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THE PRESIDENT'S MESSAGE.

Fellow Citizens of the Senate and House of Representatives: The members of the forty sixth congress have assembled in their first regular session under circumstances calling for mutual congratulations and grateful acknowledgment to the Giver of all good for the large and unusual measure of national prosperity which we now enjoy.

National Finances.

The most important events which have occurred in our public affairs since my last annual message to congress are connected with the financial operations of the government, directly affecting the business interests of the country. I congratulate congress on the successful execution of the resumption act. At the time fixed and in the manner contemplated by law U. S. notes began to be redeemed in coin. Since the first of January last they have been promptly redeemed on presentation, and in all business transactions, public and private, in all parts of the country they are received and paid out as the equivalent of coin. The demand upon the treasury for gold and silver in exchange for U. S. notes has been comparatively small, and the voluntary deposit of coin and bullion in exchange for notes has been very large. The excess of the precious metals deposited or exchanged for U. S. notes over the amount of U. S. notes redeemed is about $40,000,000.

The resumption of specie payments has been followed by a very great revival of business. With a currency equivalent in value to the money of the commercial world, we are enabled to enter upon an equal competition with other nations in trade and production. The increasing foreign demand for our manufactures and agricultural products, has caused a large balance of trade in our favor, which has been paid in gold from the 1st of July last to November 15th, to the amount of about $59,000,000. Since the resumption of specie payments there has been a marked and gratifying improvement of the public credit. The bonds of the government bearing only four per cent. interest, have been sold at or above par, sufficient in amount to pay off that part of the national debt which was redeemable under present laws. The amount of interest saved annually by the process of refunding the debt since March 1, 1877, is $14,297,177. The bonds sold were largely in small sums and the number of our citizens now holding the public securities is much greater than ever before.

The amount of the national debt which matures within less than two years is $79,121,700, of which $500,000,000 bears interest at the rate of five per cent. It is believed that this part of the public debt can be refunded by the issue of four per cent. bonds; and by the reduction of interest which will thus be effected, about $11,000,000 can be annually saved to the treasury. To secure this important reduction of interest to be paid by the United States, further legislation is required which it is hoped will be provided by congress during its present session.

The coinage of gold by the mints of the United States during the last fiscal year was $20,986,912. The coinage of silver dollars since the passage of the act for that purpose up to Nov. 1, 1879, was $45,000,860, of which $12,900,341 have been issued from the treasury and are now in circulation, and $32,300,055 are still in the possession of the government.

The pendency of the proposition for unity of action between the United States and the principal commercial nations of Europe to effect a permanent system for the equality of gold and silver as the recognized money of the world, leads me to recommend that congress refrain from new legislation on the general subject. The great revival of trade, internal and foreign, will suppl during the coming year its own instructions, which may well be awaited before attempting further experimental measures with the coinage.

I would, however, strongly urge upon congress the importance of authorizing the secretary of the treasury to suspend the coinage of silver dollars upon the present legal ratio. The market value of the silver dollar being uniformly and largely less than the market value of the gold dollar, it is obviously impracticable to maintain them at par with each other if both are coined without limit. If the cheaper coin is forced into circulation, it will, if coined without limit, soon become the sole standard of value, and thus defeat the desired object, which is the currency of both gold and silver which shall be of equivalent value, dollar for dollar, with the universally recognized money of the world. The retirement from circulation of United States notes with capacity of legal tender in private contracts is a step to be taken in our progress toward a safe and stable currency which should be accepted as the policy and duty of the government and the interest and security of the people. It is my firm conviction that the issue of legal tender paper money based wholly upon the authority and credit of the government—except in extreme urgency, is without warranty of the constitution and a violation of sound financial principles. The issue of United states notes during the late civil war, with the capacity of legal tender between private individuals, was unauthorized except as a means of rescuing the country from imminent peril. The circulation of these notes as paper money for any protracted period of time after the accomplishment of this purpose was not contemplated by the framers of the law under which they were issued. They anticipated the redemption and withdrawal of these notes at the earliest practicable period consistent with the attainment of the object for which they were provided. The policy of the United States, steadily adhered to from the adoption of the constitution, has been to avoid the creation of a national debt, and when, from necessity in the time of war, debts have been created they have been paid off on the return of peace as rapidly as possible. With this view and for this purpose it is recommended that the existing laws for accumulation of a sinking fund sufficient to extinguish the public debt within a limited period be maintained. If any change of the objects or rates of taxation is deemed necessary by congress it is suggested that experience has shown that a duty can be placed on tea and coffee, which will not enhance the price of these articles to the consumer and will add several millions of dollars annually to the treasury.

The Suppression of Polygamy.

