majesty's government in giving effect to the award, in anticipation of any request from this government, and before the reception in the United States of the award signed by the Emperor. Her majesty has given instructions for the removal of her troops which had been stationed there, and for the cessation of all exercise or claim of jurisdiction, so as to leave the United States in the exclusive possession of the lately disputed territory.

I am gratified to be able to announce that the orders for the removal of the troops have been executed, and that the military joint occupation of San Juan has ceased.

UNITED STATES IN POSSESSION—SURVEY.

The islands are now in the exclusive possession of the United States. It now becomes necessary to complete the survey and determination of that portion of the boundary line through the Haro channel, upon which the commission which determined the remaining part of the line were unable to agree. I recommend the appointment of a commission to act jointly with one which may be named by her majesty for that purpose.

MONUMENTS OF BOUNDARY.

Experience of the difficulties attending the determination of our admitted line of boundary, after the occupation of the territory and its settlement by those owing allegiance to their respective governments, points to the importance of establishing by natural objects or other monuments the actual line between the territory acquired by purchase from Russia and the adjoining possessions of her Britannic Majesty. The region is now so sparsely occupied that no conflicting interests of individuals or jurisdiction are likely to interfere, to the delay or embarrassment of the actual location of the line. If deferred until population shall enter and occupy the territory, some trivial contest of neighbors may again array the two governments in antagonism.

I therefore recommend the appointment of a commission, to act jointly with one that may be appointed on the part of Great Britain, to determine the line between our territory of Alaska and the possessions of Great Britain.

FISHERIES—BRITISH WATERS.

In my last annual message I recommended the legislation necessary on the part of the United States to bring into operation the articles of the treaty of Washington, of May 8, 1871, relating to the fisheries and to other matters touching the relations of the United States toward British North American possessions, which become operative so soon as the proper legislation should be had on the part of Great Britain and its possessions. That legislation on the part of Great Britain and its had not then been had, and during the session of Congress the question was raised, which for the time raised a doubt whether any action by Congress in the direction indicated would become important. This question has since been disposed of, and I have received notice that the Imperial Parliament and the legislatures of the provincial governments have passed laws to carry the provisions of the treaty on the matters referred to into operation. I therefore commend your early adoption of the legislation in the same direction necessary on the part of this government.

BOUNDARY JOINT COMMISSION.

The joint commission for determining the boundary line between the United States and the British possessions between the Lake of the Woods and the Rocky mountains, has organized and entered upon its work. It is desirable that the force be increased in order that the completion of the survey and determination of the line may be the sooner attained. To this end I recommend that a sufficient appropriation be made.

FRIENDLY FOREIGN RELATIONS.

With France, our earliest ally, Russia, the constant and steady friend of the United States, Germany, with whose government and people we have so many causes of friendship and so many common sympathies, and the other powers of Europe, our relations are maintained of the most friendly terms.

EXCHANGE OF TREATIES.

Since my last annual message the exchange has been made of the ratifications of a treaty with the Austro-Hungarian Empire, relating to naturalization; also a treaty with the German Empire respecting consuls and trade-marks. Also of a treaty with Sweden and Norway relating to natralization, all of which treaties have been duly proclaimed.

INTERNATIONAL STATISTICAL CONGRESS.

Congress, at its last session, having made an appropriaton to defray the expense of commissioners on the part of the United Sfatee, to the International Statistical Congress, at St. Petersburg, the persons appointed in that character proceeded to their destination, and attended the sessions of the congress. Their report shall in due season be laid before you. This congress meets at intervals of about three years, and has held its sessions in several of the countries of Europe. I submit to your consideration the propriety of extending an invitation to the congress to hold its next meeting in the United States. The centennial celebration to be held in 1876 would afford an appropriate occasion for such meeting.

THE INTERNATIONAL EXPOSITION.

Preparations are making for the International Exposition, to be held during the next year in Vienna, on a scale of very great magnitude. The tendency of these expositions is in the direction of advanced civilization, and of the elevation of industry and of labor, and of the increase of human happiness, as well as of greater intercourse and good will between nations. As this exposition is to be the first which will have been held in Eastern Europe, it is believed that American inventors and manufacturers will be ready to avail themselves of the opportunity for the presentation of their productions if encouraged by proper aid and protection.

At the last session of Congress authority was given for the appointment of one or more agents to represent the government at the Exposition. The authority thus given has been exercised, but in the absence of any appropriation there is danger that the important benefits which the occason offers will, in a large degree, be lost to citizens of the United States. I commend the subject strongly to your consideration, and recommend that an adequate appropriation be made for the purpose to further aid American exhibitors at the Vienna Exposition. I would recommend, in addition to an appropriation of money, that the Secretary of the Navy be authorized to fit up two naval vessels to transport between our Atlantic cities and Trieste, or the most convenient port to Vienna and back, their articles for exhibition.

JUAREZ—MEXICO.

