More Money for Diplomacy. I earnestly urge that congress recast the appropriations for the maintenance of the diplomatic and consular service on a footing commensurate with the Importportance of our national interests. At every post where a representative is necessary, the salary should be so graded as to permit him to live with comfort. With the assignment of adequate salaries, the so-called notarial extra official fees which our officers abroad are now permitted to treat as personal perquisites should be done away with. Every act requiring the certification and seal of the officer would be taxable at schedule rates, and the fee therefor returned to the treasury. By restoring these revenues to the public use, the consular service would be self-supporting, even with a liberal increase of the present low salaries. The further prevention of abuses, a system of consular inspection should be instituted. The appointment of a limited number of secretaries of legation at large, to be assigned to duty wherever necessary, and in particular for temporary service at missions which from any cause may be without a head, should also be authorized. I favor also authorization for the details of officers of the regular service as military or naval attaches at legations. Some foreign governments to not recognize the union of consular with diplomatic functions. Italy and Venezuela will only re-Hides and skins other than furceive the appointee in one of his two capacities, but this does not prevent the requirement of a bond and submission to the responsibilities of an officer whose duties be cannot discharge. The super-added title of consul-general should be abandoned at all missions. I deem it expedient that a well-devised measure for the reorganization of the extra territorial courts in Oriental countries should replace the present system. which labors under the disadvantage of lumbering judicial and executive functions in the same office. In several Oriental countries generous offers have been made of premises for housing the legations of the United States. A grant of land for that purpose was made some years since by Japan, and has been referred to in the annual messages of my predecessors. The Siamese government has made a gift to the United States of commodious quarters in Bangkok. In Corea the late minister was permitted to purchase a building from the government for legation use. In China the premises rented for the legation are favored as to local charges. At Tangiers the house occupied by our representative has been for many years the property of this government, having been given for that purpose in 1822 by the suitan of Morocco; I approve the suggestion heretofore made that, in view of the conditions of life and administration in the Eastern countries, the legation buildings in China, Japan, Corea, Siam and perhaps Persia, should be owned and furnished by the government, with a view to permanency and security. To this end I recommend that aut writy be given to accept the gifts adverted to in Japan and Siam, and to purchase in the other countries named with provisions for furniture and 'repairs. considerable saving in rentals would

The Big Fair.

The world's industrial exposition held at New Orleans last winter with the assistance of the federal government, attracted a large number of foreign exhib- should be made in our customs revenues. its, and proved of great value in spreading among the concourse of visitors from Mexico and Central and South America a wide knoweldge of the various manufactures and productions of the country, and their availability in exchange for the production of those regions.

Ars Est Longa.

Past congresses have had under consideration the advisability of abolishing the discrimination made by the tariff laws in favor of the works of American artists. The odium of the policy which subjects to a high rate of duty the paintings of foreign artists and exempts the productions of American artists residing abroad, and who receive gratuitously advantages and instruction, is visited upon our citizens engaged in art culture in Europe, and has caused them, with practical unanimity, to favor the abolltion of such an ungracious distinction, and in their interest and for other obvious reasons I strongly recommend it.

The Public Treasury. The report of the secretary of

the treasury fully exhibits the condition of the public finances and of the several branches of government connected with his department. The suggestions of the secretary relating to the practical operations of this important department, and his recommendations regarding simplification and economy, particularly in the work of collecting enstoms duties, are especially urged upon the attention of congress.

The ordinary receipts from all sources for the fiscal year ended June 30, 1885, were \$322,690,706,38. Of this sum \$181,471,939.34 was received from customs andd \$112,498,725.54 from internal revenue. The total receipts as given above weree \$24,829,163.54 less than those for the year ending June 30, 1884. This diminution embraced a falling off of \$13,595,550.42 in the receipts from customs and \$9,687,346.97 in the receipts from internal revenue.

