the conditions of remaining in it, are unsound, that both the great political parties have agreed in the most explicit declarations of the necessity of reform, and in the most emphatic demands for it. I have fully believed these declarations and demands to be the expression of a sincere conviction of the intelligent masses of the people upon the subject, and that they should be recognized and followed by earnest and prompt action on the part of the legislative and executive departments of the government, in pursuance of the purpose indicated.

Before my accession to office I endeavored to have my own views distinctly understood, and upon my inauguration my accord with the public opinion was stated in terms believed to be plain and unambiguous. My experience in the executive duties has strongly confirmed the belief in the great advantage the country would find in observing strictly the plan of the Constitution, which imposes upon the Executive the sole duty and responsibility of the selection of those federal officers who, by law, are appointed, not elected; and which, in like manner, assigns to the Senate the complete right to advise and consent to, or to reject, the nominations so made; whilst the House of Representatives stands as the public censor of the performance of official duties, with the prerogative of investigation and prosecution in all cases of dereliction. The blemishes and imperfections in the civil service may, as I think, be
traced, in most cases, to a practical confusion of the duties assigned to the several departments of the government. My purpose, in this respect, has been to return to the system established by the fundamental law, and to do this with the heartiest co-operation and most cordial understanding with the Senate and House of Representatives.

The practical difficulties in the selection of numerous officers for posts of widely-varying responsibilities and duties, are acknowledged to be very great. No system can be expected to secure absolute freedom from mistakes, and the beginning of any attempted change of custom is quite likely to be more embarrassed in this respect than any subsequent period. It is here that the Constitution seems to me to prove its claim to the great wisdom accorded to it; it gives to the Executive the assistance of the knowledge and experience of the Senate, which, when acting upon nominations, as to which they may be disinterested and impartial judges, secures as strong a guarantee of freedom from errors of importance as is perhaps possible in human affairs.

In addition to this, I recognize the public advantage of making all nominations, as nearly as possible, impersonal, in the sense of being free from mere caprice or favor in the selection; and in those offices in which special training is of greatly increased value, I believe such a rule as to the tenure of office should obtain, as may induce men of proper qualifications to apply themselves industriously to the task of becoming proficient. Bearing these things in mind, I have endeavored to reduce the number of changes in subordinate places, usually made upon the change of the general administration; and shall most heartily co-operate with Congress in the better systematizing of such methods and rules of admission to the public service, and of promotion within it, as may promise to be most successful in making thorough competency, efficiency, and character, the decisive tests in these matters.

I ask the renewed attention of Congress to what has already been done by the Civil-Service Commission, appointed, in pursuance of an act of Congress, by my predecessor, to prepare and revise civil-service rules. In regard to much of the departmental service, especially at Washington, it may be difficult to organize a better system than that which has thus been provided, and it is now being used to a considerable extent under my direction. The commission has still a legal existence, although for several years no appropriation has been made for defraying its expenses. Believing that this commission has rendered valuable service, and will be a most useful agency in improving the administration of the civil service, I respectfully recommend that a suitable appropriation, to be immediately available, be made, to enable it to continue its labors.

It is my purpose to transmit to Congress as early as practicable a report by the chairman of the commission, and to ask your attention to such measures on this subject as, in my opinion, will further promote the improvement of the civil service.

During the past year the United States have continued to maintain peaceful relations with foreign powers.
The outbreak of war between Russia and Turkey, though at one time attended by grave apprehension as to its effect upon other European nations, has had no tendency to disturb the amicable relations existing between the United States and each of the two contending powers. An attitude of just and impartial neutrality has been preserved, and I am gratified to state that, in the midst of their hostilities, both the Russian and the Turkish Governments have shown an earnest disposition to adhere to the obligations of all treaties with the United States, and to give due regard to the rights of American citizens.

By the terms of the treaty, defining the rights, immunities, and privileges of consuls, between Italy and the United States, ratified in 1868, either government may, after the lapse of ten years, terminate the existence of the treaty by giving twelve months' notice of its intention. The Government of Italy, availing itself of this faculty, has now given the required notice, and the treaty will, accordingly, end on the 17th of September, 1878. It is understood, however, that the Italian Government wishes to renew it, in its general scope, desiring only certain modifications in some of its articles. In this disposition I concur, and shall hope that no serious obstacles may intervene to prevent or delay the negotiation of a satisfactory treaty.