Since your last session the President of the Mexican republic, distinguished by his high character and by his services to his country, has died. His temporary successor has now been elected with great unanimity by the people, a proof of confidence on their part in his patriotism and wisdom, which it is believed will be confirmed by the results of his administration. It is particularly desirable that nothing should be left undone by the government of their republic to strengthen their relations as neighbors and friends.

BORDER LAWLESSNESS.

It is much to be regretted that many lawless acts continue to disturb the quiet of the settlements on the border between our territory and that of Mexico, and complaints of wrongs to American citizens in various parts of the country are made.

The revolutionary condition in which the neighboring republic has so long been involved has in some degree contributed to this disturbance. It is to be hoped that, with a more settled rule of order through the republic, which may be expected from the present government, the acts of which just complaints are made will cease.

MEXICAN COMMISSIONS.

The proceedings of the commission under the convention with Mexico of the fourth of July, 1868, on the subject of claims, have, unfortunately, been checked by an obstacle for the removal of which measures have been taken by the two governments, which, it is believed, will prove successful.

The commissioners appointed, pursuant to the joint resolution of Congress of the seventh of May last, to inquire into the depredations on the Texan frontier, have diligently made investigations in that quarter. Their researches were necessarily incomplete, partly on account of the limited appropriation made by Congress. Mexico, on the part of that government, has appointed a search commissioner to investigate these outrages. It is not announced officially, but the press of that country states that full investigation is desired, and that the co-operation of all parties concerned is invited to secure that end. I, therefore, recommend that a special appropriation be made, at the earliest day practicable, to enable the commissioners on the part of the United States to return to their labors without delay.

CUBA.

It is with regret that I have again to announce a continuance of the disturbed condition of the island of Cuba. No advance toward the pacification of the discontented part of the population has been made, while the insurrection has gained no advantages and exhibits no more of the elements of power or of the prospects of ultimate success than were exhibited a year ago. Spain, on the other hand, has not succeeded in its repression, and the parties stand apparently in the same relative attitude which they have occupied for a long time past. This contest has lasted now for nearly four years. Were it seen at a distance from the neighborhood, we might be indifferent to its result, although humanity could not but be shocked by hearing of its incidents, wherever they might occur. It is, however, at our own door.

SLAVERY CAUSES THE STRIFE.

I can not doubt that the continued maintenance of slavery in Cuba is among the strongest inducements for the continuance of this strite. A terrible wrong is the natural cause of a terrible evil. The abolition of slavery and the introduction of other reforms in the administration of government in Cuba could not fail to advance the restoration of peace and order. It is greatly to be hoped that the present liberal government of Spain will voluntarily adopt this view. The law of emancipation, which was passed more than two years since, has remained unexecuted in the absence of regulations for its enforcement. It was but a feeble step toward emancipation, but it was the recognition of right, and was hailed as such, and exhibited Spain in harmony with sentiments of humanity and of justice, and in sympathy with the other powers of the Christian and civilized world.

Within the past few weeks the regulations for carrying out the law of emancipation have been announced, giving evidence of the sincerity of intention of the present government to carry into effect the law of 1870.

SLAVERY CONDEMNED.

I have not failed to urge the consideration of the wisdom of the policy and the justice of a more effective system for the abolition of the great evil which oppresses a race and continues a bloody and destructive contest close to our border, as well as the expediency and the justice of conceding reforms of which the propriety is not questioned.

CUBAN FILIBUSTERS.

Deeply impressed with the conviction that the continuance of slavery is one of the most active causes of the continuance of the unhappy condition in Cuba. I regret to believe that citizens of the United States, or those claiming to be such, are large holders in Cuba of what is there claimed as property, but which is forbidden and denounced by the laws of the United States. They are thus, in defiance of the spirit of our own laws, contributing to the continuance of this distressing and sickening contest. In my last annual message I referred to this subject, and I again recommend such legislation as may be proper to denounce, and, if not prevent, at least to discourage American citizens from holding or dealing in slaves.

SPAIN AND THE ALLIED REPUBLICS.

It is gratifying to announce that the ratification of the conventions concluded under the auspices of this government between Spain on the one part and the allied Republics of the Pacific on the other, providing for an armistice, have been exchanged. A copy of the instrument is herewith submitted. It is hoped that this may be followed by a permanent peace between the same parties.

BRAZIL AND THE ARGENTINE REPUBLIC.

The differences which at one time threatened the maintenance of peace between Brazil and the Argentine Republic, it is hoped, are in the way of satisfactory adjustment. With these States, as with the Republics of Central and of South America, we continue to maintain the most friendly relations.

VENEZUELA TO PAY UP.

It is with regret, however, I announce that the government of Venezuela has made no further payments on account of the awards under the convention of the twenty fifth of April, 1866. That republic is understood to be now almost, if not quite, tranquilized. It is hoped, therefore, that it will lose no time in providing for the unpaid balance of its debt to the United States, which, having originated in injuries to our citizens by Venezuelean authorities, and having been acknowledged pursuant to a treaty in the most solemn form known among nations, would seem to deserve a preference over debts of a different origin, contracted in a different manner. This subject is again recommended to the attention of Congress, for such action as may be peemed proper.