The continued and deliberate violation by a large number of the prominent and influential citizens of the territory of Utah, of the laws of the United States, for the prosecution and punishment of polygamy, demands the attention of every department of the government. This territory has a population sufficient to entitle it to admission as a state, and the general interests of the nation and territory require its advance from the territorial form of government to the responsibilities and privileges of a state. This important change will not, however, be approved by the country while the citizens of Utah, in very considerable number, uphold a practice which is condemned as a crime by the laws of all civilized communities throughout the world. The law for the suppression of this offence was enacted with great unanimity by congress more than 17 years ago but has remained until recently a dead letter in the territory of Utah, because of the peculiar difficulties attending its enforcement. The opinion widely prevailed among the citizens of Utah that the law was in contravention of the constitutional guarantee of religious freedom. This objection is now removed. The supreme court of the United States has decided the law to be within the legislative power of congress, and binding as a rule of action for all who reside within the territories. There is no longer any reason for delay or hesitation in its enforcement. It should be firmly and effectively executed. If not sufficiently stringent in its provisions it should be amended and in aid of the purposes in view, I recommend that more comprehensive and more searching methods for preventing as well as punishing, this crime be provided. If necessary to secure obedience to the law the enjoyment and exercise of the rights and privileges of citizenship in the territories of the United States may be withheld or drawn from those who violate or oppose the enforcement of the law on this subject.

The Elections.

The elections of the past year, though occupied only with state officers, have not failed to elicit on the political questions which attended them all over the country, new and decisive evidence of the deep interest which the great body of citizens take in the progress of the country toward a more general and complete establishment, at whatever cost, of universal freedom and security in the exercise of the elective franchise. While many topics of political concern demand great attention from our people, both in the sphere of national and state authority I find no reason to qualify the opinion I expressed in my last annual message—that no temporary or administrative interests of government, however urgent or weighty, will ever display the zeal of our people in the defense of the primary rights of citizenship and that the power of public opinion will override all political prejudices and all sectional and state attachments. In demanding that all over our wide territory the name and character of citizens of the United States shall mean one and the same thing, and carry with them unchallenged security and respect I earnestly appeal to the intelligence and patriotism of all good citizens of every part of the country, however much they may be divided in opinions on other political subjects to unite in compelling obedience to existing laws aimed at the protection of the right of suffrage. I respectfully urge upon congress to supply any defects in these laws which experience has shown and which it has within its power to remedy. I again invoke co operation of executive and legislative authorities of states in this great purpose. I am fully convinced that if the public mind can be set at rest on this paramount question of popular rights, no serious objection will thwart or delay the complete pacification of the country or retard the general diffusion of prosperity.

Reforming the Civil Service.

In a former message I invited the attention of congress to the subject of the reformation of the civil service of the government and expressed the intention of transmitting to congress as early as practicable a report upon this subject by the chairman of the civil service commission. In view of the fact that during a considerable period the government of Great Britain has been dealing with administrative problems and abuses in various particulars analogous to those presented in this country, and that in recent years the methods adopted were understood to have been effective and in every respect highly satisfactory, I thought it desirable to have fuller information upon the subject, and accordingly requested the chairman of the civil service commission to make a thorough investigation for this purpose. The result has been an elaborate and comprehensive report. The report sets forth the history of the partisan spoils custom in Great Britain, and of the rise and fall of the parliamentary patronage and of official interference with the freedom of elections. It shows that after long trials of various kinds of examinations, those which are competitive and open on equal terms to all, and which are carried on under the superintendence of a single commission have with great advantage been established as conditions of admission to almost every official place in the subordinate administration of that country and of British India. The completion of the report, owing to the extent of the labor involved in its preparation and the omission of congress to make any provision, either for compensation or the expenses of the commission, has been postponed until the present time. It is herewith transmitted to congress. While reform measures of another government are of no authority for us, they are entitled to influence to the extent to which their intrinsic wisdom and their adaption to our institutions and social life may commend them to our consideration.

Competitive Examinations.

