

worthy of respectful attention and the claims upon our assistance by these independent communities will be carefully considered.

The long commercial depression in the United States has directed attention to the possible

INCREASE OF OUR FOREIGN TRADE, and the methods for its development, not only with Europe but with other countries, and especially with the states and sovereignties of the western hemisphere. Instructions from the department of state were issued to the various diplomatic and consular officers of the government, asking them to devote attention to the question of methods by which trade between the respective countries of their official residences and the United States, could be most judiciously founded. In obedience to the instructions, examinations and reports upon this subject have been made by many of these officers, and transmitted to the department, and the same are submitted to the consideration of congress in the annual report of the secretary of the treasury on the state of the finances. They present important questions for the action of congress, upon some of which I have already remarked.

THE REVENUES OF THE GOVERNMENT during the fiscal year ending June 30, 1877, were \$269,000,586.62; the total expenditures for the same period were \$238,660,008.93; leaving a surplus revenue of \$30,340,577.69. This has substantially supplied the requirements of the sinking fund for that year. The estimated revenues of the current fiscal year are \$265,500,000, and the estimated expenditures for the same period are \$232,430,643.72. If these estimates prove to be correct, there will be a surplus revenue of \$33,069,356.28—an amount nearly sufficient for the sinking fund for that year. The estimated revenues for the next fiscal year are \$269,250,000. It appears from the report that during the last fiscal year the revenues of the government, compared with the previous year, have largely decreased. This decrease amounting to the sum of \$18,481,462.54 was mainly in customs duties, caused partly by a large falling off of the amount of imported dutiable goods, and partly by the general fall of prices in the market of productions of such articles as pay *valorem* taxes. While this is felt injurious in the diminution of the revenue, it is accompanied with a very large increase of exportation. The total exports during the last fiscal year, including coin, has been \$658,687,457, and the imports have been \$492,967,547, leaving a balance of trade in favor of the United States amounting to the sum of \$166,539,917; the beneficial effects of which extend to all branches of business.

The estimated revenue for the next fiscal year will impose upon congress the duty of strictly limiting appropriations, including the requisite sum for the maintenance of the sinking fund within the aggregate estimate receipts, while the aggregate of taxes should not be increased. Amendments might be made to the revenue laws that would, without diminishing the revenue, relieve the people from unnecessary burdens. A tax on tea and coffee is shown by the experience not only of our own country, but of other countries, to be easily collected without loss by undervaluation or fraud, and largely borne in the country of production. A tax of ten cents a pound on tea and two cents per pound on coffee would produce a revenue exceeding \$12,000,000, and thus enable congress to repeal a multitude of annoying taxes yielding a revenue not exceeding that sum. The internal revenue system grew out of the necessities of the war, and most of the legislation imposing taxes upon domestic products under this system has been repealed. By the substitution of a tax on tea and coffee, all forms of internal taxation may be repealed, except that on whisky, spirits, tobacco and beer.

Attention is also called to the necessity of enacting more vigorous laws for the protection of the revenue and for the punishment of frauds and smuggling. This can be best done by judicious provisions that will induce the disclosure of attempted frauds by undervaluation and smuggling. All revenue laws should be simple in their provisions and easily understood. So far as practicable, the rates of taxation should be in the form of specific duties, and not *ad valorem*, requiring the judgment of experienced men to ascertain values and exposing the revenue to the temptation of fraud.

COLLECTION OF CUSTOMS. My attention has been called during the recess of congress to abuses existing in the collection of the customs, and strenuous efforts have been made for their correction by executive orders. The recommendations submitted to the secretary of the treasury by a commission appointed to examine into the collection of customs duties at the port of New York, contain many suggestions for the modification of the customs laws to which the attention of congress is invited. It is a matter of congratulation that notwithstanding the severe burdens caused by the war,

THE PUBLIC FAITH with all creditors has been preserved, and as the result of this policy, the public credit has continuously advanced and our public securities are regarded with the highest favor in the markets of the world. I trust that no act of the government will cast a shadow upon its credit. The progress of refunding the public debt has been rapid and satisfactory. Under the contract existing when I entered upon the discharge of the duties of my office, bonds bearing interest at the rate of 4½ per cent were being rapidly sold and within three months the aggregate sales of these bonds had reached the sum of \$200,000,000. With my sanction the Secretary of the Treasury entered into a new contract for the sale of 4 per cents, and within 30 days after the popular subscription for such bonds was opened, subscriptions were had amounting to \$75,496,500, which were paid for within 90 days after date of subscription. By this process, within but little more than one year, the annual interest on the public debt was reduced in the sum of \$3,775,000. I recommend that suitable provision be made to enable the people to easily convert their savings into government securities as the best mode in which small savings may be well secured and yield a moderate interest. It is an object for public policy to retain among our own people the securities of the United States; in this way our country is guarded against their sudden return from foreign countries, caused by war or other disturbances beyond our limits.

