THE ANGLO-REBEL COTTON LOAN.

Important Letter from Secretary Seward to Secretary McCulloch.

Propositions from Rebel Bondholders in England.

REIMBURSEMENT ASKED FOR.

MR. SEWARD'S OBJECTIONS.

WASHINGTON, Tuesday, May 1, 1866.

The President sent a message to the House to-day in response to a resolution of the 25th of April, requesting information relative to the Rebel debt, known as the Cotton Loan, transmitting a report from the Secretary of State, to whom it was referred, as follows:

DEPARTMENT OF STATE, WASHINGTON, April —, 1866.

To the Honorable HUGH MCCULLOCH, *Secretary of the Treasury.*

SIR: By direction of the President I have examined certain papers which you have submitted to me relating to the late Rebel loan, and which are as follows:

First. A communication which is addressed to the President and which bears the date of London, the 10th of March, 1866, and is signed by order of Sir Provo Wallis, K. C. B., S.; Morgan, Secretary; Francis Phillips, C. M. T. Weston, W. M. Morgan and T. Harvey.

Second. A communication of the same date, addressed to "His Excellency James L. Orr, Governor of the State of South Carolina," and signed by the same parties in the same form.

Third. A communication bearing the same date, signed by the same parties, and addressed to the Hon. Hugh McCulloch, Secretary of the Treasury.

Fourth and *Fifth.* Two letters from George McHenry, under date of April 10, 1866, addressed to the Hon. Hugh McCulloch, United States Secretary of the Treasury.

George McHenry in his first letter to the Secretary of the Treasury, develops for the consideration of this Government a plan which he says he has proposed to the aforementioned Committee, and which they have accepted. This plan is that the United States Government shall furnish to that Committee a copy of the contract which he says was made between Erlanger & Company of Paris and the late Rebel conspiracy at Richmond, together with the particulars of the settlement of the same, which contract and investment McHenry assumes are to be found among the documents of that traitorous conspiracy, which have come into the possession of this Government.

When the papers indicated shall have been delivered over to the Committee of Rebel bond-holders in London, then the Committee promise that the outstanding Rebel cotton loan bonds shall be delivered up to the agents of the United States for cancellation.

2. The aforementioned bondholders shall waive any right or claim they may have under the laws of England, or any funds that are in the hands of the former agents of the last traitorous conspiracy at Richmond.

3. The said bondholders shall guaranty that either they or their friends will subscribe forthwith to a new loan to be created by the cotton and tobacco States (what particular States are meant is not more distinctly explained) for £5,000,000 at 40 per centum, payable in London, the money to be used solely in redeveloping the resources of those States.

4. In the event of the credit of the Southern States being restored through the influence of the last named operation, a second loan of £5,000,000 is to be taken, at 60 per centum, within three months after the placing of the first loan upon the market.

5. In the event of such second loan being successful, then a loan for £10,000,000 is to be taken, at 70 per centum, after a like interval of time.

George McHenry argues in support of this scheme, as follows:

Thus the Southern States will receive £20,000,000, at an average of 63 per cent in sterling, equivalent to about 90 in Federal currency. The interest and principal being payable in London, the bonds would, of course, remain in Europe, and not be liable as Federal securities issued there are to be returned to Wall street. * * * * * * * * "My plan," Mr. McHenry says, "if carried out, would no doubt at once elevate the credit of the several Southern States, and at the same time remove any excuse the Confederate agents may have for not rendering their accounts, and withholding funds from the representative of the United States."

According to Mr. McHenry, the bondholders allege that, as they purchased their bonds from Messrs. Erlanger & Company under misrepresentations, they, the bondholders, have a chance of recovering something from that house if they obtain copies of the contract, with particulars of settlement.

Then Mr. McHenry adds:

"The facts clear that unless these cotton bonds are put out of the way in some manner it will be impossible to make any negotiations of Southern securities, State, railroad or municipal, in the London market, and what is perhaps even worse, so long as the public credit of the Southern States is destroyed, England will not extend her system of private business to those States. A similar condition of affairs exists just now in regard to Spain.

"I speak from experience, as I have been endeavoring for several months past to throw capital into the Southern States, in order to encourage the culture of cotton. While I have found every disposition manifested by my friends in Lancashire to acquiesce in my suggestion, I have also found that "Repudiation" to be a stumbling block in the way. That difficulty removed, all will work well."

Mr. McHenry closes his first letter to the Secretary of the Treasury with the assurance that his arrangements are such that if the public credit of the South be restored he will be able to borrow for the various Southern railroads, on fair terms, as much money in Europe as they may need.

Mr. McHenry, in his second letter to the Secretary of the Treasury, informs us that a committee of bondholders handed to him (Mr. McHenry) some printed matter to present to the Secretary, which he (McHenry) finds, upon examination, contains an opinion of the English counsel of the Rebel bondholders, that the United States Government is responsible for these bonds.