The total ordinary expenditures of the government for the fiscal year were \$260,226,935,50, leaving a surplus in the treasury at the close of the year of 863,-463,771.27. This is \$40,929,854.32 less than the surplus reported at the close of the previous year. The expenditures are

classifica as follows:	Ш
Civil expenses	ľ
Foreign intercourse 5,439,600.11	ľ
Indians 6,552,434.63	
Pensions	ŀ
arsenals)	L
MANY CONTRACTOR OF THE PROPERTY OF THE PROPERT	li
Interest on public debt	
District of Columbia 3,409,650 95	
Miscellaneous 54,728,054,91	

The amount paid on the public debt

during the fiscal year ended June 30, 1885, was \$45,993,235.43, and there has been paid since that date and up to Nov. 1, 1885, the sum of \$369,828, leaving the amount of the debt at the last named date \$1,514,475,860.47. There was, however, at that time in the treasury applicable to the general purposes of the government the sum of \$66.818.202.38. The total receipts for the current fiscal year ending June 30, 1886, ascertained to Oct. 1, 1885, and estimated for the remainder of the year, are \$315,000,000. The expenditures ascertained and estimated for the same time are \$245,000,-000, leaving a surplus at close of the year estimated at \$70,000,000. The value of

countries during the last fiscal year was as follows:

Foreign merchandise. 15,506,809 60 Gold. 84,718,892 00 Silver. 30,756,631 00\$860,722,280 06 Some of the principal exports with their values and the percentage they respectively bear to the total exportation are

ARTICLES	Value.	PET
Cotton and cotton manufac- tures	\$213,700,049 160,3;6,820 107,332,456 54,326,202 24,767,305 21,464,322	22.07

Our imports during the year were as follows:

Merchandise,......\$570,580,053 80 Gold...... 20,691,896 00 Silver..... 10,550,627 00 Total.... \$022,822,566 80 The following are given as prominent

their values and with the percentage they bear to the importation: ARTICL'S. · ilk and its manufactures..... Chemicals, dyeings and medi 25,070,816 6,07 Iron and steel and their m'fs... F ax, hemp jute and their m'fs. Cotton and its manufactures... Hides and skips after the

Of the entire amount of duties collected, 70 per cent was collected from the following articles of import: Sugar and molasses 29, wool and its manufactures 15, silk and its manufactures 8, iron and steel and their manufactures 7, cotton manufactures 6, flax, hemp and jute and their manufactures 5.

20,586,443 3.56

In Favor of Protection.

The fact that our revenues are in excess of the actual needs of an economical administration of the government, justifies a reduction in the amount exacted from the people for its support. Our government is but the means established by the will of a free people, by which certain principles are applied which they have adopted for their benefit and protection, and it is never better administered and its true spirit is never better observed than when the people's taxation for its support is scrupulously limited to the actual necessity of expenditure, and distributed according to just and equitable plan. The proposition with which we have to deal is the reduction of the revenue received by the government, and indirectly paid by the people from customs duties. The question of free trade is not involved, nor is there now any occasion for the general discussion of the wisdom or expediency of a protective system. Justice and fairness dictate that in any modification of our present laws relating to revenue, the industries and interests which have been encouraged by such laws, and in which our citizens have large investments, should not be ruthlessly injured or destroyed. We should also deal with the subject in such manner as to protect the interests of American labor, which is the capital of our workingmen. Its stability and proper remuneration furnish the most justifiable pretext for a protective policy. Within these limitations, a certain reduction The amount of such reduction having been determined, the inquiry follows Where can the tariff best be remitted. and what articles can best be released from duty in the interest of our citizens; I think the reduction should be made in the revenue derived from a tax upon the imported necessaries of life. We thus directly lessen the cost of living in every family of the land, and release to the public in every humble home a larger measure of the rewards of frugal indus-