THE COMMERCE of the United States with foreign nations and especially the export of domestic productions has of late years largely increased, but the greater portion of the trade is conducted in foreign vessels. The importance of enlarging our foreign trade, and especially by direct and speedy interchange with the countries on this continent, cannot be overestimated, and it is a matter of great moment that our shipping interest should receive, to the utmost practical extent, the benefit of our commerce with other lands. These considerations are forcibly urged by all the large

commercial cities of the country, and public attention is generally and wisely attracted to the solution of the problems they present. It is not doubted that congress will take them up in the broadest spirit of liberality and respond to the public demand by practicable legislation upon the subject.

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

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

BORDER TROUBLES. Disturbances along the Rio Grande, in Texas, to which I have already referred, have rendered necessary the constant employment of a military force in that vicinity. A full report of all recent military operations in that quarter has been transmitted to the house of representatives in answer to a resolution of that body, and it will not therefore be necessary to enter into details. I regret to say that these lawless excursions into our territory by armed bands from the Mexican side of the line for the purpose of robbery, have been of frequent occurrence, and in spite of the most vigorous efforts of the commander of our forces, the marauders have generally succeeded in escaping into Mexico with their plunder. In my last, I gave orders for the exercise of the utmost vigilance on the part of our troops for the suppression of these raids and the punishment of the guilty parties as well as the recapture of property stolen by them. General Ord, commanding in Texas, was directed to invite the co-operation of the Mexican authorities in efforts to this end, and assure them that I was anxious to avoid giving the least offense to Mexico. At the same time he was directed to give notice of my determination to put an end to the invasion of our territory by lawless bands, intent on the plunder of our peaceful citizens, even if the effectual punishment of the offenders should make the crossing of the border by our troops in their pursuit necessary.

It is believed that this policy has had the effect to check somewhat these depredations and that, with a considerable increase of our force upon that frontier and the establishment of several additional military posts along the Rio Grande, so as more effectually to guard that extensive border, peace may be preserved and the lives and property of citizens in Texas fully protected.

THE REDUCED ARMY. Prior to the first day of July last the army was, in accordance with law, reduced to the maximum of 25,000 enlisted men, being a reduction of 2,600 below the force previously authorized. The reduction was made as required by law, entirely from the infantry and artillery branches of the service, without any reduction of the cavalry. Under the law as it now stands it is necessary that the cavalry regiments be recruited to one hundred men in each company, for service on the Mexican and Indian frontiers. The necessary effect of this legislation is to reduce the infantry and artillery arms of the service below the number regarded for efficiency, and I concur with the secretary of war in recommending that authority be given to recruit all companies of infantry to at least fifty men and all batteries of artillery to at least seventy-five men with power, in case of emergency, to increase the former to 100 and the latter to 125 men each.

I invite your attention to the following recommendations of the secretary of war: First—That provision be made for supplying to the army a more abundant and better supply of reading matter.

Second—That early action be taken by congress, looking to a complete revision and republication of the army regulations.

Third—That section 1,258 of the revised statutes, limiting the number of officers on the retired list be repealed.

To-wit, that the claims arising under the act of July 4, 1864, for supplies taken by the army during the war, be taken from the offices of the quartermaster and commissary general, and transferred to the southern claims commission, or some other tribunal having more time and better facilities for their prompt investigation and decision than are possessed by these officers.

Fifth—That congress provide for an annuity fund for the families of deceased soldiers, as recommended by the paymaster-general of the army.