Mr. McHenry states that he does not wish to enter upon that point, and therefore he retains the printed matter.

He seeks to prepare the way for gaining the confidence of the United States Government by declaring that he has no interest whatever in these bonds; that he advised the bondholders to abandon reliance upon the United States, and upon any property of the late Confederacy, and to fall back upon Erlanger & Co., who received the money for the bonds. He declares that the bondholders had no dealings with the Confederate authorities; bondholders had no dealings with the Confederate authorities; that the transaction was conducted by certain persons called Messrs. Schrodes & Co., who acted as agents for Erlanger & Co., and not as agents for the Confederate Government; that Erlanger & Co., in a letter to the bondholders, of date Nov. 12, 1863, state that they do not feel at liberty to give the bondholders the inspection of the contract, which is a document, they say, of the Confederate Government themselves.

He adds: There is a rumor prevalent that at the date of that letter, Messrs. Erlanger & Co. did owe the Confederate Government a considerable sum of money, but that they settled with one of the ex-agents of the Confederacy, by paying him bonds at the Cotton Loan, which they purchased at about six pence, and which he afterward sold at about the same rate.

He proceeds to state, further, that the manner in which the ex-agents have acted, has in no way tended to strengthen or elevate southern credit.

The representations which are made by the English Committee of holders of Rebel cotton bonds in the papers which McHenry submits in their behalf, may be briefly recited as follows:

The applicants inform the President that his patriotic and statesmanlike policy toward the Southern States (of the Union) has excited admiration in England. They especially call his attention to the manner in which this administration is illustrated, by the fact that they who have been deeply injured have nevertheless now favored him with their correspondence, and that in this correspondence they congratulate him upon his noble efforts to restore the Union of the States, and they urge him "to persevere in every manner" in order to accomplish that object.

The writers say they represent a large financial interest in England, but without telling us when or where they so represent that interest. In general, they proceed to say that in their capacity of a Committee they particularly represent the unfortunate purchasers of the cotton bonds, which were issued under the loan contracted by Messrs. Erlanger & Co. of Paris, with the Southern States lately confederated.

Without explaining or dwelling upon the injuries, misfortunes and losses, to which they so feelingly allude, they say they are content to leave the settlement of the claims of their constituents, the Rebel cotton bondholders, to the magnanimity of the United States.

Having thus voluntarily submitted themselves to the justice of the United States, they proceed to a new and distinct subject.

"Our desire," they say, "now is to assist the Southern States with capital, for the express purpose of redeveloping the resources of those States, and thus promoting the prosperity of all the United States."

They next present to the President's notice a discouraging embarrassment which they encounter in yielding to the desire they have thus expressed. This difficulty is stated in the following words:

"Under these circumstances, however, in which you have placed us, we hesitate in running any further risk unless we first obtain the concurrence of the Federal Government. At the present time, owing to the financial disorder that overrunes the Southern States, there would be no market value for any loan made to those States. We, therefore, wish to remove the obstacle by proclaiming to the world that our confidence in the integrity and in the future prosperity of the Southern States, and of course of the United States, is such that we have your (the President's) assent to furnish them with money to promote their agricultural interests."

The Committee then proceeded to unfold the scheme which they have adopted for carrying into effect this benevolent purpose of the unfortunate purchasers of the Rebel cotton. They say:

"We have requested Mr. McHenry to offer the Governors of the several States a much higher rate for a new loan than the ante-war securities issued by any of those States now command in the market."

The Committee seem to assume, and very justly, that the extraordinary act of munificence which they thus propose to perform, must excite on our part some anxiety lest it may prove injurious to themselves. They, therefore, proceed to quiet our apprehensions on that point. They assure us, in this regard, that they feel warranted in doing what they propose, because they believe that when their present claims against the States (meaning, as is supposed, the assumed claims of the bondholders of the Rebel cotton loan) are surrendered, when the taint of repudiation (meaning, as we suppose, the failure of those Rebel bonds to be recognized and acknowledged by any competent national or political power) is cleared away, the credit of the Southern States (meaning, as is understood, the States lately involved in Rebellion) in Europe, will be restored, and that of the Federal States (meaning, as we understand, the credit of the United States) will be augmented.