Numerous questions in regard to passports, naturalization, and exemption from military service have continued to arise in cases of emigrants from Germany who have returned to their native country. The provisions of the treaty of February 22, 1868, however, have proved to be so ample and so judicious that the legation of the United States at Berlin has been able to adjust all claims arising under it, not only without detriment to the amicable relations existing between the two governments, but it is believed without injury or injustice to any duly-naturalized American citizen. It is desirable that the treaty originally made with the North German Union in 1868 should now be extended so as to apply equally to all the states of the empire of Germany.

The invitation of the Government of France to participate in the exposition of the products of agriculture, industry, and the fine arts, to be held at Paris during the coming year, was submitted for your consideration at the extra session. It is not doubted that its acceptance by the United States, and a well-selected exhibition of the products of American industry on that occasion, will tend to stimulate international commerce and emigration, as well as to promote the traditional friendship between the two countries.

A question arose some time since as to the proper meaning of the extradition articles of the treaty of 1842 between the United States and Great Britain. Both governments, however, are now in accord in the belief that the question is not one that should be allowed to frustrate the ends of justice, or to disturb the friendship between the two nations. No serious difficulty has arisen in accomplishing the extradition of criminals when necessary. It is probable that all points of disagree-
ment will, in due time, be settled, and, if need be, more explicit declarations be made in a new treaty.

The Fishery Commission, under Articles XVIII to XXV of the Treaty of Washington, has concluded its session at Halifax. The result of the deliberations of the commission, as made public by the commissioners, will be communicated to Congress.

A treaty for the protection of trade-marks has been negotiated with Great Britain, which has been submitted to the Senate for its consideration.

The revolution which recently occurred in Mexico was followed by the accession of the successful party to power and the installation of its chief, General Porfirio Diaz, in the Presidential office. It has been the custom of the United States, when such changes of government have heretofore occurred in Mexico, to recognize and enter into official relations with the de facto government as soon as it should appear to have the approval of the Mexican people, and should manifest a disposition to adhere to the obligations of treaties and international friendship. In the present case such official recognition has been deferred by the occurrences on the Rio Grande border, the records of which have been already communicated to each house of Congress, in answer to their respective resolutions of inquiry. Assurances have been received that the authorities at the seat of the Mexican Government have both the disposition and the power to prevent and punish such unlawful invasions and depredations. It is earnestly to be hoped that events may prove these assurances to be well founded. The best interests of both countries require the maintenance of peace upon the border, and the development of commerce between the two republics.

It is gratifying to add that this temporary interruption of official relations has not prevented due attention by the representatives of the United States in Mexico to the protection of American citizens, so far as practicable. Nor has it interfered with the prompt payment of the amounts due from Mexico to the United States under the treaty of July 4, 1868, and the awards of the joint commission. While I do not anticipate an interruption of friendly relations with Mexico, yet I cannot but look with some solicitude upon a continuance of border disorders as exposing the two countries to initiations of popular feeling and mischances of action which are naturally unfavorable to complete amity. Firmly determined that nothing shall be wanting on my part to promote a good understanding between the two nations, I yet must ask the attention of Congress to the actual occurrences on the border, that the lives and property of our citizens may be adequately protected and peace preserved.

Another year has passed without bringing to a close the protracted contest between the Spanish Government and the insurrection in the island of Cuba. While the United States have sedulously abstained from any intervention in this contest, it is impossible not to feel that it
is attended with incidents affecting the rights and interests of American citizens. Apart from the effect of the hostilities upon trade between the United States and Cuba, their progress is inevitably accompanied by complaints, having more or less foundation, of searches, arrests, embargoes, and oppressive taxes upon the property of American residents, and of unprovoked interference with American vessels and commerce. It is due to the Government of Spain to say that during the past year it has promptly disavowed and offered reparation for any unauthorized acts of unduly zealous subordinates whenever such acts have been brought to its attention. Nevertheless, such occurrences cannot but tend to excite feelings of annoyance, suspicion, and resentment, which are greatly to be deprecated, between the respective subjects and citizens of two friendly powers.