THE NAVY. The report of the secretary of the navy shows that we have six squadrons now engaged in the protection of our foreign commerce and other duties pertaining to the naval service. The condition and operations of the department are also shown. The total expenditures for the fiscal year ending June 30, 1877, were \$16,077,974.54. There are unpaid claims against the department chargeable to the last year, which are presented to the consideration of congress by the report of the secretary. The estimates for the fiscal year commencing July 1st, 1878, are \$16,233,234.40, exclusive of the sum of \$231,445.11 submitted for new buildings, repairs and improvements at the several navy yards.

THE APPROPRIATIONS for the present fiscal year, commencing July, 1877, are \$13,532,932.90; the amount drawn from the treasury from July 1st to November 1st, 1877, is \$6,345,937.40, of which there is estimated to be \$4,745,411.02, showing the amount of actual expenditures during the first four months of the present fiscal year to have been \$4,315,509.10.

THE POSTOFFICES. The report of the postmaster-general contains a full and clear statement of the operations and conditions of the postoffice department. The ordinary revenues of the department for the fiscal year ending June 30th, 1877, including receipts from the money order business and from official stamps and stamped envelopes amounted to the sum of \$27,531,585.26; the additional sum of \$7,103,300 was received from an appropriation from the general treasury for various purposes, making the receipts from all sources \$34,634,885.26. The total expenditures during the fiscal year amounted to \$33,486,322.44, leaving an excess of total receipts over total expenditures of \$1,058,562.82, and an excess of total expenditures over ordinary receipts of \$5,954,737.18. Deducting from the total receipts the sum of \$632,618.41, received from international money orders of the preceding fiscal year, and deducting from the total expenditures the sum of \$1,163,818.20, paid on liabilities incurred in previous fiscal years, the expenditures and receipts pertaining to the business of the last fiscal year were as follows: Expenditures, \$32,322,504.24; receipts ordinary, from money order business and from official postage stamps, \$27,468,323.52; excess of expenditures, \$4,854,180.72. The ordinary revenues of the post office department for the year ending June 30th, 1878, are estimated at an increase of three per cent over those of 1877, making \$29,034,098.28, and the expenditures for the same year are estimated at \$36,427,711, leaving an estimated deficiency for 1879 of \$7,393,612.72. The additional legislation recommended by the postmaster-general for improvements of the mail service and to protect the postal revenue from the abuses practiced under existing laws, is respectfully commended to the careful consideration of congress.

THE REPORT OF THE ATTORNEY GENERAL contains several suggestions as to the administration of justice, to which I invite attention. The pressure of business in the supreme court, and in certain circuit courts of the United States, is now such that serious delays to the great injury and even oppression of suits occur, and a remedy should be sought for this condition of affairs. Whether it will be found in the plan briefly sketched in the report, of increasing the number of judges of circuit courts, and by means of this addition to the judicial force of creating an intermediate court of errors and appeals, or whether some other mode can be devised for obviating the difficulties which now exist, I leave to your mature consideration.

THE INDIANS. The present condition of the Indian tribes on the territory of the United States, and our relations with them are fully set forth in the reports of the secretary of the interior and the commissioner of Indian affairs. After a series of most deplorable conflicts, the successful termination of which, while reflecting honor on the brave soldiers who accomplished it, cannot lessen our regret at the occurrences. We are now at peace with all the Indian tribes in our borders. To preserve that peace by a just and humane policy, will be the object of my earnest endeavor. Whatever may be said of their character and savage propensities; of the difficulties of introducing among them the habits of civilized life, and the obstacles they have offered to the progress of settling in certain parts of the country, the Indians are certainly entitled to our sympathy and to a conscientious respect on our part, for their claims upon our sense of justice. They were the aboriginal occupants of the land we now possess. They have been driven from place to place. The purchase money paid to them in some cases, for what they called their land, has still left them poor. In many instances, when they had settled down upon land assigned to them by compact and began to support themselves by their own labor, they were rudely jostled off and thrust into the wilderness again. Many, if not most, of our Indian wars had their origin in broken promises, and acts of injustice on our part; and the advance of Indians in civilization has been slow because the treatment they received did not permit it to be faster and more general. We cannot expect them to improve and follow our guidance unless we keep faith with them, respecting the rights they possess, and unless, instead of depriving them of their opportunities, we lead them a helping hand. I cordially approve the policy regarding the management of Indian affairs, as outlined in the report of the secretary of the interior, and of the commissioner of Indian affairs. The faithful performance of our promises is the first condition of a good understanding with the Indians. I cannot too urgently recommend to congress that prompt and liberal provision be made for the conscientious fulfillment of all agreements entered into by the government with the Indian tribes. To withhold the means necessary for the performance of a promise is always false economy, and is apt to prove disastrous in its consequences. Especial care is recommended to provide for Indians settled on their reservations, cattle and agricultural implements, to aid them in whatever efforts they may make to support themselves, and by the re-establishment and maintenance of schools to bring them under the control of civilized influences. I see no reason why Indians who can give satisfactory proof of having by their own labor supported their families for a number of years, and who are willing to detach themselves from their tribal relations, should not be admitted to the benefits of the homestead act, and the privileges of citizenship and I recommend the passage of a law to that effect. It will be an act of justice as well as a measure of encouragement. Earnest efforts are being made to purify the Indian service so that every dollar appropriated by congress shall redound to the benefit of the Indian benefited. The efforts will have my firm support. With an improved service, and every possible encouragement held out to the Indians to better their condition and to elevate them in the scale of civilization, we may hope to do at the same time a good work for them and ourselves.