JAPAN.

Our treaty relations with Japan remain unchanged. An imposing embassy from that interesting and progressive nation visited this country during the year that is passing, but being unprovided with powers for the signing of a convention in this country, no conclusion in that direction was reached. It is hoped, however, that the interchange of opinions which took place during their stay in this country has led to a mutual appreciation of the interests which may be promoted when the revision of the existing treaty shall be undertaken.

INTERNATIONAL EDUCATION.

In this connection I renew my recommendation of one year ago, that to give importance and to add to the efficiency of our diplomatic relations with Japan and China, and to further aid in retaining the good opinion of those people and to secure to the United States its share of the commerce destined to flow between those nations and the balance of the commercial world, an appropriation be made to support at least four American youths in each of those countries, to serve as a part of the official family of our ministers there. Our representatives would not even then be placed upon an equality with the representatives of Great Britain and of some other powers. As now situated, our representatives in Japan and China have to depend for interpreters and translators upon natives of those countries, who know our language imperfectly, or procure for the occasion the services of employes in foreign business houses or the interpreters of other foreign ministers.

TRANSFER OF POWERS.

I renew the recommendation made on a previous occasion, of the transfer to the Department of the Interior, to which they seem more appropriately to belong, of all the powers in relation to the Territories which the Department of State is now charged by law or custom.

DISTRESSED SEAMEN AND CITIZENS.

Congress, from the beginning of the government, has wisely made provision for the relief of distressed seamen in foreign countries. No similar provisions, however, have hitherto been made for the relief of citizens in distress abroad, other than seamen. It is understood to be customary with other governments to authorize consuls to extend such relief to their citizens or subjects in certain cases. A similar authority and an appropriation to carry it into effect are recommended in the case of citizens of the United States destitute or sick under such circumstances. It is well known that such citizens resort to foreign countries in great numbers. Though most of them are able to bear the expenses incident to locomotion, there are some who, through accident or otherwise, become penniless, and have no friends at home able to succor them. Persons in this situation must either perish, cast themselves on the charity of foreigners, or be relieved at the private charge of our own officers, who usually, even with the most benevolent disposition, have nothing to spare for such purposes. Should the authority and appropriation asked for be granted, care will be taken to carry the beneficence of Congress into effect, that it shall not be unnecessarily or unworthily bestowed.

THE TREASURY DEPARTMENT—REPORTS.

The moneys received and conveyed into the Treasury during the fiscal year ending June 30, 1872, were: From customs, $216,370,286 77; from sales of public lands $2,575,714 19; from internal revenue, $130,642,177 72; from tax on national bank circulation, $6,523,396 39; from Pacific railway companies, $749,861 87; from customs fines, etc., $1,136,442 34; from fees, consular, patents, land, etc., $2,984,095 92; from miscellaneous sources, $4,412,254 71; total ordinary receipts, $364,694,229 91; from premium on sales of coin, $9,412,637 65; total net receipts $374,106,867 56. Balance in treasury June 30, 1871, $169,935,705 59, including $1,822,835 received from unavailable; total available cash, $184,042,573 15.

EXPENDITURES OF THE YEAR.

The net expenditure by warrants during the same period were for civil expenses, $16,187,059 20; for foreign intercourse, $1,839,369 14; for Indians, $7,001,728 82; for pensions, $28,533,402 76; for military establishment, including fortifications, river and harbor improvements and arsenals, $35,372,157 29; for naval establishments, including vessels and machinery and improvements at navy yards, $21,249,899 99; for miscellaneous and civil, including public buildings, light houses and collecting the revenue, $12,958,329 08; for interest on the public debt, $117,357,639 72. Total, exclusive of principal and premium on the public debt, $270,559,625 91; for premium on bonds purchased, $6,958,366 76; for redemption of the public debt, $99,960,253 54. Total, $166,918,520 30. Total net disbursements, $377,478,216 21. Balance in the treasury June 30, 1872, $106,564,356 94. Total $184,042,573 15.

DEBT REDUCTION.

From the foregoing statement it appears that the net reduction of the principal of the debt during the fiscal year ended June 30, 1872, was $99,960,253 54. The source of this reduction is as follows: Net ordinary receipts during the year, $364,694,229 91; net ordinary expenditures, including interest on the public debt, $270,559,625 91, leaving surplus revenue $94,134,604. Add the amount received from premiums and sales of gold in excess of the premiums paid in bonds purchased, $2,451,350 89; add the amount of the reduction of the cash balance at the close of the year accompanied with the same at the commencement of the year, $3,371,348 65—total, $99,960,253 53. This statement treats solely of the principal of the public debt.

By the monthly statement of the public debt, which adds together the principal and interest accrued to date not due, and deducts the cash in the treasury as ascertained on the day of publication, the reduction was $100,544,491 28. The source of this reduction is as follows: Reduction in principal account, $99,960,093 54; reduction in paid interest account, $3,330,552 96; grand total, $103,290,956 50. Reduction in cash on hand, $2,746,465 22; grand total, $100,544,491 28.