National Banks and Silver Currency. During the year ended Nov. 1, 1885. one hundred and forty-five national banks were organized, with an aggregate capital of \$16,938,000 and circulating notes have been issued to them amounting to \$4,274,910. The whole number of these banks in existence on the day above mentioned was 2,727. The very limited amount of circulating notes issued by our national banks compared with the amount the law permits them to issue upon a deposit of bonds for their redemption, indicates that the volume of our circulating medium may be largely increased through this instrumentality. Nothing more important than the present condition of our currency and coinage can claim your attention. Since February, 1878, the government has, under the compulsory provisions of law. purchased silver builion and coined the same at the rate of more than \$2,000,000 every month. By this process, up to the present date 215,759,431 silver dollars have been coined. A reasonable appreciation of a delegation of power to the general government would limit its exercise without express restrictive words to the people's needs and the requirements of the public welfare. Upon this theory the authority to coln money given congress by the constitution, even if it permits the purchase by the government of the bullion for coinage, in any event does not justify such purchase and coinage to an extent beyond the amount needed for sufficient circulating medium. The desire to utilize the silver product of the country should not lead to a misuse or the perversion of this power. The necessity for such an addition to the silver currency of the nation as is comnelled by the silver coinage act is negatived by the fact that up to the present time only about 50,000,000 of silver dollars so coined have actually found their way into circulation, leaving more than 165,000,000 in possession of the government, the custody of which has entailed a considerable expense for construction of vaults for its deposit. Against this latter amount there are outstanding silver certificates amounting to about \$93,000,000. Every month \$2,000,000 of gold in the public treasury are paid out for \$2,000,-000 or more of silver dollars to be added to the idle mass already accumulated. If continued long enough, this operation will result in the substitution of silver for all the gold the government owns, applicable to its general purposes. It will not do to rely upon the receipts of the government to make good this decline of gold, because the silver thus coined, having been made legal tender for all debts and dues, public and private, at times during the last six months, fifty-

eight percent of the receipts for duties

have been in silver or silver certificates.

exports from the United States to foreign | while the average within that period has

Leen 20 per cent. The proportion of silver and its certificates received by the government will probably increase as time goes on, for the reason that the nearer the period approaches when it will be obliged to offer silv r in payment of its obligations, the greater inducements there will be to heard gold against depreciation in the value of silver, or for the purpose of speculating. This hoarding of gold has already begun. When the time comes that gold has been withdrawn from circulation, there will be apparent the difference between the real value of the silver dollar and a dollar in gold and the two coins will part comand necessary in our dealings with other countries, will be at a premium over silver. Banks which have substituted gold for the deposits of their customers may pay taem with silver bought with said gold, thus making a handsome profit. Rich speculators will sell their oarden gold to their neighbors who need t to Hapalate their foreign debts at ruinas p canium over silver, and the laborng men and women of the land, most lefenseless of all, will find that the dollar articles of itaports during the year, with sectived for the wages of their toil has adly shrunk in its purchasing power. It may be said that the latter result will be but temporary and that ultimately the arice of labor will be adjusted to the hange, but even if this takes place the wage-worker cannot possibly gain, but must inevitably lose, since the price he is compelled to pay for his fiving will not only be measured in a coin heavily depreciated and fluctuating and uncertain in its value, but this uncertainty in the value of the purchasing medium will be made the pretext for an advance in prices beyond that justified by actual depreciation. The words uttered in 1834 by Daniel Webster, in the senate of the United States, are true to-day: "The very man of all others who has the deepest interest in a sound currency, and who suffers most by mischievous legislation in money matters, is the man who earns his daily bread by his daily toil." The most distinguished advocate of bimetalism, discu-sing our silver coinage, has lately written: "No citizen's American hand et felt the sensation of cheapness either in receiving or expending the silver act dollars. And those who live by labor of legitimate trade never will feel that sensation of cheapness. However plenty silver dollars may become, they will not be distributed as gifts among the people, and if the laboring man should receive four depreciated dollars where he now receives but two, he will pay in the depreciated coin more than double the price he now pays for all the necessaries and comforts of life. Those who do not ferr any disastrous consequences arising from the continued compulsory coinage of silver as now directed by law. and who suppose that the addition to the currency of the country Intended as its result will be a public benefit, are reminded that history demonstrates that the point is easily reached in the attempt to float at the same time two sorts of money of different excellency, when the better will ceaseto be in erremation. The hoarding of gold which has already taken place indicates that we shall not escape the usual experience in such cases; o if the silver coinage be continued, we may reasonably expect that gold and its equivalent will abandon the field of circutation to silver alone. This of course must produce a severe contraction of our circulating medium instead of adding to it. It will not be disputed that any attempt on the part of the government to cause the circulating of the silver dollar, worth 80 cents, side by side with gold Iollars, worth 100 cents, must be seconded by the confidence of the people, that bott coins may retain the same purchasing power and be interchangeable at wilspecial effort has been made by the see retary of the treasury to increase the amount of our silver coin in circulation. but the fact that a large share of the limited amount thus put out has soon returned to the public treasury in payment of duties, leads to the belief that the pea ple do not now desire to keep it in hand: and this, with the evident disposition to hoard gold, gives rise to the suspicion already exists there lack of confidence among the people toughing our financial processes. There is certainly not enough silver now in circulation to cause uneasiness, and the whole amount coined and now on hand might, after a time, be absorbed by the people without apprehension: but it is the ceaseless stream that threatens to overflow the land which causes fear and uncertainty. What has been thus far submitted upon this subject relates almost entirely to considerations of a home nature, unconnected with the bearing which the policies of other nations have upon the question; but it is perfectly apparent that a line of action in regard to our currency cannot be wisely settled upon or persisted in without considering the attitude on the subject of other corntries with whom we maintain intercours through commerce, trade and travel. An acknowledgment of this is found in the act by virtue of which our silver i compulsorily coined. It provides that ·the president shall invite the governments of the countries composing the Latin union, so called, and of such other European nations as he may deem advisable, to join the United States in a conference to adopt a common ratio between gold and silver for the purpose of establishing internationally the use of bi-metalic money, and securing fixity of relative value between these metals. This conference absolutely failed, and a similar fate has awaited all subsequent efforts in the same direction, and still we continue our coinage of silver at a ratio different from that of any other nation. The most vital part of the silver coinage act remains imperative and unexecuted and without an ally or friend we battle upon the silver field in an illogical and losing contest. To give full effect to the design of congress on this subject I have made careful and earnest endeavor since the adjournment of the last congress To this end I delegated a gentleman well instructed in fiscal science to proceed to the financial centers of Europe, and is conjunction with our ministers to Eugland, France and Germany, to obtain a full knowledge of the attitude and intent of these governments respecting the establishment of such an international ratio as would procure free colnage of both metals at the mints of these conntries and our own. By my direction our consul-general at Paris has given close attention to the proceedings of the congress of the Latin union, in order to indieate our interest in its objects and to