THE PRESERVATION OF FORESTS. I invite the attention of congress to the importance of the statements and suggestions made by the secretary of the interior concerning the depredations committed upon the timber lands of the United States, and the necessity for the preservation of the forests. It is believed that the measures taken in pursuance of the existing law to arrest these depredations will be entirely successful if congress, by an appointment for that purpose, renders their continued enforcement possible. The experience of other nations teaches us that a country cannot be stripped of its forests with impunity, and we shall expose ourselves to the gravest consequences unless the wasteful and improvident manner which the forest in the United States are destroyed be effectually checked. I earnestly recommend that the measures suggested by the secretary of the interior for the suppression of depredations on the public timber lands of the United States; for the selling of timber from the public lands and for the preservation of forests, be embodied in a law and that, considering the urgent necessity of enabling the people of certain states and territories to purchase timber from the public lands in a legal manner, which at present

they cannot do such a law to be passed without unavoidable delay.

DESSERT LANDS. I would also call the attention of congress to the statement made by the secretary of the interior concerning the disposition that might be made of the desert lands not irrigable, west of the one hundredth meridian. These lands are practically unsalable under existing laws, and the suggestion is worthy of consideration, that a system of leases of tenure would make them a source of profit to the United States, while at the same time legalizing the business of cattle raising which is at present carried on upon them.

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

THE CENTENNIAL BOARD. The board on behalf of the United States executive departments at the international exposition of 1876, has concluded its labors. The final report of the board was transmitted to congress by the last session. As these papers are understood to contain interesting and valuable information and will constitute the only report emanating from the government on the subject of the exhibition, I will invite attention to the matter and recommend that the report be published for general information. Congress is empowered by the constitution with the authority of exclusive legislation over the

DISTRICT OF COLUMBIA, in which the seat of government of the nation is located. The interests of the district having no direct representation in congress, are entitled to especial consideration and care at the hands of the general government. The capital of the United States belongs to the nation, and it is natural that the American people should take pride in the seat of the national government, and desire it to be an ornament to the country.

Much has been done to render it healthful, convenient and attractive, but much remains to be done, which its permanent inhabitants are not able, and ought not to be expected to do. To impose upon them a large proportion of the cost requested for public improvements, who have in a great measure planned and executed for the convenience of the government and of the many thousands of visitors from all parts of the country who temporarily reside in the capital of the nation, is an evident injustice.

Special attention is asked by the commissioners of the district in their report which is herewith transmitted, to the importance of a permanent adjustment by congress of the financial relations between the United States and the district, involving the regular annual contribution by the United States of its just proportion of the expenses of the district government of the outlay for all needed public improvements, and such measure of relief from the burden of taxation now resting on the people of the district, as in the wisdom of congress may be deemed just. The report of the commissioners show that the affairs of the district are in a condition as satisfactory as could be expected in view of the heavy debt resting upon it, and its very limited means for necessary expenses.