On the basis of the last table the statements show a reduction of the public debt from the first of March, 1869, to the present time as follows: From March 1, 1869, to March 1, 1870, $87,134,782 84; from March 1, 1870, to March 1, 1871, $117,919,650 25; from March 1, 1871, to March 1, 1872, $93,895,248 04; from March 1, 1872, to November 1, 1872, eight months, $[illegible]—total, $303,696,999 87.

COLLECTING THE REVENUE.

With the great reduction of taxation by the acts of Congress at its last session, the expenditure of the government in collecting the revenue will be much reduced for the next fiscal year. It is very doubtful, however, whether any further reduction of so vexatious a burden upon any people will be practicable for the present.

THE NATION'S CREDITORS.

At all events, as a measure of justice to the holders of the nation's certificates of indebtedness, I would recommend that no more legislation be had on this subject, unless it be to correct errors of omission or commission in the present laws, until sufficient time has elapsed to prove that it can be done and still leave sufficient revenue to meet the current expenses of the government, pay the interest on the public debt and provide for the sinking fund established by law.

The preservation of our national credit is of the highest importance.

ULTIMATE SPECIE PAYMENTS.

Next in importance to this comes a solemn duty to provide a national currency of fixed, unvarying value as compared with gold, and as soon as practicable, having a due regard for the interests of the debtor class, and the vicissitudes of trade and commerce, convertible into gold at par.

THE WAR DEPARTMENT.

The report of the Secretary of War shows the expenditures of the War Department for the fiscal year ending June 30, 1871, to be $35,761,931 82, and for the fiscal year ending June 30, 1872, to be $35,372,157 29, showing a reduction in favor of the last fiscal year of $427,834 62.

The estimates for military appropriations for the next fiscal year, ending June 30, 1874, are $33,801,478 28. The estimates of the Chief of Engineers are submitted separately for fortifications, river and harbor improvements, and for public buildings and grounds and the Washington aqueduct.

PAY TO COLORED SOLDIERS.

The affairs of the freedmen's bureau have all been transferred to the War Department: and regulations have been put into execution for the speedy payment of bounty, pay, etc., due to colored soldiers, properly coming under that bureau.

All war accounts for money and property prior to 1871 have been examined and transmitted to the treasury for final settlement. During the fiscal year there has been paid for transportation by railroads $1,139,069, of which $800,857 was over the Pacific railroads; for transportation by water $[illegible],373 32, and by stage $48,575 85; and for the purchase of transportation animals, wagons and hire of teamsters $924,650 03.

SOUTHERN RAILROADS.

About $370,000 have been collected from Southern railroads during the year, leaving about $4,000,000 still due.

CLAIMS BY LOYAL CITIZENS.

The quartermaster has examined and transmitted to the accounting officers for settlement $367,172 73 of claims by loyal citizens for quartermasters' stores taken during the war.

SUPPLIES TO INDIANS.

Subsistence supplies to the amount of $89,048 12 have been issued to Indians.

THE ARMY.

The annual average main strength of the army was 24,101 white, and 2124 colored soldiers. The total deaths for the year reported were 367 white and 54 colored. The distribution of the medical and surgical history of the war is yet to be ordered by Congress. There exists an absolute necessity for a medical corps of the full number established by act of Congress of July 28, 1866, there being now fifty-nine vacancies, and the number of successful candidates rarely exceeds eight or ten in any one year.

RIVER AND HARBOR IMPROVEMENTS.

The river and harbor improvements have been carried on with energy and economy, though many are only partially completed. The amount saved to commerce, with greater depth of channels, greater security in navigation and the saving of time, adds millions to the wealth of the country and increases the resources of the government. The bridge across the Mississippi river at Rock Island has been completed, and the proper site has been determined upon for the bridge at La Crosse. The able and exhaustive report made by the commission appointed to investigate the Sutra tunnel has been transmitted to Congress.

SIGNAL SERVICE.

The observations and reports of the signal office have been maintained at each of the principal lake, seaport and river cities. Ten additional stations have been established in the United States, and arrangements have been made for an exchange of reports with Canada, and a similar exchange of observations is contemplated with the West India Islands.

RECOMMENDATIONS OF SECRETARY OF WAR.