report its action. It may be said in brief,

as the result of these efforts, that the

attitude of the leading powers remains

substantially unchanged since the mone

tary conference of 1881, nor is it to be

questioned that the views of these gov-

ernments are in each instance separated

by the weight of public opinion. The

steps thus taken have, therefore, only more fully demonstrated the uselessness

of further attempts at present to arrive at

any agreement on the subject with other methods have produced an important nations. In the meantime we are accumulating silver coin based upon our own peculiar ratio to such an extent, and assuming so heavy a burden to be provided for in any international negotiations, as will render us an undesirable party to any future monetary conference of nations. It is a significant fact that four of the five countries comprising the Latin union mentioned in our coinage act, embarrassed with their silver currency. have just completed an agreement among themselves that no more silver shall be coined by their respective governments. and that such as has already been coined and is in circulation shall be redeemed in gold by the country of its coinage. The resort to this expedient by these countries may well arrest the attention of those who suppose that we can succeed without shock or injury in the attempt to circulate upon its merits all the silver may coin under the provisions of our silver coinage act. The condition in which our treasury may be placed by a persistence in our present course is a matter of concern to every patriotic citizen who does not desire his government to pay in silver such of its obligations as should be paid in gold. Nor should our condition be such as to oblige us in a prudent management of our affairs to discontinue the calling in and payment of interest-bearing obligations which we have the right now to discharge, and thus to avoid the payment of further interest thereon. The socalled debtor class, for whose benefit the continued compulsory coinage of silver is insisted upon, are not dishonest because they are in debt, and they should not be suspected of a desire to jeopardize the financial safety of the country in order that they may cancel their present debts by paying the same in depreciated dollars. Nor should it be forgotten that it is not the rich nor the money-lender alone that must submit to such a readjustment enforced by the government and their debtors. The pittance of the widow and orphan and the incomes of helpless beneficiaries of all kinds be disastrously reduced The depositors in savings-banks, and other institutions which hold in trust the savings of the poor, when their little accumulations are scaled down to meet the new order of things, would, in their distress, painfully realize the delusion of the promise made to them that plentiful money would improve their conditions. We have now on hand all the silver dollars necessary to supply the present need of the people, and to satisfy those who from sentiment wish to see them in circulation, and if their coinage is suspended they can be readily obtained by those who desire them. If the need of more is at any time apparent their coinage may be resumed. That disaster has not already overtaken us furnishes no proof that danger does not wait upon a continuation of the present silver coinage. We have been saved by the most careful management and unusual expedients, by a combination of fortunate conditions, and by a confident expectation that the course of the government in regard to silver coinage would be speedily changed by action of congress. Prosperity nesitates upon our threshold because of dangers and uncertainties surrounding this question; capital theidly shrinks from trade, and investors are unwilling to take the chance of the questionable shape in which their money will be returned to them, while enterprise haltsat a risk against which care and sagacious management do not protect. employment, and suffering and distress are visited upon a portion of our fellowcitizens especially entitled to the careful consideration of those charged with duties of legislation. No interest appeals to us so strongly for a safe and staple curreacy as the vast army of the unemployed. I recommend the suspension of compulsory coinage of silver dollars directed by the law passed in February,