Much delay (consequent upon accusations of fraud in some of the awards) has occurred in respect to the distribution of the limited amounts received from Venezuela under the treaty of April 25, 1866, applicable to the awards of the joint commission created by that treaty. So long as these matters are pending in Congress the Executive cannot assume either to pass upon the questions presented, or to distribute the fund received. It is eminently desirable that definite legislative action should be taken, either affirming the awards to be final, or providing some method for re-examination of the claims. Our relations with the republics of Central and South America, and with the empire of Brazil, have continued without serious change, further than the temporary interruption of diplomatic intercourse with Venezuela and with Nicaragua. Amicable relations have already been fully restored with Venezuela, and it is not doubted that all grounds of misunderstanding with Nicaragua will speedily be removed. From all these countries there are favorable indications of a disposition on the part of their governments and people to reciprocate our efforts in the direction of increased commercial intercourse.

The Government of the Samoan Islands has sent an envoy, in the person of its secretary of state, to invite the Government of the United States to recognize and protect their independence, to establish commercial relations with their people, and to assist them in their steps toward regulated and responsible government. The inhabitants of these islands, having made considerable progress in Christian civilization and the development of trade, are doubtful of their ability to maintain peace and independence without the aid of some stronger power. The subject is deemed worthy of respectful attention, and the claims upon our assistance by this distant community will be carefully considered.

The long commercial depression in the United States has directed attention to the subject of the possible increase of our foreign trade, and the methods for its development, not only with Europe but with other countries, and especially with the states and sovereignties of the western hemisphere. Instructions from the Department of State were issued
to the various diplomatic and consular officers of the government, asking them to devote attention to the question of methods by which trade between the respective countries of their official residence and the United States could be most judiciously fostered. In obedience to these instructions, examinations and reports upon this subject have been made by many of these officers and transmitted to the department, and the same are submitted to the consideration of Congress.

The annual report of the Secretary of the Treasury on the state of the finances presents important questions for the action of Congress, upon some of which I have already remarked.

The revenues of the government during the fiscal year ending June 30, 1877, were $269,000,586.62. The total expenditures for the same period were $238,660,008.93, leaving a surplus revenue of $30,340,577.69. This has substantially supplied the requirements of the sinking-fund for that year. The estimated revenues of the current fiscal year are $265,500,000, and the estimated expenditures for the same period are $232,430,643.72. If these estimates prove to be correct, there will be a surplus revenue of $33,069,356.28, an amount nearly sufficient for the sinking-fund for that year. The estimated revenues for the next fiscal year are $269,250,000. It appears from the report that during the last fiscal year the revenues of the government, compared with the previous year, have largely decreased. This decrease, amounting to the sum of $18,481,452.54, was mainly in customs duties, caused partly by a large falling off of the amount of imported dutiable goods, and partly by the general fall of prices in the markets of production of such articles as pay ad valorem taxes.

While this is felt injuriously in the diminution of the revenue, it has been accompanied with a very large increase of exportations. The total exports during the last fiscal year, including coin, have been $658,637,457, and the imports have been $492,097,540, leaving a balance of trade in favor of the United States amounting to the sum of $166,539,917; the beneficial effects of which extend to all branches of business.

The estimated revenue for the next fiscal year will impose upon Congress the duty of strictly limiting appropriations, including the requisite sum for the maintenance of the sinking-fund, within the aggregate estimated receipts.

While the aggregate of taxes should not be increased, amendments might be made to the revenue laws that would, without diminishing the revenue, relieve the people from unnecessary burdens. A tax on tea and coffee is shown by the experience not only of our own country but of other countries to be easily collected, without loss by undervaluation or fraud, and largely borne in the country of production. A tax of ten cents a pound on tea and two cents a pound on coffee would produce a revenue exceeding $12,000,000, and thus enable Congress to repeal a multitude of annoying taxes yielding a revenue not exceeding that sum. The internal-revenue system grew out of the necessities of the war, and
most of the legislation imposing taxes upon domestic products, under this system, has been repealed. By the substitution of a tax on tea and coffee, all forms of internal taxation may be repealed, except that on whisky, spirits, tobacco, and beer. Attention is also called to the necessity of enacting more vigorous laws for the protection of the revenue and for the punishment of frauds and smuggling. This can best be done by judicious provisions that will induce the disclosure of attempted fraud by undervaluation and smuggling. All revenue laws should be simple in their provisions and easily understood. So far as practicable, the rates of taxation should be in the form of specific duties, and not ad valorem, requiring the judgment of experienced men to ascertain values, and exposing the revenue to the temptation of fraud.