The favorable attention of Congress is invited to the following recommendations of the Secretary of War:

A discontinuance of the appointment of extra lieutenants to serve as adjutants and quartermasters; the adoption of a code providing specific penalties for well-defined offenses, so that the inequality of sentences adjudged by courtmartial may be adjusted; the consolidation of accounts under which expenditures are made as a measure of economy; an appropriation of the money for the construction of a depot at San Antonio, the title to the site being now perfect; a special act placing the cemetery at the City of Mexico on the same basis as other national cemeteries; authority to purchase sites for military posts in Texas; the appointment of commissary sergeants from non-commissioned officers as a measure for securing the better care and protection of supplies; an appropriation for the publication of the catalogue and tables of the anatomical section of the army medical museum; an appropriation of the amount for the manufacture of breech-loading arms, should the selection be so delayed by the board of officers as to leave the former appropriation unexpended at the close of the fiscal year; the sale of such arsenals east of the Mississippi as can be spared, and the proceeds applied to the establishment of one large arsenal of construction and repair upon the Atlantic coast, and the purchase of a suitable site for a proving and experimental ground for heavy ordnance; the abrogation of laws which deprive inventors in the United States service from deriving any benefit from their inventions; the repeal of the law prohibiting promotion in the staff corps; a continuance of the work upon coast defences; the repeal of the seventh section of the act of July 13, 1866, taking from engineer soldiers the per diem granted to other troops; a limitation of the time for the presentation of old war claims for subsistence supplies under the act of July 4, 1864, and a modification in the mode of the selection of cadets for the military academy, in order to enhance the usefulness of the academy, which is impaired by reason of the large amount of time necessarily expended in giving new cadets a thorough knowledge of the mere elementary branches of learning which they should acquire before entering the academy; also an appropriation for philosophical apparatus; an increase in the number and pay of the military academy band.

TRANSPORTATION ROUTES TO THE SEABOARD.

The attention of Congress will be called during its present session to various enterprises for the more certain and cheaper transportation of the constantly increasing surplus of Western and Southern products to the Atlantic seaboard. The subject is one that will force itself upon the legislative branch of the government sooner or later, and I suggest, therefore, that immediate steps be taken to gain all available information to insure equitable and just legislation.

One route to connect the Mississippi valley with the Atlantic at Charleston, South Carolina, and Savannah, Georgia, by water by the way of the Ohio and Tennessee rivers and canals and slack water navigation to the Savannah and Ocmulgee rivers, has been surveyed and a report made by an accomplished engineer officer of the army. The second and third new routes will be proposed for the consideration of Congress, namely, by an extension of the Kanawha and James river canal to the Ohio and by the extension of the Chesapeake and Ohio canal.

I am not prepared to recommend government aid to these or other enterprises until it is clearly shown that they are not only of national interest, but that when completed they will be of a value commensurate with their cost. That production increases more rapidly than the means of transportation in our country has been demonstrated by past experience. That the unprecedented growth in population and products of the whole country will require additional facilities, and cheaper ones for the more bulky articles of commerce to reach tide water and a market, will be demanded in the near future is equally demonstrable. I would therefore suggest, either a committee or commission to be authorized to consider this whole question, and to report to Congress at some future day for its better guidance in legislating on this important subject.

RAILROADS.

The railroads of the country have been rapidly extended during the last four years to meet the growing demands of producers, and reflect much credit upon the capitalists and managers engaged in their construction.

NIAGARA FALLS SHIP CANAL.

In addition to these, a project to facilitate commerce by the building of a ship canal around Niagara Falls on the United States side, which has been agitated for many years, will no doubt be called to your attention at this session.

FROM MAINE TO THE GULF.

Looking to the great future growth of the country and the increasing demands of commerce, it might be well while on this subject not only to have examined and reported upon the various practicable routes for connecting the Mississippi with tidewater in the Atlantic, but the feasibility of an almost continuous land-locked navigation from Maine to the Gulf of Mexico. Such a route along our coast would be of great value at all times, and of inestimable value in case of a foreign war. Nature has provided the greater part of this route, and the obstacles to be overcome are easily within the skill of the engineer. I have not alluded to this subject with the view of having any further expenditure of public money at this time than may be necessary to procure and place all the necessary information before Congress in an authentic form, to enable it hereafter, if deemed practicable and worthy, to legislate on the subject without delay.

THE NAVY DEPARTMENT.

The report of the Secretary of the Navy, herewith accompanying, explains fully the condition of that branch of the public service, its wants and deficiencies; the expenses incurred during the past year, and appropriations for the same. It also gives a complete history of the service of the navy for the past year, in addition to its regular service.

NEEDS OF OUR NAVY.

It is evident that unless early steps are taken to preserve our navy, that in a very few years the United States will be the weakest nation on the ocean of all the great powers. With an energetic, progressive business people like ours, penetrating and forming business relations with every part of the known world, a navy strong enough to command the respect of our flag abroad is necessary for the full protection of their rights. I recommend the careful consideration by Congress of the recommendations made by the Secretary of the Navy.

THE POSTOFFICE DEPARTMENT.

The accompanying report of the Postmaster General furnishes a full and satisfactory exhibit of the operations of the Postoffice Department during the year. The ordinary revenues of the department for the fiscal year ending June 30, 1872, amounted to $21,915,126 37, and the expenditures to $26,658,157 31. Compared with the previous fiscal year, the increase of revenue was $1,858,880 15, or 9.37 per cent, and the increase of expenditures $2,268,988 53, or 9.29 per cent. Adding the ordinary revenues, the annual appropriation of $700,000 for free matter and the amounts paid to the subsidized mail steamship lines from special appropriations, the deficiency paid out of the general treasury was $4,017,715 84, an excess of $389,707 58 over the deficiency for the year 1871.