The views I have heretofore expressed concerning the defects and the abuses in our civil administration remain unchanged, except in so far as an enlarged experience has opened my sense of the duty both of officers and of the people themselves to co-operate for their removal. The grave evils and perils of a partisan spoils system of appointment to office and office tenure are now generally recognized in resolutions of the great parties, in the reports of departments, in the debates and proceedings of congress, and in the messages of executives. The gravity of these evils has been pointed out, and the need of their reform has been admitted. To command the necessary support, every measure of reform must be based on common right and justice, and must be compatible with the healthy existence of the great parties which are inevitable and essential in a free state. When the people have approved a policy at a national election, confidence on the part of the officers they have selected, and of the advisers who, in accordance with our political institutions, should be consulted in the policy which is their duty to carry into effect is indispensable. It is eminently proper that they should explain it before the people, as well as illustrate its spirit in the performance of their official duties. It need hardly be pointed out that very different considerations apply to the greater number of those who fill the subordinate places in the civil service. Their responsibility is to their superiors in official position. It is their duty to obey the legal instructions of those upon whom that authority is devolved, and their best public service consists in the discharge of their functions irrespective of partisan politics. Their duties are the same whatever party is in power and whatever policy prevails. As a consequence, it follows that their tenure of office should not depend upon the prevalence of any policy or the supremacy of any party, but should be determined by their capacity to serve the people most usefully, quite irrespective of partisan interests. The same considerations that should govern the tenure of office should also prevail in the appointment, discipline and removal of these subordinates. The authority of appointment and removal is not a perquisite which may be used to aid a friend or reward a partisan, but is a trust to be exercised in the public interest under all the sanctions which attend the obligation to apply the public funds only for public purposes. Every citizen has an equal right to the honor and profit of entering the public service of his country; the only just ground of discrimination is the measure of character and capacity. He has to make that service the most useful to the people, except in cases where, upon just and recognized principles, as upon the theory of pension offices and promotions are bestowed as rewards of past services. Their bestowal upon any theory which disregards personal merit, is an act of injustice to the citizen, as well as a breach of that trust, subject to which the appointing power is held. In the light of these principles, it becomes of great importance to provide just and adequate means, especially for every department and large administrative office where personal discrimination on the part of its head is not practicable for ascertaining those qualifications to which appointments and removals should have reference. To fail to provide such means is not only to deny the opportunity of ascertaining the fact upon which the most righteous claim to office depends, but of necessity to discourage all worthy aspirants by handing over appointments and removals to mere influence and favorites. If it is the right of the worthiest claimant to gain appointment and the interest of the people to bestow it on him, it would seem clear that a wise and just method of ascertaining the personal fitness for office must needs be an important and permanent function of every just and wise government. It has long since become impossible, in the great offices, for those having the duty of nomination and appointment, to personally examine into the individual qualifications of more than a small proportion of those seeking office, and with the enlargement of the civil service that proportion must continue to become less. In the earlier years of the government the subordinate offices were so few in number that it was easy for those making appointments and promotions to personally ascertain the wants of the candidates. Party managers and methods had not then become powerful agencies of coercion, hostile to the free and just exercise of the appointing power. A large and responsible part of the duty of restoring the civil service to the desired purity and efficiency rests upon the president, and it has been my purpose to do what is within my power to advance such prudent and gradual measures of reform as will most surely and rapidly bring about that radical change of system essential to make our administrative methods satisfactory to a fair and intelligent people. By a proper exercise of authority it is in the power of the executive to do much to promote such a reform, but it cannot be so clearly understood that nothing adequate can be accomplished without co operation on part of congress, and considerate and intelligent support among the people. Reforms which challenge the generally accepted theories of parties and demand changes in the methods of departments are not the work of a day. Their permanent foundations must be laid in sound principles and in an experience which demonstrates their wisdom and exposes the errors of their adversaries. Every worthy officer desires to make his official action a gain and an honor to his country, but the people demand far more of their officers in public station. They are interested in a pure, economical and vigorous administration. By laws enacted in 1853 and 1855 and now, in substance incorporated in the revised statutes, the practice of arbitrary appointment to the several subordinate grades in the great departments was condemned, and examinations as to the capacity to be conducted by departmental boards of examiners, were provided for and made a condition of admission to the public service. These statutes are a decision by congress that examinations of some sort as to attainments and capacity, are essential to the well being of the public service. The important questions since the enactment of these laws have been as to the character of the examinations, and whether official favor and partisan influence, or common right and merit were to control examinations in practice these examinations have already been open to worthy persons generally who might wish to be examined. Official and partisan favoritism as a rule appears to have designated those who alone were permitted to go before the examining boards, subjecting even the examiners to a pressure from the friends of the candidates, a very great difficulty to resist. As a consequence the standard of admission fell below that which the public interest demanded. It was almost inevitable that a system which provided for various separate boards of examiners with no common supervision or uniform method of procedure should result in confusion, inconsistency and inadequate tests of capacity highly detrimental to the public interests. Further and more radical change was absolutely required.

In the annual message of December, 1870 my predecessor declared that there is no duty which so much embarasses the executive and heads of departments as that of appointment; nor is there any such arduous and thankless labor imposed on senators and representatives as that of finding places for constituents. The present system does not secure the best men and often not even fit men for public places. The elevation and purification of the civil service of the government will be hailed with approval by the whole people of the United States. Congress, accordingly passed the act approved March 3, 1877, to regulate the civil service of the United States and promote the efficiency thereof, giving the necessary authority to the executive to institute a civil service reform. Acting under this statute which is interpreted as intended to secure a system of just and effectual examinations under supervision of a number of eminently competent persons were selected for the purpose. They entered with zeal upon the discharge of their duties, prepared with an intelligent appreciation of the requirements of the service and the regulations contemplated; and took charge of the examinations. In their capacity as a board they have been known as the "civil service commission." Congress, for two years, appropriated the money needed for the compensation, and for the expense of carrying on the work of the commission. It appears from the report of the commission submitted to the president in April, 1874, that examinations had been held in various sections of the country, and that an appropriation of about $25,000 would be required to meet the annual expenses, including salaries involved in discharging the duties of the commission. The report was transmitted to congress by special message of April 18, 1874, with the following favorable comment upon the labors of the commission: "If sustained by congress I have no doubt the rules can, after the experience gained, be so improved and enforced as to still more materially benefit the public service and relieve the executive, members of congress and the heads of departments from influence prejudicial to good administration. The rules as they have hitherto been enforced have resulted beneficially, as is shown by the opinions of the members of the cabinet and their subordinates in the departments, and in that opinion I concur." In the annual message of December of the same year similar views are expressed, and an appropriation for continuing the work of the commission again advised.