My attention has been called, during the recess of Congress, to abuses existing in the collection of the customs, and strenuous efforts have been made for their correction by executive orders. The recommendations submitted to the Secretary of the Treasury, by a commission appointed to examine into the collection of customs duties at the port of New York, contain many suggestions for the modification of the customs laws, to which the attention of Congress is invited.

It is matter of congratulation that, notwithstanding the severe burdens caused by the war, the public faith with all creditors has been preserved, and that, as the result of this policy, the public credit has continuously advanced, and our public securities are regarded with the highest favor in the markets of the world. I trust that no act of the government will cast a shadow upon its credit.

The progress of refunding the public debt has been rapid and satisfactory. Under the contract existing when I entered upon the discharge of the duties of my office, bonds bearing interest at the rate of 4½ per cent. were being rapidly sold; and within three months the aggregate sales of these bonds had reached the sum of $200,000,000. With my sanction, the Secretary of the Treasury entered into a new contract for the sale of 4 per cent. bonds, and within thirty days after the popular subscription for such bonds was opened, subscriptions were had amounting to $75,496,550, which were paid for within ninety days after the date of subscription. By this process, within but little more than one year, the annual interest on the public debt was reduced in the sum of $3,775,000.

I recommend that suitable provision be made to enable the people to easily convert their savings into government securities, as the best mode in which small savings may be well secured and yield a moderate interest. It is an object of public policy to retain among our own people the securities of the United States. In this way our country is guarded against their sudden return from foreign countries, caused by war or other disturbances beyond our limits.

The commerce of the United States with foreign nations, and especially the export of domestic productions, has of late years largely in-
creased; but the greater portion of this trade is conducted in foreign vessels. The importance of enlarging our foreign trade, and especially by direct and speedy interchange with countries on this continent, cannot be overestimated; and it is a matter of great moment that our own shipping interest should receive, to the utmost practical extent, the benefit of our commerce with other lands. These considerations are forcibly urged by all the large commercial cities of the country, and public attention is generally and wisely attracted to the solution of the problems they present. It is not doubted that Congress will take them up in the broadest spirit of liberality, and respond to the public demand by practical legislation upon this important subject.

The report of the Secretary of War shows that the Army has been actively employed during the year, and has rendered very important service in suppressing hostilities in the Indian country, and in preserving peace and protecting life and property in the interior as well as along the Mexican border. A long and arduous campaign has been prosecuted, with final complete success, against a portion of the Nez Percés tribe of Indians. A full account of this campaign will be found in the report of the General of the Army. It will be seen that in its course several severe battles were fought, in which a number of gallant officers and men lost their lives. I join with the Secretary of War and the General of the Army in awarding to the officers and men employed in the long and toilsome pursuit and in the final capture of these Indians the honor and praise which are so justly their due.

The very serious riots which occurred in several of the States in July last rendered necessary the employment of a considerable portion of the Army to preserve the peace and maintain order. In the States of West Virginia, Maryland, Pennsylvania, and Illinois these disturbances were so formidable as to defy the local and State authorities, and the National Executive was called upon, in the mode provided by the Constitution and laws, to furnish military aid. I am gratified to be able to state that the troops sent in response to these calls for aid in the suppression of domestic violence were able, by the influence of their presence in the disturbed regions, to preserve the peace and restore order without the use of force. In the discharge of this delicate and important duty, both officers and men acted with great prudence and courage, and for their services deserve the thanks of the country.