On the Rivers and the High Seas. 30th of June, 1885, was composed of 140 persons, including officers, clerks and nessengers. The expenses of the service over the receipts were \$138,822.27 during the fiscal year. The special inspection of foreign steam vessels, organized under the law passed in 1882, was maintained during the year at an expense of 8366,416.30. Since the close of the fiscal year reductions have been made in the force employed which will result in a saving during the current year of \$17,000 without affecting the efficiency of the

The supervising surgeon-general reports that during the fiscal year 41.714 patients have received relief through marine hospital service, of whom 12,803 were treated in hospitals, and 28,911 at dispensaries. Active and effective efforts have been made through the medium of this service to protect the country against an invasion of cholera, which has prevailed in Spain and France, and the small-pox which recently broke

out in Canada. The most gratifying results have attended the operations of the life-saving service during the past fiscal year. The observance of the provision of law requiring the appointments of the force employed in the service to be made 'solely with reference to their fitness and without reference to their political or party affiliations." has secured the result which may confidently be expected in any branch of public employment where such a rule is applied. As a consequence this service is composed of men qualified for the performance of their langerous and exceptionally important duties. The number of stations in commission at the close of the year was 203. The number of disasters to vessels and crafts of all kinds within their field of action was 371. The number of persons endangered in such disasters was 2,439, of whom 2,428 were saved, and only 11 lost. Other lives which were imperiled, though not by disasters to shipplog, were also rescued, and a large amount of property was saved through the aid of this service. The cost of its maintenance during the year was \$828,-

474.43. The work of the coast and geodetic survey was, during the last fiscal year, carried on within the boundaries and off the coast of thirty-two states, two territories and the District of Columbia. In July last certain irregularities were found to exist in the management of this bureau, which led to a prompt investigation of its method. The abuses which were brought to right by this examination and the reckless disregard of duty and the interests of the government developed on the part of some of those connected with the service, made a change of superintendency and a few of its other officers necessary. Since the bureau has been in new bands, an introduction of economies and application of business tures on account of the military academy

saving to the government and a promise of more useful results. This service has been regulated thing but most indefinite legal enactments, and the most unsatisfactory rules. It was many years ago sanctioned apparently for a purpose regarded as temporary, and related to a survey of our coast. Having gained a place in the appropriation made by congress, it has gradually taken to itself powers and objects not contemplated in its creation. and extended its operations until it sad ly needs legislative attention. So far as a further survey of our coast is concerned, there seems to be propriety in transferring that work to the navy de-partment. The other duties now in charge of this establishment, if they cannot be profitably attached to some existing department or other bureau, should be prosecuted under a law exactly defining their scope and purpose, and with a careful discrimination between the scientitle inquiries which may properly be assumed by the government, and those which should be undertaken by state authorities or by Individual enterprise. It is hoped that the report of the congressional committee heretofore appointed to investigate this and other like matters will aid in the accomplishment of proper legislation on this subject.