The debt of the district is as follows: Funded debt \$3,379,691.96; 355 bonds guaranteed by the United States, \$13,743,250; total bonded debt, \$27,122,941.96; to which should be added certain outstanding claims as are in the report of the commissioners, \$1,185,204.52, making the total debt of the district, \$23,310,146.48. The commissioners also ask attention to the importance of the improvement of the Potomac river, and the reclamation of the marshes bordering the city of Washington, and their views upon this subject are concurred in by the members of the board of health, whose report is also herewith transmitted. Both the commercial and sanitary interest of the district will be greatly promoted, I doubt not, by this improvement. Your attention is invited to the suggestion of the commissioners, and of the board of health, for the organization of a board of charities to have supervisory powers for charitable purposes from the district treasury. I desire also to ask your especial attention to the need of adding to the efficiency of the public schools of the district by supplemental aid from the national treasury. This is especially just since so large a number of those attending the schools are children of employes of the government. I earnestly commend to your care the interest of the people of the district who are so intimately associated with the government establishments, and to whose enterprise the good order and attractiveness of the capital are largely due, and I ask your attention to the request of the commissioners for legislation in behalf of the interests intrusted to their care.

PUBLIC GROUNDS. The appropriations asked for the care of reservations belonging to the government within their jurisdiction by the commissioners of public buildings and grounds are also commended to your favorable consideration.

WASHINGTON MONUMENT. The report of the joint commission created by the act approved August 23, 1876, an act providing for the completion of the Washington monument, is also herewith transmitted with accompanying documents. The board of engineer officers detailed to examine the monument, in compliance with the second section of the act, have reported that the foundation is insufficient. No authority exists for making the expenditure necessary to secure its stability. I therefore recommend that the commission be authorized to expend such portion of the sum appropriated by the act, as may be necessary for the purpose. The present unfinished condition of the monument, begun so long ago, is a reproach to the nation. It cannot be doubted that the patriotic sense of the country will mainly respond to such prompt provision as may be made for its completion at an early day, and I urge upon congress the propriety and necessity of immediate legislation for this purpose.

LEGISLATION IN AID OF EDUCATION.

The wisdom of legislation upon the part of congress in aid of the states, for the education of the whole people in those branches of study which are taught in the common schools of the country, is no longer a question. The intelligent judgment of the country goes still further regarding it as also both constitutional and expedient for the general government to extend to technical and higher education, such aid as is deemed essential to the general welfare, and to our due prominence among the enlightened and cultured nations of the world. The ultimate settlement of all questions of the future, whether of administration or finance, or of true nationality of sentiment, depends upon the virtue and intelligence of the people. It is vain to hope for the success of a free government without the means of insuring the intelligence of those who are the source of power. No less than one-seventh of the entire voting population of our country are yet unable to read or write. It is encouraging to observe in connection with the growth of fraternal feeling in those states in which slavery formerly existed, evidences of increasing interest in universal education, and I shall be glad to give my approval to any appropriate measures which may be enacted by congress for the purpose of supplementing with national aid the local system of education in these states and in all the states, and having already invited your attention to the needs of the District of Columbia, with respect to its public school system, I add, that I believe it desirable not so much with reference to the local wants of the district, but to the great and lasting benefit of the entire country, that this system should be crowned with a university in all respects in keeping with the national capital, and thereby realize the cherished hopes of Washington on this subject.

I also earnestly commend the request of the regents of the Smithsonian institute that an adequate appropriation be made for the establishment and conduct of a national museum under their supervision. The request of providing for the preservation and growth of the library of congress is also one of national importance. As the depository of copyright publications and records, this library has outgrown the provisions for its accommodation, and the erection on such site as the judgment of congress may approve, of a fire-proof library building to preserve the treasures and enlarge the usefulness of this valuable collection, is recommended. I recommend also, such legislation as will render available efficient for the purpose of instruction, so far as consistent with the public services, the cabinets or museums of agriculture, of surgery, of education and of agriculture, and other collections, property of the national government. The capital of the nation should be something more than a mere political centre. We should avail ourselves of all the opportunities which Providence has placed at our command to promote the general intelligence of the people, and increase the conditions most favorable to the success and perpetuity of our institutions.

(Signed.) R. B. HAYES.
December 3, 1877.

THE London undertaker who had charge of the funeral of M'lie Tietjens advertised his business extensively by setting up in his shop window for a few days preceding the burial the coffin-lid which was soon to cover the body of the dead singer. The lid contained the customary plate, with the name, date of death, etc., conspicuously engraved on it; yet when called to account by the newspapers for his indecency, the undertaker sought refuge in a plea that the obnoxious object found its way into the window through inadvertence!

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