The appropriation was not made, and as a consequence the active work of the commission was suspended, leaving the commission itself still in existence without the means therefor of causing qualifications to be tested in a systematic manner or of securing for the public service the advantages of competition upon any extensive plan. I recommended in my annual message of December, 1877, the making of an appropriation for the resumption of the work of the commission. In the meantime however, competitive examinations under many embarrassments have been conducted within limited spheres in the executive departments in Washington, and in a number of the custom houses and post offices of the principal cities of the country with a view of further testing their effects, and they have been found to be as salutary as they are stated to have been under the administration of my predecessor. I think the economy, purity and efficiency of the public service would be greatly promoted by their systematic introduction wherever practicable throughout the entire civil service of the government, together with ample provision for their general supervision in order to secure consistency and uniform justice. Reports from the secretary of the interior from the postmaster general from the postmaster in the city of New York, where such examinations have been some time on trial; and also from the collector of the port, the naval officer and the surveyor in that city, and the postmasters and collectors in several of the other large cities, show that the competitive system where applied has in various ways contributed to improve the public service. The report shows that the results have been salutary in a marked degree, and that the general application of similar rules cannot fail to be of decided benefit to the service. The reports of the government officers in the city of New York especially bear decided testimony to the efficiency of open competitive examinations in their respective offices, showing that these examinations and the excellent qualifications of those admitted to the service through them have had a marked incidental effect upon the persons previously in the service, and particularly upon those aspiring to promotion. There has been on the part of these latter an increased interest in the work and a desire to extend acquaintance with it beyond a particular desk, and thus the moral of the entire force has been raised. The examinations have been attended by many citizens who have had an opportunity to thoroughly investigate the scope and character of the test, and the method of determining the results, and these visitors have, without exception, approved the methods employed, and several of them have publicly extended their favorable opinion. Upon such considerations I deem it my duty to renew the recommendations contained in my annual message of December, 1877, requesting congress to make the necessary appropriation for the resumption of the work of the civil service commission. Economy will be promoted by authorizing a moderate compensation to persons in the public service, who may perform extra labor upon or under the commission, as the executive may direct. I am convinced that if a just and definite test of merit is enforced for admission to the public service and in making promotions, such abuses as removing without good cause, and partisan and official interference with the proper exercise of the appointing power, will in a large measure, disappear. There are other administrative abuses to which the attention of congress should be asked in this connection. Mere partisan appointment and the constant peril of removal without cause, very naturally lead to an absorbing and mischievous political activity on the part of those thus appointed, which not only interferes with the due discharge of official duty, but is incompatible with the freedom of elections and without warrant. In the view of several of my predecessors in the presidential office and directly in accordance with the law of 1871, already cited, I endeavored by the regulation made on the 22d of June, 1878, to put some reasonable limits to such abuses. It may not be easy, and may never, perhaps, be necessary to define with precision the proper limit of political action on part of federal officers, but while their right to hold and freely express their opinions cannot be questioned, it is very plain that they should neither be allowed to devote to other subjects the time needed for the proper discharge of their official duties, nor to use the authority of their office to enforce their own opinions, or to coerce the political action of those who hold different opinions. Reasons of justice and public policy quite analogous to which, forbid the use of official power for the oppression of the private citizen to impose upon the government the duty of protecting its officers and agents from arbitrary exactions in whatever aspect considered. The practice of making levies for party purposes upon the salaries of officers, is highly demoralizing to the public service and discreditable to the country. Though an officer should be as free as any other citizen to give his own money in aid of his opinions or his party, he should also be as free as any other citizen to refuse to make such gifts, if salaries are but a fair compensation for the time and labor of the officers, it is gross injustice to levy a tax upon them. If they are made excessive in order that they may bear the tax, the excess is an indirect robbery of the public funds. I recommend, therefore, such a revision and extension of the present statute as shall secure to those in every grade official life or public employment, the protection with which a great and enlightened nation should guard those who are faithful in its service.

The Treaty of Washington.

Our relations with foreign countries have continued peaceful. With Great Britain there are still unsettled questions growing out of the local laws of the maritime provinces and the action of provincial authorities, deemed to be in derogation of rights secured by American fisherman. The United States minister in London has been instructed to present a demand for $105,305 02 in view of the damages received by American citizens at Fortune bay in January, 1878. The subject has been taken into consideration by the British government, and an early reply is anticipated upon the completion of the necessary examinations. The subject of our participation in the provincial fisheries, as regulated by treaty, will at once be brought to the attention of the British government with a view to an early and permanent settlement of the whole question, which was only temporarily adjusted. Efforts have been made to obtain the removal of restrictions found injurious to the exportation of cattle to the United Kingdom. Some correspondence has also occurred with regard to the rescue and saving of life and property upon the lakes, which has resulted in important modifications of the previous regulations of the dominion government on the subject in the interest of humanity and commerce.