The Department of War-

The report of the secretary of war is berewith submitted. The attention of congress is invited to the detailed account which it contains of the administration of his department, and his recommendations and suggestions for the Improve-

ment of the service. The army consisted, at the date of the last consolidated returns, of 2,154 officers and 21,705 enlisted men. The expenses of the epartment for the fiscal year ending June 30, 1885, including \$13,164,-394.60 for public works and river and harbor improvements, were \$45,850,

Besides the troops which were dispatched in pursuit of the small band of indians who left their reservation in Arizona and committed murders and outrages, two regiments of eavalry and one of infantry were sent last July to the Indian Territory to prevent an outbreak They rewhich seemed imminent. mained to aid if necessary in the expulsion of intraders upon the reservation who have caused the discontent among the Indians, but the executive proclamation warning them to remove was complied with without interference.

Troops were also sent to Rock Springs, in Wyoming, after the massacre of Chinese there, to prevent further disturbances, and afterwards to Seattle, in Washington Territory, to avert a threatened attack upon Chinese laborers, and domestic violence there. In both cases the mere presence of the troops had the desired effect. It appears that the number of desertions have diminished, but that during the last fiscal year they numbered 2,927, and one instance is given by the lieutenant-general of six desertions by the same recruit. I am convinced that this number of desertions can be much diminished by better discipline and treatment, but the punishment should be increased for repeated offenses. These desertions might also be reduced by lessening the term of first enlistments. thus allowing a discontented recruit to contemplate a nearer discharge and the army a profitable riddance after As a necessary consequence labor lacks one term of service. A re-enlistment would be quite apt to secure a contented recruit and good soldier. The acting judge-advocate general reports that the number of trials by general courts-martial during the year was 2,328, and that 11.851 trials took place before garrison courts-martial. and regimental suggestion that probably more than half of the army have been tried for offenses great and small in one year may well arrest attention. Of course many of these trials before garrison and regimental courts-martial were for offenses almost The steamboat inspection service on the | frivolous, and there should, I think, be a way devised to dispose of these in a more summary and less inconvenient manner then by court-martial. If some of the proceedings of courts-martial which I have had occasion to examine present the ideas of justice which generally prevail in these tribunals, I am satisfied that they should be much reformed, if the honor and the honesty of the army and navy are, by their instrumentality, to be vindicated and pro-

The board of fortifications or other de fenses appointed in pursuance of the provisions of the act of congress approved March 3, 1885, will in a short time present their report, and it is hoped that this may greatly aid the legislation so necessary to remedy the present defenseless condition of our seacoast. The work of the signal service has been prosecuted during the last year with results of increasing benefit to the country The field of instruction has been enlarged with a view of adding to its usefulness. The number of stations in operation June 30, 1885, was 489. Telegraphic reports are received daily from 160 stations. Reports are also received from Canadian stations, from 375 volunteer observers, 52 army surgeons at military posts and 333 foreign stations. The expense of service during the fiscal year, after deducting receipts from military telegraph lines. was \$79,759,297. In view of the fact referred to by the secretary of war that work of this service ordinarily is of scientific nature, and the further fact that it is assuming larger proportions constantly and becoming more and more unsuited to the fixed rules which must govern the army, I am inclined to agree with him in the opinion that it should be separately established. If this is done the scope and extent of its operations should as nearly as possible be definitely prescribed by law and always capable of exact ascertain-

reported as being in a high state of efficiency, and well equipped for the satisfactory accomplishment of the purposes of maintenance. The fact that class which graduates next is an unusually large year one has constrained me to decline to make appointments to second lieutenancies in the army from civil life, so that such vacancies as exist in these places may be reserved for such graduates; and yet it is not probable that there will be enough vacancles to provide positions for them all when they leave the military school. Under the prevailing law and usage those not thus assigned to duty never actually enter the military service It is suggested that the law on this subject be changed so that such of those young men as are not at once assigned to duty after graduating may be retained as second lieutenants in the army, if they desire it, subject to assignment, when opportunity occurs, under proper rules as to priority of selection. The expendi-

for the last fiscal year, exclusive of the sum taken for its purposes from appropriations for the support of the army, vere \$290,712.07.

The act approved March 3, 1885, designed to compensate officers and enlisted men for loss of private property while in the service of the United States, is so indefinite in its terms, and apparently admits so many claims the adjustment of which could not have been contemplated, that if it is to remain on the statue-book it needs amendment.