Disturbances along the Rio Grande, in Texas, to which I have already referred, have rendered necessary the constant employment of a military force in that vicinity. A full report of all recent military operations in that quarter has been transmitted to the House of Representatives in answer to a resolution of that body, and it will, therefore, not be necessary to enter into details. I regret to say that these lawless incursions into our territory by armed bands from the Mexican side of the line, for the purpose of robbery, have been of frequent occurrence, and in spite of the most vigilant efforts of the commander of our forces the ma-
raiders have generally succeeded in escaping into Mexico with their plunder. In May last I gave orders for the exercise of the utmost vigilance on the part of our troops for the suppression of these raids and the punishment of the guilty parties, as well as the recapture of property stolen by them. General Ord, commanding in Texas, was directed to invite the co-operation of the Mexican authorities in efforts to this end, and to assure them that I was anxious to avoid giving the least offense to Mexico. At the same time, he was directed to give notice of my determination to put an end to the invasion of our territory by lawless bands, intent upon the plunder of our peaceful citizens, even if the effectual punishment of the outlaws should make the crossing of the border by our troops in their pursuit necessary. It is believed that this policy has had the effect to check somewhat these depredations, and that with a considerable increase of our force upon that frontier, and the establishment of several additional military posts along the Rio Grande, so as more effectually to guard that extensive border, peace may be preserved and the lives and property of our citizens in Texas fully protected.

Prior to the 1st day of July last the Army was, in accordance with law, reduced to the maximum of 25,000 enlisted men, being a reduction of 2,500 below the force previously authorized. This reduction was made, as required by law, entirely from the infantry and artillery branches of the service, without any reduction of the cavalry. Under the law, as it now stands, it is necessary that the cavalry regiments be recruited to one hundred men in each company for service on the Mexican and Indian frontiers. The necessary effect of this legislation is to reduce the infantry and artillery arms of the service below the number required for efficiency, and I concur with the Secretary of War in recommending that authority be given to recruit all companies of infantry to at least fifty men and all batteries of artillery to at least seventy-five men, with the power, in case of emergency, to increase the former to one hundred and the latter to one hundred and twenty-two men each.

I invite your special attention to the following recommendations of the Secretary of War:

First. That provision be made for supplying to the Army a more abundant and better supply of reading-matter.

Second. That early action be taken by Congress looking to a complete revision and republication of the Army Regulations.

Third. That section 1258 of the Revised Statutes, limiting the number of officers on the retired-list; be repealed.

Fourth. That the claims arising under the act of July 4, 1864, for supplies taken by the Army during the war, be taken from the offices of the Quartermaster and Commissary Generals and transferred to the Southern Claims Commission, or some other tribunal having more time and better facilities for their prompt investigation and decision than are possessed by these officers.

Fifth. That Congress provide for an annuity-fund for the families of
deceased soldiers, as recommended by the Paymaster-General of the
Army.

The report of the Secretary of the Navy shows that we have six
squadrons now engaged in the protection of our foreign commerce and
other duties pertaining to the naval service. The condition and opera-
tions of the department are also shown. The total expenditures for the
fiscal year ending June 30, 1877, were $16,077,974.54. There are unpaid
claims against the department chargeable to the last year, which are
presented to the consideration of Congress by the report of the Secre-
tary. The estimates for the fiscal year commencing July 1, 1878, are
$16,233,234.40, exclusive of the sum of $2,314,231 submitted for new
buildings, repairs, and improvements at the several navy-yards. The
appropriations for the present fiscal year, commencing July 1, 1877, are
$13,592,932.90. The amount drawn from the Treasury from July 1 to
November 1, 1877, is $5,343,037.40, of which there is estimated to be yet
available $1,029,528.30, showing the amount of actual expenditure during
the first four months of the present fiscal year to have been $4,313,500.10.