International Exhibitions.

In accordance with the joint resolution of the last session of congress commissioners were appointed to represent the United States at the two international exhibitions in Australia, one of which is now in progress at Sydney and the other to be held next year at Melbourne. A desire has been expressed by our merchants and manufacturers, interested in the important and growing trade with Australia, that an increased provision should be made by congress for the representation of our industries at the Melbourne exhibition of next year, and the subject is respectfully submitted to your favorable consideration.

The New French Cable.

The assent of the government has been given to the landing on the coast of Massachusetts of a new and independent transatlantic cable between France, by way of the French island of St. Pierre and this country, subject to any future legislation of congress. On this subject the conditions imposed before allowing this connection with our shores to be established, are such as to secure its competition with any existing or future lines of marine cable and preclude amalgamation therewith; to provide for the entire equality of rights to our government and people with those of France in the use of the cable and prevent any exclusive possession of the privileges as accorded by France to the disadvantage of any future cable communication between France and the United States, which may be projected and accomplished by our citizens, and an important reduction. The present rate of communication with Europe is felt to be too burdensome to the interests of our commerce that must necessarily flow from the establishment of this competing line. The attention of congress was drawn to the propriety of some general regulation by congress of the whole subject of trans-marine cables by my predecessor in his message of December 7, 1875, and I respectfully submit to your consideration the importance of congressional action in this matter.

The War in Cuba.

A question of grave importance with Spain, growing out of the incidents of the Cuban insurrection, have been for the most part happily and honorably settled. It may be reasonably anticipated that the commission now sitting in Washington for the decision of private cases in this connection will soon be able to bring its labors to a conclusion. The long-standing question of East Florida claims has lately been renewed as a subject of correspondence, and may possibly require congressional action for its final disposition.

Other Foreign Relations.

A treaty with the Netherlands, with respect to consular rights and privileges, similar to those with other powers, has been signed and ratified, and the ratifications were exchanged on the 31st of July last. Negotiations for extradition treaties with the Netherlands and with Denmark are now in progress.

Some questions with Switzerland in regard to pauper and convict emigrants have arisen, but it is not doubted that they will be arranged upon a just and satisfactory basis. A question has also occurred with respect to an asserted claim by Swiss municipal authorities to exercise tutelage over the persons and property of Swiss citizens naturalized in this country. It is possible that this may require adjustment by treaty.

With the German empire frequent questions arise in connection with the subject of naturalization and expatriation, but the imperial government has constantly manifested a desire to strictly maintain and comply with all treaty stipulations in regard to them.

In consequence of the omission of congress to provide for a diplomatic representative at Athens the legation to Greece has been withdrawn. There is now no channel of diplomatic communication between the two countries, and the expediency of providing for one in some form is submitted to congress.

Relations with Austria, Russia, Italy, Portugal, Turkey and Belgium continue amicable, and there is markedly no incident of especial importance.

A change of the personal head of the government of Egypt has taken place. No change, however, has occurred in the relations between Egypt and the United States. The action of the Egyptian government in presenting to the city of New York one of the ancient obelisks which possess such historical interest, is highly appreciated as a generous mark of international regard. If prosperity should attend the enterprise of its transportation across the Atlantic, its erection in a conspicuous position in the chief commercial city of the nation will be soon accomplished.

The treaty recently made between Japan and the United States in regard to the revision of the former treaties, it is now believed will be followed by similar action on the part of other treaty powers. The attention of congress is again invited to the subject of the indemnity fund received some years since from Japan and China, which, with their accumulated interest, now amount to considerable sums. If any part of these funds is justly due to American citizens they should receive it promptly; and whatever may have been received by the government in excess of strictly just demands should in some form be returned to whom it equitably belongs.

The government of China has signified its willingness to consider the question of the emigration of its subjects to the United States with a dispassionate fairness, and to co-operate in such measures as may tend to prevent injurious consequences to the United States. The negotiations are still proceeding and will be pressed with diligence. A question having arisen between Japan and China about the Loo Choo islands, the U. S. government has taken measures to inform these powers of its readiness to extend its good offices for the maintenance of peace, if they shall mutually deem it desirable and find it practicable to avail themselves of the proffer.

Stopping the Border Raids.

It is a gratification to be able to announce that through the judicious and energetic action of the military commanders of the two nations on each side of the Rio Grande, under the instructions of their respective governments, raids and depredations have greatly decreased, and in the localities where formerly destructive have now almost ceased. In view of this result, I entertain a confident expectation of the continuance of the prevalence of quiet.

On the modification of the two countries, the third instalment of the award against Mexico, under the claims commission of July 4, 1868, was duly paid and has been put in course of distribution in pursuance of the act of congress providing for the same. This satisfactory situation between the two countries leads me to anticipate an expansion of our trade with Mexico and an increased contribution of capital and industry by our people to the development of the great resources of that country. I earnestly commend to the wisdom of congress the provision of suitable legislation looking to this result.