There should be a general law of concress prohibiting the construction of bridges over navigable waters in such a manner as to obstruct navigation, with provisions for preventing the same. It seems that under existing statutes the government cannot intervene to prevent such a construction when en-tered upon without its consent. Thus it is represented that, while the officers of the government are with great care guarding against obstructions of navigation by a bridge across the Missisappi river at St. Paul, a large pier for a ridge has been built just below this place directly in the navigable channel of the river. If such things are to be permitted, a strong argument is presented against the appropriation of large sums of money to improve the navigation of this and other important highways of com-

The Secretary of the Navy.

The report of the secretary of the pavy gives a history of the operations of his department, and the present condition of the work committed to his charge. He details in full the course pursued by him to protect the rights of the government in respect to certain vessels unfinished at the time of his accession to office, and also concerning the dispatch boat "Dolphin." claimed to be completed and awaiting the acceptance of the department.

No one can fail to see from the recital contained in this report that only the application of business principles has been usisted upon in the treatment of these subjects, and that whatever controversy has arisen was caused by the execution on the part of the department of contracts or obligations as they were legally construed in the case of the "Dolphin," with entire justice to the contractor. An agreement has been entered into providing for the ascertainment by a judicial inquiry of the complete or partial compliance with the contract in her construction. and further providing for the assessment of any damages to which the government may be entitled on account of a partial failure to perform such contract, or the payment of the sum still remaining unpaid upon her price in case a full per-formance is adjudged. The contractor, by reason of his failure in business, being unable to complete the other three vessels, they were taken possession of by the government in their unfinished condition, under a clause in the contract permitting such a course, and are now in process of completion in the yard of the contractor, but under the supervision

of the navy department. Congress in its last session authorized the construction of two additional new cruisers and two gunboats, at a cost not exceeding in the aggregate \$2,995,000. The appropriation for this purpose having become available on the 1st day of July last, steps were at once taken for the procurement of such plans for the construction of these vessels as would be likely to insure their usefulness when completed. These are of the utmost importance, considering the constant advance in the art of building vessels of this charac er, and the time is not lost which is spent in their careful consideration and selection.

All must admit the importance of an effective navy to a nation like ours, naving such an extended sea coast to protect, yet we have not a single vessel of war that could keep the sea against a first-class vessel of any important power. Such a condition ought not longer to continue. The nation that cannot resist aggression is constantly exposed to it. Its foreign policy is of necessity weak. and its negotiations are conducted with disadvantage, because it is not in condition to enforce the terms dictated by its sense of right and justice. Inspired as I am with the hope, shared by all patriotic citizens, that the day is not far distant when our navy will be such as befits our standing among the nations of the earth, and rejoiced at every step that leads in the direction of such a consummation. I deem it my duty especially to direct the attention of congress to the close of the report of the secretary of the navy in which the humiliating features of the present organization of this department are exhibited and the startling abuses and waste of his present method are exposed. The conviction is forced upon us with the certainty of mathematical demonstration, that before we proceed further in the restoration a navy, we need a thoroughly reorganized navy department. The fact that within seventeen years more than \$75,000,000 has been spent in construction, repair, equipment and armament of vessels, and the further fact that instead of an effective and creditable fleet we have only the discontent and apprehension of a nation undefended by war vessels, added to the disclosures now made, do not permit us to doubt that every attempt to revive our navy has thus far, for the most part, been misdirected, and all our efforts in that direction have been little better than blind gropings and expensive, aimless follies. Uuquestionably if we are content with the maintenance of a navy department simply as an ornament to the government, a constant watchfulness may prevent some of the scandal and abuse which have found their way into our present organization, and its incurable waste may be reduced to the mininum: but if we desire to build ships for present use The military academy of West Point is instead of naval reminders of the days that are past, we must have a department organized for the work, supplied with all the talent and ingenuity our country affords, prepared to take advantage of the experience of other nations, so systematized that all effort shall unite and lead in one direction, and fully imbued with the conviction that war vessels, though new, are useless unless they combine all that the ingenuity of man has up to this day brought fourth relating to their construction. I carnestly commend that portion of the secretary's report devoted to this subject to the action of congress, in the hope that the suggestions touching the reorganization of his department may be adopted as the first step toward the reconstruction of our navy.

> The Postoffice Department The affairs of the postal service are exhibited by the report of the postmaster general, which will be laid before you. The postal revenue, whose rates of gain