The report of the Postmaster-General contains a full and clear state-
ment of the operations and condition of the Post-Office Department.
The ordinary revenues of the department for the fiscal year ending
June 30, 1877, including receipts from the money-order business and
from official stamps and stamped envelopes, amounted to the sum of
$27,531,586.26. The additional sum of $7,013,000 was realized from
appropriations from the general Treasury for various purposes, making
the receipts from all sources $34,544,885.26. The total expenditures
during the fiscal year amounted to $33,486,322.44, leaving an excess of
total receipts over total expenditures of $1,058,562.82, and an excess of
total expenditures over ordinary receipts of $5,954,737.18. Deducting
from the total receipts the sum of $63,261.84 received from internation-
al money-orders of the preceding fiscal year, and deducting from the total
expenditures the sum of $1,163,818.20 paid on liabilities incurred in
previous fiscal years, the expenditures and receipts appertaining to the
business of the last fiscal year were as follows:

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>$32,322,504 24</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts (ordinary, from money-order business and from official postage-stamps)</td>
<td>27,468,323 42</td>
</tr>
<tr>
<td>Excess of expenditures</td>
<td>4,854,180 82</td>
</tr>
</tbody>
</table>

The ordinary revenues of the Post-Office Department for the year
ending June 30, 1879, are estimated at an increase of three per cent.
over those of 1877, making $29,034,098.28, and the expenditures for the
same year are estimated at $36,427,771, leaving an estimated deficiency
for the year 1879 of $7,393,672.72. The additional legislation recom-
mended by the Postmaster-General for improvements of the mail serv-
ice, and to protect the postal revenues from the abuses practiced under
existing laws, is respectfully commended to the careful consideration of
Congress.
The report of the Attorney-General contains several suggestions as to the administration of justice, to which I invite your attention. The pressure of business in the Supreme Court and in certain circuit courts of the United States is now such, that serious delays, to the great injury, and even oppression, of suitors occur, and a remedy should be sought for this condition of affairs. Whether it will be found in the plan briefly sketched in the report, of increasing the number of judges of the circuit courts, and by means of this addition to the judicial force of creating an intermediate court of errors and appeals, or whether some other mode can be devised for obviating the difficulties which now exist, I leave to your mature consideration.

The present condition of the Indian tribes on the territory of the United States and our relations with them are fully set forth in the reports of the Secretary of the Interior and the Commissioner of Indian Affairs. After a series of most deplorable conflicts—the successful termination of which, while reflecting honor upon the brave soldiers who accomplished it, cannot lessen our regret at their occurrence—we are now at peace with all the Indian tribes within our borders. To preserve that peace by a just and humane policy will be the object of my earnest endeavors. Whatever may be said of their character and savage propensities, of the difficulties of introducing among them the habits of civilized life, and of the obstacles they have offered to the progress of settlement and enterprise in certain parts of the country, the Indians are certainly entitled to our sympathy and to a conscientious respect, on our part, for their claims upon our sense of justice. They were the aboriginal occupants of the land we now possess. They have been driven from place to place; the purchase-money paid to them in some cases, for what they called their own, has still left them poor; in many instances, when they had settled down upon land assigned to them by compact and began to support themselves by their own labor, they were rudely jostled off and thrust into the wilderness again. Many, if not most, of our Indian wars have had their origin in broken promises and acts of injustice upon our part; and the advance of the Indians in civilization has been slow, because the treatment they received did not permit it to be faster and more general. We cannot expect them to improve and to follow our guidance unless we keep faith with them in respecting the rights they possess, and unless, instead of depriving them of their opportunities, we lend them a helping hand.

I cordially approve the policy regarding the management of Indian affairs outlined in the reports of the Secretary of the Interior and of the Commissioner of Indian Affairs. The faithful performance of our promises is the first condition of a good understanding with the Indians. I cannot too urgently recommend to Congress that prompt and liberal provision be made for the conscientious fulfillment of all engagements entered into by the government with the Indian tribes. To withhold the means necessary for the performance of a promise is always false
economy, and is apt to prove disastrous in its consequences. Special care is recommended to provide for Indians settled on their reservations, cattle and agricultural implements, to aid them in whatever efforts they may make to support themselves, and by the establishment and maintenance of schools to bring them under the control of civilized influences. I see no reason why Indians who can give satisfactory proof of having by their own labor supported their families for a number of years, and who are willing to detach themselves from their tribal relations, should not be admitted to the benefit of the homestead act and the privileges of citizenship, and I recommend the passage of a law to that effect. It will be an act of justice as well as a measure of encouragement. Earnest efforts are being made to purify the Indian service, so that every dollar appropriated by Congress shall redound to the benefit of the Indians, as intended. Those efforts will have my firm support. With an improved service, and every possible encouragement held out to the Indians to better their condition and to elevate themselves in the scale of civilization, we may hope to accomplish at the same time a good work for them and for ourselves.