South American Relations.

Diplomatic intercourse with Colombia is again fully restored by the arrival of a minister from that country to United States. This is especially fortunate, in view of the fact that the question of an inter-oceanic canal has recently assumed a new and important aspect and is now under discussion with the Central American countries through whose territory the canal by the Nicaragua route would have to pass. It is trusted that enlightened statesmanship on their part will see that the early prosecution of such a work will largely inure to the benefit, not only of their own citizens and those of the United States, but of the commerce of the civilized world. It is not doubted that should the work be undertaken under the protective auspices of the United States and upon satisfactory concessions for the right of way and its security by the Central American governments, the capital for its completion would readily be furnished from this country and Europe, which might, failing such guarantees, prove inaccessible.

Diplomatic relations with China have also been strengthened by the reception of a minister from that country.

The war between Peru, Bolivia and Chili still continues. The United States have not deemed it proper to interpose in the matter, further than to convey to all the governments concerned, the assurance that the friendly offices of the government of the United States for the restoration of peace upon an honorable basis will be extended, in case the belligerents shall exhibit a readiness to accept them.

Cordial relations continue with Brazil and the Argentine Republic and trade with those countries is improving. A provision for regular and more frequent mail communication in our own ships, between the ports of this country and the nations of South America, seems to me to deserve the attention of congress as an essential precursor of an enlargement of our commerce with them and an extension of our carrying trade.

The recent revolution in Venezuela has been followed by the establishment of a provisional government. This government has not yet been formally recognized, and it is deemed desirable to await the proposed action of the people which is expected to give it the sanction of constitutional forms.

A naval vessel has been sent to the Samoan Islands to make a survey and take possession of the privileges ceded to the United States by Samoa in the harbor of Pago Pago. A coaling station is to be established there which will be convenient and useful to United States vessels.

The subject of opening diplomatic relations with Roumania and Servia, now become independent sovereignties, is at present under consideration and the subject of diplomatic correspondence.

There is a gratifying increase of trade with nearly all European and American countries, and it is believed that with judicious action in regard to its development it can and will be still more enhanced, and that American products and manufactures will find new and expanding markets. The reports of diplomatic and consular offices upon this subject under the system now adopted have resulted in obtaining much valuable information, which has been and will continue to be laid before congress and the public from time to time.

The Condition of Alaska.

The third article of the treaty with Russia of March 30, 1867, by which Alaska was ceded to the United States, provides that the inhabitants of ceded territory, with the exception of the unenfranchised native tribes, shall be admitted to the enjoyment of all rights of citizens of the United States, and shall be maintained and protected in the free enjoyment of their liberty of property and religion. The uncivilized tribes are subject to such laws and regulations as the United states may from time to time adopt in regard to the aboriginal tribes of that country. Both the obligations of this treaty and the necessities of the people require that some organized form of government over the territory of Alaska be adopted. There appears to be no law for the arrest of persons charged with common law offenses—such as assault, robbery and murder, and no magistrate authorized to issue or execute process in such cases. Serious difficulties have already arisen from offenses of this character, not only among the original inhabitants but among citizens of the United States and other countries who have engaged in mining, fishing and other business operations within the territory. A bill authorizing the appointment of justices of the peace and constables, and the arrest and detention of persons charged with criminal offenses, and providing for an appeal to U. S. courts for the district of Oregon in suitable cases, will, at a proper time, be submitted to congress.

The Public Finances.

The attention of congress is called to the annual report of the secretary of the treasury on the condition of the public finances. The ordinary revenues from all sources for the fiscal year ending June 30, 1879, were $273,827,184 46. The ordinary expenditures for the same period were $266,047,093 53, leaving a surplus revenue for the year of $6,879,900 93. The receipts for the present fiscal year ending June 30, 1880, actual and estimated, are as follows: Actual receipts for the first quarter commencing July 1, 1879, $79,843,646 62; estimated receipts for the remaining three-quarters of the years, $208,156,336 59. Total receipts for the current fiscal year, actual and estimated, $288,000,000. The expenditures for the same period will be, actual and estimated, as follows: For the quarter commencing July 1, 1879, actual expenditures, $91,685,385 10, and for the remaining three quarters of the year, the expenditures are estimated at $172,316,614 90, making the total expenditures $264,000,000, and leaving an estimated surplus revenue for the year ending June 30, 1880, of $24,000,000. The total receipts during the next fiscal year ending June 30, 1881, estimated according to existing laws, will be $288,000,000, and the estimated ordinary expenditures for the same period will be $278,097,364 39 for that year. The large amount expended for arrears of pensions during the last and the present fiscal year, amounting to $21,747,249 60, has prevented the application of the full amount required by law to the sinking fund for the current year, but these arrears having been substantially paid, it is believed that the sinking fund can hereafter be maintained without any change of existing law.