Other interesting statistical information relating to our rapidly extending postal service is furnished in this report:

RAILROAD MAIL ROUTES.

The total length of railroad mail routes on the thirtieth of June, 1872, was 57,917 and 3807 additional miles of such service having been put into operation during the year. Eight new lines of railway postoffices have been established with an aggregate length of 2900 miles.

FOREIGN MAILS.

The number of letters exchanged in the mails with foreign countries was 34,362,500, an increase of 4,903,532, or twenty per cent over the number in 1871, and the postage thereon amounted in 1871 to $[illegible]. The total weight of the mails exchanged with European countries exceeded 820 tons. The cost of the United States transatlantic mail steamship service was $520,301 70. The total cost of the United States ocean steamship service, including the amounts paid to the subsidized line of mail steamers, was $1,027,022 07.

STEAMSHIP SUBSIDIES.

The following are the only steamship lines now receiving subsidies for mail service under the special act of Congress: The Pacific Mail Steamship Company receives $500,000 per annum for conveying the monthly mail between San Francisco, Japan and China, which will be increased to $1,000,000 per annum for a semi-monthly mail, after October 1, 1873. The United States and Brazil Mail Steamship Company receives $150,000 per annum for carrying a monthly mail between New York and Rio Janeiro, Brazil; and the California, Oregon and Mexico Steamship Company receives $75,000 per annum for conveying a monthly mail between San Francisco and Honolulu, Hawiian islands, making the total amount of mail steamship subsidies at present $725,000 per annum.

Our postal communications with all parts of the civilized world have been placed upon a most advantageous footing by the improved postal conventions and arrangements recently concluded with the leading commercial countries of Europe and America, and the gratifying statement is made that with the conclusion of a satisfactory convention with France, the details of which have been definitely agreed to by the head of the French postal department, subject to the approval of the Minister of Finance, little remains to be accomplished by treaty for some time to come with respect, either to the reduction of rates or improved facilities of postal intercourse.

Your favorable consideration is respectfully invited to the recommendations made by the Postmaster General for an increase of service from monthly to semi-monthly trips on the mail steamship route to Brazil; for a subsidy in aid of the establishment of an American line of mail steamers between San Francisco, New Zealand and Australia; for the establishment of postoffice savings banks, and for the increase of the salaries of the heads of bureaus.

ABOLITION OF FRANKING PRIVILEGE.

I have heretofore recommended the abolition of the franking privilege, and see no reason now for changing my views on that subject. It not having been favorably regarded by Congress, however, I now suggest a modification of that privilege to correct its glaring and costly abuses.

POSTAL TELEGRAPH.

I would recommend also the appointment of a committee or commission to take into consideration the method equitable to private corporations who have invested their time and capital in the establishment of telegraph lines, of acquiring the title to all telegraph lines now in operation, and of connecting this service with the postal service of the nation. It is not probable that this subject could receive the proper consideration during the limits of a short session of Congress, but it may be initiated, so that future action may be fair to the government and to private parties concerned.

STEAMSHIP SERVICE UNDER OUR FLAG.

There are but three lines of ocean steamers, namely: the Pacific Mail Steamship, between San Francisco, China and Japan, with the provision made for semi-monthly service after October 1, 1873; the United States and Brazil line, monthly; and the California, New Zealand and Australian line, monthly, plying between the United States and foreign ports, and owned and operated under our flag. I earnestly recommend that such liberal contracts for carrying the mails be authorized with these lines as will insure their continuance. If the expediency of extending the aid of the government to lines of steamers which hitherto have not received it should be deemed worthy of the consideration of Congress, political and commercial objects make it advisable to bestow such aid on a line under our own flag between Panama and the western South American ports.

By this means much trade now diverted to other countries might be brought to the United States to the mutual advantage of this country and those lying in that quarter of the continent of America.

FALLING OFF IN THE CARRYING TRADE.

The report of the Secretary of the Treasury will show an alarming falling off in our carrying trade for the last ten or twelve years, and then for the past year. I do not believe that the public treasure can be better expended, in the interest of the whole people, than in trying to recover this trade. An expenditure of $5,000,000 per annum for the next five years, if it would restore to us our proportion of the carrying trade of the world, should be profitably expended.

The price of labor in Europe has so much enhanced within the last few years that the cost of building and repairing ocean steamers in the United States is not so much greater than in Europe that I believe the proper time has arrived for Congress to take this subject into serious consideration.

DEPARTMENT OF JUSTICE—ENFORCEMENT ACTS.

Detailed statements of the disbursements through the Department of Justice will be furnished by the report of the Attorney General, and though these have been somewhat increased by the recent acts of Congress to enforce the rights of citizens of the United States to vote in the several States of the Union, and to enforce the properties of the fourteenth amendment to the constitution of the United States and the enactments thereto, I can not question the necessity and salutary effect of those enactments on reckless and lawless men, who, I regret to say, have associated themselves together in some localities to deprive other citizens of those rights guaranteed to them by the constitution of the United States, and to that end have committed deeds of blood and violence; but the prosecution and punishment of many of these persons have tended greatly to the repression of such disorders.