I invite the attention of Congress to the importance of the statements and suggestions made by the Secretary of the Interior concerning the depredations committed on the timber-lands of the United States and the necessity for the preservation of forests. It is believed that the measures taken in pursuance of existing laws to arrest those depredations will be entirely successful if Congress by an appropriation for that purpose renders their continued enforcement possible. The experience of other nations teaches us that a country cannot be stripped of its forests with impunity, and we shall expose ourselves to the gravest consequences unless the wasteful and improvident manner in which the forests in the United States are destroyed be effectually checked. I earnestly recommend that the measures suggested by the Secretary of the Interior for the suppression of depredations on the public timber-lands of the United States, for the selling of timber from the public lands, and for the preservation of forests, be embodied in a law; and that, considering the urgent necessity of enabling the people of certain States and Territories to purchase timber from the public lands in a legal manner, which at present they cannot do, such a law be passed without unavoidable delay. I would also call the attention of Congress to the statements made by the Secretary of the Interior concerning the disposition that might be made of the desert lands, not irrigable, west of the 100th meridian. These lands are practically unsalable under existing laws, and the suggestion is worthy of consideration that a system of leasehold tenure would make them a source of profit to the United States, while at the same time legalizing the business of cattle-raising, which is at present carried on upon them.

The report of the Commissioner of Agriculture contains the gratifying announcement of the extraordinary success which has rewarded the
agricultural industry of the country for the past year. With the fair prices which obtain for the products of the soil, especially for the surplus which our people have to export, we may confidently turn to this as the most important of all our resources for the revival of the depressed industries of the country. The report shows our agricultural progress during the year, and contains a statement of the work done by this department for the advancement of agricultural industry, upon which the prosperity of our people so largely depends. Matters of information are included of great interest to all who seek, by the experience of others, to improve their own methods of cultivation. The efforts of the department to increase the production of important articles of consumption will, it is hoped, improve the demand for labor and advance the business of the country, and eventually result in saving some of the many millions that are now annually paid to foreign nations for sugar and other staple products which habitual use has made necessary in our domestic every-day life.

The Board on behalf of the United States Executive Departments at the International Exhibition of 1876 has concluded its labors. The final report of the board was transmitted to Congress by the President near the close of the last session. As these papers are understood to contain interesting and valuable information, and will constitute the only report emanating from the government on the subject of the exhibition, I invite attention to the matter, and recommend that the report be published for general information.

Congress is empowered by the Constitution with the authority of exclusive legislation over the District of Columbia, in which the seat of government of the nation is located. The interests of the District, having no direct representation in Congress, are entitled to especial consideration and care at the hands of the general government. The capital of the United States belongs to the nation, and it is natural that the American people should take pride in the seat of their national government, and desire it to be an ornament to the country. Much has been done to render it healthful, convenient, and attractive, but much remains to be done, which its permanent inhabitants are not able and ought not to be expected to do. To impose upon them a large proportion of the cost required for public improvements, which are in a great measure planned and executed for the convenience of the government and of the many thousands of visitors from all parts of the country who temporarily reside at the capital of the nation, is an evident injustice. Special attention is asked by the Commissioners of the District in their report, which is herewith transmitted, to the importance of a permanent adjustment by Congress of the financial relations between the United States and the District, involving the regular annual contribution by the United States of its just proportion of the expenses of the District government and of the outlay for all needed public improvements, and such measure of relief from the burden of taxation now
resting upon the people of the District as in the wisdom of Congress may be deemed just.

The report of the Commissioners shows that the affairs of the District are in a condition as satisfactory as could be expected in view of the heavy burden of debt resting upon it, and its very limited means for necessary expenses.