The Army and Navy.

The secretary of war reports that the war department estimates for the fiscal year ending June 30, 1881, are $40,380,428 94, the same being for a less sum of money than any annual estimates rendered to congress from that department during a period of at least twelve years. He concurs with the general of the army in recommending such legislation as will authorize the enlistment of the full number of 25,000 men for the line of the army, exclusive of the 3460 men required for detached duty, and therefore not available for service in the field. He also recommends that congress be asked to provide by law for the disposition of a large number of abandoned military posts and reservations which, though very valuable in themselves, have been rendered useless for military purposes by the advance of civilization and settlement. He unites with the quartermaster general in recommending that an appropriation be made for the construction of a cheap and perfectly fire proof building for the safe storage of a vast amount of money, accounts, vouchers, claims and other valuable records now in the quartermaster general's office and exposed to great risk of total destruction by fire. He also recommends, in conformity with the views of the judge advocate general, some declaratory legislation in reference to the military statute of limitations as applied to the crime of desertion. In these several recommendations I concur.

The secretary of war further reports that the work for the improvement of the south pass of the Mississippi river, under contract with Mr. James B. Eads, made in pursuance of an act of congress, has been prosecuted during the past year with a greater measure of success in the attainment of results than during any previous year. The channel through the south pass, which at the beginning of June, 1875, had a depth of only seven and one-half feet of water, had on the 8th of July, 1879, a minimum depth of twenty-six feet, having a width of not less than 200 feet and a central depth of thirty feet. Payments have been made in accordance with the statute as the work progressed, amounting in the aggregate to $4,250,000, and further payments will become due, as provided by the statute, in the event of success in maintaining the channel now secured.

The reports of the general of the army and of his subordinates, present a full and detailed account of the military operations for the repression of hostilities among the Indians of the Ute and Apache tribes, and praise is justly awarded to the officers and troops engaged, for promptness, skill and courage displayed.

The past year has been one of almost unbroken peace and quiet on the Mexican frontier, and there is reason to believe that the efforts of this government and of Mexico to maintain order in that region will prove permanently successful. This department was enabled during the past year to find temporary, though crowded, accommodations and a safe depository for a portion of its records in the completed east wing of the building designed for the state, war and navy departments. The construction of the north wing of the building, a part of the structure intended for the use of the war department is being carried forward with all possible dispatch, and the work should receive from congress such liberal appropriations as will secure its speedy completion.

The report of the secretary of the navy shows continued improvement in that branch of the service during the last fiscal year. Extensive repairs have been made upon vessels and two new ships have been completed and made ready for sea. The total expenditure of the year ended June 30, 1879, including specific appropriations not estimated for by the department were $13,556,710 69. The expenses chargeable to the year, after deducting the amount of these specific appropriations, were $13,313,317 79; but this is subject to a reduction of $288,725 99, that amount having been drawn upon warrants but not paid out during the year. The amount of appropriations applicable to the last fiscal year was $14,538,616 17; there was, therefore, a balance of $1,479,031 37 remaining unexpended and to the credit of the department on June 30, 1879. The estimates for the fiscal year ending June 30, 1881, are $14,864,147 95, which exceeds the appropriations for the present fiscal year by $61,897 28. The reason for this increase is explained in the secretary's report. The appropriations available for the present fiscal year are $14,502,250 97, which will, in the opinion of the secretary, answer all the ordinary demands of the service. The amount drawn from the treasury from July 1 to November 1, 1879, was $5,770,404 12, of which $1,095,440 33 has been refunded, leaving as the expenditure for that period $4,674,963 79. If the expenditures of the remaining two-thirds of the year do not exceed the proportion for these four months, there will remain unexpended at the end of the year $477,359 30 of the current appropriation. The report of the secretary shows the gratifying fact that among all the disbursing officers of the pay corps of the navy there is not one who is a defaulter to the extent of a single dollar. I unite with him in recommending the removal of the observatory to a more healthful location. That institution reflects credit upon the nation and has obtained the approbation of scientific men in all parts of the world. Its removal from its present locality would not only be conducive to the health but to its usefulness.

Judicial Expenses.

The appropriation bills for judicial expenses, which have heretofore been made for the department of justice in gross, was subdivided at the last session of congress, and no appropriation whatever was made for the payment of the fees of marshals and their deputies, either in the service of process or for the discharge of other duties, and since June 30 the officers have continued the performance of their duties without compensation from the government, taking upon themselves the necessary incidental outlays as well as rendering their own services. In only a few unavoidable instances has the proper execution of the process of the United states failed by reason of the absence of the requisite appropriation. This course of official conduct on the part of these officers, highly creditable to their fidelity, was advised by the attorney general, who informed them, however, that they would necessarily have to rely for their compensation upon the prospect of future legislation by congress. I therefore especially recommend that immediate appropriation be made by congress for this purpose.