CONSTITUTIONAL RIGHTS.

I do not doubt that a great many of the people in all parts of the country favor the full enjoyment by all classes of persons of those rights to which they are entitled under the constitution and laws, and I invoke the aid and influence of all good citizens to prevent organizations whose objects are, by unlawful means, to interfere with these rights. I look with confidence to the time, not far distant, when the obvious advantages of good order and peace will induce an abandonment of all combinations prohibited by the acts referred to, and when it will be unnecessary to carry on the prosecution from the lawless doings of such combinations.

PARDON OF KU-KLUX.

Applications have been made to me to pardon persons convicted of a violation of said acts upon the ground that clemency in such cases would tend to tranquilize the public mind; and to test the virtue of that policy, I am disposed, as far as my sense of justice will permit, to give those applications a favorable consideration, but any action thereon is not to be construed as indicating any change in my determination to enforce with rigor such acts, so long as the conspiracies and combinations therein named disturb the peace of this country. It is much to be regretted, and is regretted by no one more than myself, that a necessity has ever existed to execute the enforcement act. No one can desire more than I that the necessity of applying it may never again be demanded.

DEPARTMENT OF THE INTERIOR.

The Secretary of the Interior reports satisfactory improvement and progress in each of the several bureaus under the control of the Interior Department. They are all in excellent condition. The work which in some of them for some years has been in arrears, has been brought down to a recent date, and in all the current business has been promptly dispatched.

INDIANS.

The policy which was adopted at the beginning of this administration, in regard to the management of the Indians, has been as successful as its most ardent friends anticipated within so short a time. It has reduced the expenses of the management, decreased their forays upon the white settlements, tended to give the largest opportunity for the extension of the great railways through the public domain, and pushing of settlements into the remote districts of the country, and at the same time improved the condition of the Indians.

The policy will be maintained without any change, excepting such as further experience may show to be necessary to render it more efficient.

HOME FOR THE INDIANS.

The subject of converting the so-called Indian Territory, south of Kansas, into a home for the Indians, and creating therein a territorial form of government, is one of great importance, as in compliance with existing Indian policy the question of removal to that Territory has within the past year been presented to many of the tribes resident upon other and less desirable portions of the public domain, and has generally been received by them with favor. As a preliminary step to the organization of such a Territory, it will be necessary to assign the Indians now resident therein farms of proper size, which should be saved to them in fee, the residue to be used for the settlement of other friendly Indians. Efforts will be made in the immediate future to induce the removal of as many peaceably inclined Indians to the Indian Territory as can be settled properly without disturbing the harmony of those already there.

There is no other location now available where the people who are endeavoring to acquire a knowledge of pastoral and agricultural pursuits, can be as well accommodated as upon Indian Territory lands. The Indian Territory territorial government should, however, protect the Indians from the inroads of whites for a term of years, until they become sufficiently advanced in the arts of civil service to guard their own rights, and from the disposal of the lands held by them for the same period.

PUBLIC LANDS.

During the last fiscal year there were disposed of out of the public lands 11,864,975 acres, a quantity greater by 1,099,270 acres than was disposed of the previous year. Of this amount 1,370,320 were sold for cash 389,467 acres located with military warrants, 468,332 acres taken for homesteads, 693,613 acres located with college scrip, 554,887 acres granted to railroads, 465,347 acres granted to wagon roads, 714,255 acres given to States as swamp lands, and 5760 acres located by Indians. The cash receipts from all sources in the Land Office amounted to $3,218,190 during the same period. There were 22,016,608 acres of the public lands surveyed, which, added to the quantity before surveyed, amounts to 583,364,780 acres, leaving 1,257,633,928 acres of the public lands still unsurveyed.

AGRICULTURAL PRODUCTS.

The reports from the subordinates of the Land Office contain interesting information in regard to their respective districts by uniform mention to fruitfulness of the soil during the past season and the increased yield of all kinds of produce. Even in those States and Territories where mining is the principal business, agricultural products have exceeded the local demand, and liberal shipments have been made to distant points.

PATENTS.

During the year ending September 30, 1872, there were issued from the Patent Office 13,626 patents, 233 extensions, and 556 certificates and registers of trade marks. During the same time 19,587 applications for patents, including reissues and designs, have been received, and 3100 caveats filed. The fees received during the same period amounted to $800,954 86, and the total expenditures to $623,553 90, making the net receipts over the expenditures $77,400 96.

Since 1836 200,000 applications for patents have been filed, and about 133,000 patents issued. The office is being conducted under the same laws and general organization as were adopted at its inauguration, when only from 100 to 500 applications were made per annum. The commissioner shows that the office has outgrown the original plan, and that a new organization has become necessary.

This subject was presented to Congress by a special communication in February last, with my approval and the approval of the Secretary of the Interior, and the suggestions contained in said communication were embraced in the bill that was reported to the House by the Committee on Patents at the last session. The subject of the reorganization of the Patent Office as contemplated by the bill referred to is one of such importance to the industrial interests of the country that I commend it to the attention of Congress.