The debt of the District is as follows:

<table>
<thead>
<tr>
<th>Debt Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old funded debt</td>
<td>$8,379,691.96</td>
</tr>
<tr>
<td>3.65 bonds, guaranteed by the United States</td>
<td>13,743,250.00</td>
</tr>
</tbody>
</table>

Total bonded debt: 22,122,941.96

To which should be added certain outstanding claims, as explained in the report of the Commissioners: 1,187,304.52

Making the total debt of the District: 23,310,146.48

The Commissioners also ask attention to the importance of the improvement of the Potomac River and the reclamation of the marshes bordering the city of Washington, and their views upon this subject are concurred in by the members of the board of health, whose report is also herewith transmitted. Both the commercial and sanitary interests of the District will be greatly promoted, I doubt not, by this improvement.

Your attention is invited to the suggestion of the Commissioners and of the board of health for the organization of a board of charities, to have supervision and control of the disbursement of all moneys for charitable purposes from the District treasury. I desire also to ask your especial attention to the need of adding to the efficiency of the public schools of the District by supplemental aid from the national Treasury. This is especially just, since so large a number of those attending these schools are children of employés of the government. I earnestly commend to your care the interests of the people of the District, who are so intimately associated with the government establishments, and to whose enterprise the good order and attractiveness of the capital are largely due; and I ask your attention to the request of the Commissioners for legislation in behalf of the interests intrusted to their care. The appropriations asked, for the care of the reservations belonging to the government within the city, by the Commissioner of Public Buildings and Grounds, are also commended to your favorable consideration.

The report of the joint commission created by the act approved August 2, 1876, entitled "An act providing for the completion of the Washington Monument," is also herewith transmitted, with accompanying documents. The board of engineer officers detailed to examine the monument, in compliance with the second section of the act, have reported that the foundation is insufficient. No authority exists for making the expenditure necessary to secure its stability. I therefore
recommend that the commission be authorized to expend such portion of the sum appropriated by the act as may be necessary for the purpose. The present unfinished condition of the monument, begun so long ago, is a reproach to the nation. It cannot be doubted that the patriotic sense of the country will warmly respond to such prompt provision as may be made for its completion at an early day; and I urge upon Congress the propriety and necessity of immediate legislation for this purpose.

The wisdom of legislation upon the part of Congress in aid of the States, for the education of the whole people in those branches of study which are taught in the common schools of the country, is no longer a question. The intelligent judgment of the country goes still further, regarding it as also both constitutional and expedient for the general government to extend to technical and higher education such aid as is deemed essential to the general welfare and to our due prominence among the enlightened and cultured nations of the world. The ultimate settlement of all questions of the future, whether of administration or finance, or of true nationality of sentiment, depends upon the virtue and intelligence of the people. It is vain to hope for the success of a free government without the means of insuring the intelligence of those who are the source of power. No less than one-seventh of the entire voting population of our country are yet unable to read and write.

It is encouraging to observe, in connection with the growth of fraternal feeling in those States in which slavery formerly existed, evidences of increasing interest in universal education, and I shall be glad to give my approval to any appropriate measures which may be enacted by Congress for the purpose of supplementing with national aid the local systems of education in those States and in all the States; and, having already invited your attention to the needs of the District of Columbia with respect to its public-school system, I here add that I believe it desirable, not so much with reference to the local wants of the District, but to the great and lasting benefit of the entire country, that this system should be crowned with a university in all respects in keeping with the national capital, and thereby realize the cherished hopes of Washington on this subject.

I also earnestly commend the request of the Regents of the Smithsonian Institution that an adequate appropriation be made for the establishment and conduct of a national museum under their supervision.

The question of providing for the preservation and growth of the Library of Congress is also one of national importance. As the depository of all copyright publications and records, this library has outgrown the provisions for its accommodation; and the erection, on such site as the judgment of Congress may approve, of a fire-proof library building, to preserve the treasures and enlarge the usefulness of this valuable collection, is recommended. I recommend, also, such legislation as will render available and efficient for the purposes of instruction, so far as
is consistent with the public service, the cabinets or museums of invention, of surgery, of education, and of agriculture, and other collections, the property of the national government.

The capital of the nation should be something more than a mere political center. We should avail ourselves of all the opportunities which Providence has here placed at our command to promote the general intelligence of the people and increase the conditions most favorable to the success and perpetuity of our institutions.

R. B. HAYES.

DECEMBER 3, 1877.