The act making the principal appropriation for the department of justice at previous sessions has uniformly contained the following clause: "And for defraying the expenses which may be incurred in the enforcement of the act approved Feb. 28, 1870, entitled an act to amend an act approved May 30 1870, entitled an act to enforce the right of citizens of the United States to vote in the several states of the United States, and for other purposes or any acts amendatory thereof or suplementary thereto." No appropriation was made for this purpose for the current year; as no general election of members of congress occurred, the omission was a matter of little practical importance. Such an election will, however, take place during the ensuing year and the appropriation made for the pay of marshals and deputies should be sufficient to embrace the compensation for the services they may be required to perform at such election.

The United States Courts.

The business of the supreme court is at present largely in arrears. It cannot be expected that more causes can be decided than are now disposed of in its annual session, or that by any assiduity the distinguished magistrates who compose the court, can accomplish more than is now done. In the courts of many of the circuits, also, the business has increased to such an extent that the delay of justice will call the attention of congress to an appropriate remedy. It is believed that all is done in each circuit which can fairly be expected from its judicial force. The evils arising from delay are less heavily felt by the United states, than by other parties as the causes are advanced by the courts when it is seen that they involve the discussion of questions of a public character. The remedy suggested by the attorney general is the appointment of additional circuit judges and the creation of an intermediate court of errors and appeals which shall relieve the supreme court or part of its jurisdiction, while a larger force is also suggested for the performance of circuit duties. I commend this suggestion to the consideration of congress. It would seem to afford a complete remedy and would involve the appointment of ten additional judges and an expenditure at the present rate of salaries of not more than $60,000 a year, which would certainly be small in comparison with the objects to be attained.

Postal Affairs.

The report of the postmaster general bears testimony to the general revival of business throughout the country. The receipts of the postoffice department for the year ending June 30, 1879, were $30,041,982 86, being $761,465 91 more than the revenues of the preceding year. The amount realized from the sale of postage stamps, stamped envelopes and postal cards was $761,465 91 more than in the preceding year and $2,267,069 24 more than in 1877. The expenditures of the department were $35,449,899 45, of which the sum of $976,161 63 was paid on liabilities incurred in the preceding year. The expenditures during the year were $890,599 77 less than in the preceding year. This reduction is attributed mainly to the operation of a law passed June 17 1878 changing the compensation of postmasters from a commission on the value of the stamps sold to a commission on stamps canceled. The amount drawn from the treasury on appropriations, in addition to the revenues of the department was $3,031,454 94, being $2,276,197 86 less than in the preceding year. The expenditures for the fiscal year ending June 30, 1881, are estimated at $36,920,000, and the receipts from all sources at $32,250,000, leaving a deficiency to be appropriated for out of the treasury of $7,710,000.

The relations of the department with railroad companies have been harmonized, notwithstanding a general reduction by congress of their compensation by the appropriation for special facilities. The railway postoffice lines have been greatly extended especially in the southern states. The interests of the railway mail service and of the public should be greatly promoted, and the expenditure could be more readily controlled by the classification of the employes of the railway mail service as recommended by the postmaster general.

The postmaster general recommends the amendment of the law regulating the increase of compensation for increased service and increased speed on star routes, so as to enable him to advertise for proposals for such increased service and speed. He also suggests the advantages to accrue to the commerce of the country from the enactment of a general law, authorizing contracts with American built steamers carrying the American flag, transporting the mails between ports of the United States and ports of the West Indies and South America at a fixed maximum price per mile, the amount to be expended being regulated by annual appropriations in like manner with the amount paid for the domestic star service. The arrangement made by the postmaster general and the secretary of the treasury, for the collection of duty upon books received in the mail from foreign countries, has proved so satisfactory in its practical operation, that they recommend that congress extend the provisions of the act of March 3, 1879, under which this arrangement was made, so as to apply to all other dutiable articles received in the mails from foreign countries.

The Indian Wards.

The reports of the secretary of the interior and the commissioner of Indian affairs setting forth the present state of our relations with the Indian tribes on our territory, the measures taken to advance their civilization and prosperity, and the progress already achieved by them will be found of more than ordinary interest. The general conduct of our Indian population has been so satisfactory that the occurrence of two disturbances which resulted in bloodshed and destruction of property is all the more to be lamented. The history of the outbreak on the White river Utes reservation has become so familiar by an elaborate report in the public press that its remarkable incidents need not here be stated in detail. It is expected that the settlement of this difficulty will lead to such arrangements that will prevent further hostile contact between the Indians and the border settlements in Western Colorado. The other disturbance occurred in the Mescalero agency in New Mexico, where Victoria, the head of a small band of marauders, after committing many atrocities and being vigorously chased by a military force made his way across the Mexican border, and is now on foreign soil. While the occurrences in which a comparatively small number of Indians were engaged are most deplorable, a vast majority of our Indian population have fully justified the expectations of those who believed that by humane and peaceful influences the Indians can be led to abandon the habits of savage life and to develop a capacity for civilized occupations. What they have already accomplished in the pursuit of agricultural and mechanical work, the remarkable success which has attended the experiment of employing as freighters a class of Indians hitherto counted among the wildest and most