The commissioner also treats the subject of the separation of the Patent Office from the Department of the Interior. This subject is also embraced in the bill heretofore referred to. The commissioner complains of the want of room for the model gallery, and for the working force and necessary files of the office. It is impossible to transact the business of the office properly without more room in which to arrange files and drawings that must be consulted frequently in the transaction of business. The whole of the Patent Office building will soon be needed, if it is not already, for the accommodation of the business of the Patent Office.

PENSIONS.

The amount paid for pensions in the last fiscal year was $31,016,031, an amount larger by $37,084 31 than was paid during the preceding year. Of this amount $23,131 49 was paid under the act of Congress of February 17, 1871, to survivors of the war of 1812.

The annual increase of pensions by the legislation of Congress has more than lost pace with the natural yearly losses from the rolls. The act of Congress of June 8, 1872, has added an estimated amount of $750,000 per annum to the rolls without increasing the number of pensioners. We can not, therefore, look for any substantial decrease of this department for some time to come, or so long as Congress continues to so change rates of pensions.

The whole number of soldiers enlisted in the war of the rebellion was 2,688,523. The total number of claims for invalid pensions is 176,000, being but six per cent of the whole number of enlisted men. The total number of claims on hand at the beginning of the year was 91,689. The number received during the year was 26,571. The number disposed of was 39,178, making a net gain of 12,604. The number of claims now on file is 79,085. On the thirtieth of June, 1872, there were on the rolls the names of 95,405 invalid military pensioners 113,518 widows, orphans and dependent relatives, making an aggregate of 208,933 army pensioners.

At the same time there were on the rolls the names of 1449 navy pensioners and 1720 widows, orphans and dependent relatives, making the whole number of naval pensioners 3179. There have been received since the passage of the act, to provide pensions for survivors of 1812, 36,557 applications prior to June 30, 1872. Of these there were allowed, during the last fiscal year, 29,126 claims, 4845 were rejected, leaving 4580 claims pending at that date. The number of pensions of all classes granted during the last fiscal year was 333,038. During that period there were dropped from the rolls, for various causes, 9101 names, leaving a grand total of 232,229 pensioners on the rolls on the thirtieth of June, 1870.

It is thought the claims for pensions on account of the war of 1812 will all be disposed of by the first of May, 1873. It is estimated that $30,480,000 will be required for the pension service during the next fiscal year.

THE CENSUS.

The ninth census is about completed. Its early completion is a subject of congratulation, inasmuch as the use to be made of the statistics therein contained depends very greatly on the promptitude of publication. The Secretary of the Interior recommends that a census be taken in 1875, which recommendation should receive the early attention of Congress.

The interval at present established between the federal census is so long that the information obtained at the decennial period as to the material condition, wants and resources of the nation is of so little practical value after the expiration of the first half of that period, it should probably obviate the constitutional provision regarding the decennial census.

If a census taken in 1875 should be divested of all political character, and no reapportionment of congressional representation be made under it, such a census, coming as it would in the last year of the century of our national existence, would furnish a novel monument of the progress of the United States during the century.

EDUCATION.

The rapidly increasing interest in education is a most encouraging feature in the current history of the country, and it is no doubt true that this is due in a great measure to the efforts of the Bureau of Education, whose officers are continually receiving evidences which abundantly prove its efficiency from the various institutions of learning and educators of all kinds throughout the country.

The report of the commissioner contains a vast amount of educational details of great interest. The bill now pending before Congress providing for the appropriation of the net proceeds of the sales of public lands for educational purposes, to aid the States in the general education of their rising generation, is a measure of such great importance to our real progress, and is so unanimously approved by the friends of education that I commend it to the favorable attention of Congress.

THE TERRITORIES.

Affairs in the Territories are generally satisfactory. The energy and business capacity of the pioneers who are settling up the vast domains not incorporated into States, are keeping pace in internal improvements and civil government with the older communities.

UTAH.

But in one of them, Utah, is the condition of affairs unsatisfactory, except so far as the quiet of the citizen may be disturbed by real or imaginary danger of Indian hostilities. It has seemed to be the policy of the Legislature of Utah to evade all responsibility to the government of the United States, and even to hold a position in hostility to it. I recommend a careful revision of the present laws of the Territory by Congress, and the enactment of such a law as the one proposed in Congress at its last session, for instance, or something similar to it, as will secure peace, the equality of all citizens before the law, and the ultimate extinguishment of polygamy.

DISTRICT OF COLUMBIA.

Since the establishment of a territorial government for the District of Columbia, the improvement of the condition of the city of Washington and surroundings and the increased prosperity of the citizens is observable to the most casual visitor. The nation, being a large owner of property in this city, should bear with the citizens of the District, assist and share the expense of these improvements. I recommend, therefore, an appropriation to reimburse the citizens for the work done by them along in front of the public grounds during the past year, and liber