Next, by way of showing as the unreasonableness of disallowing their project, the Committee state that if nothing shall be done, that is, if they do not carry out this new enterprise, do not surrender the aforesaid claims and clear away the aforesaid taint of repudiation from the aforesaid Southern States in Europe, then the United States, the Southern States, and the projectors of the new enterprise must all continue to be sufferers by the existing state of affairs. The Committee then again revert to the munificence of their offer, and under seeming apprehension that it may bring their soundness of judgment in question, they proceed to remove this difficulty by declaring that they look at this matter in a purely business light. The interests they represent are largely concerned in the bonds of the several States, North and South, as well as those issued by the United States Government. They declare that they purchased the now repudiated cotton bonds (of the Rebels) solely as a commercial speculation, in order to obtain cotton at sixpence per pound, just as they purchased Five-twenty stocks of the United States when gold was at 200, under the conviction that when peace should be restored, that would turn out to be profitable operations. Having made these frank explanations, the Committee recur to the subject of the embarrassment first mentioned, declaring themselves with emphasis as follows:

"We have now to add that in supporting Southern credit at this crisis, we hope, in the course of a few years, a portion of our losses (meaning, as is supposed, their losses resulting from the purchase of Rebel cotton loan bonds) will thus be made up, but we cannot again run the risk of repudiation."

The Committee then felicitate themselves (with how much reason must be imperfectly known to us) upon the great sum of their resources, and the superior wisdom, and sagacity, and patriotism of their agent, McHenry.

"We deem it," they say, "alike fortunate for the States, that we alone in this metropolis can restore to the South (meaning the lately Rebel population in the United States), her financial condition to this community (meaning England). We feel greatly obliged to Mr. McHenry for his suggestions in reference to those States. His views are eminently patriotic (whether in an American, of a British, or a Rebel sense is left obscure), and at the same time he (Mr. McHenry) appeared to have grappled with the difficulties presented on both sides of the Atlantic, and, so far as we (meaning the holders of the Rebel cotton loan) are concerned, he has smoothed the way for a complete return of credit. We entirely approve of the plans presented by him."

From the letter which was addressed by the Committee to the Secretary of the Treasury, we learn the interesting fact that the so-called cotton bonds were to authorize the holders to claim, from the Rebels who issued them, payment in cotton, and at sixpence per pound, six months after a treaty of peace between the United States, and those Rebels should be signed, and that the bonds so held by the applicants represent a claim on this basis of £5,000,000. We learn, also, the further fact that the bondholders regard the Secretary of the Treasury as one of the ablest financiers of the present day, and as a man of business who knows the full value of credit.

From the letter in which the Committee addressed His Excellency Gov. Orr, we learn the further fact that the aforesaid bondholders have used every effort to obtain from Erlanger & Co., and other contractors of the late Rebels, some account of their stewardship, but that all their efforts have been in vain.

This letter gives us a further evidence of the scrupulous impartiality of the holders of the Rebel bonds. They declare that they and holders also of Federal and Northern State securities, which they purchased at the same time with their purchase of the Rebel bonds, and which they purchased upon the good faith of the Government by whom they were issued; and so they declare themselves free to say, as far as they are concerned, there was no political feeling whatever in that transaction. They entertain their application upon the serious attention of his Excellency, the Governor by expressing to him their belief that the Northern securities—that is, bonds which have heretofore been issued by the Northern and loyal States of the United States—will be as valueless as the Southern Rebel bonds, unless means are resorted to by which the Southern States, as component parts of the United States, are not only restored to the Union, but also reinstated in their material prosperity.

With the end, therefore, of preventing the apprehended decline and failure of the stocks of the Northern States, the Rebel bondholders propose to throw additional money into the Southern states.

Passing from the narrow ground which they have thus cleared up to a broader one, the Committee of Rebel bondholders next commenced their project to the Governor, by stating that they are not ashamed to own that the prosperity of the British Empire as well as the prosperity of the United States, would be enhanced by the increase of the the staple productions of the Southern States.

The Committee conclude their letter with declaring that they have confidence not only in McHenry's ability to place the matter before His Excellency, Gov. Orr, in a clear light, but that they also have confidence in the great judgment and statesmanship which His Excellency, Gov. Orr, is universally so well known to possess. George McHenry, who now presents himself as an agent for the Rebel bondholders, is not altogether unknown to this Government. In 1863 he published in London a volume entitled "The Cotton Trade, its Bearing upon the Prosperity of Great Britain and the Commerce of the American Republic Considered in Connection with the System of Negro Slavery in the Confederate States." The volume bore a motto extracted from the treasonable writings of Jefferson Davis, and was inscribed to William H. Gregory, esq., a member of the British Parliament, hostile to the United States. In the dedication, McHenry announced himself as an American Rebel in Europe. He speaks concerning the Rebellion as follows:

"During the last 28 weary months, weary enough to all Confederate Americans in Europe, I have been more and more convinced that the long train of calamities which have occurred within that time might have been averted but for the opposition on the part of the British Ministry and Radical members of Parliament to the motion which you, on March 4, 1861, gave notice of your intention to bring forward in favor of the recognition of the Southern Confederacy, then composed of the seven Cotton States."

I am of the opinion that neither the nature of these several communications, nor the matters discussed therein, nor the form in which they are therein treated, nor the character of their authors, nor that of their agent, is such as to deserve consideration on the part of the Government of the United States.

I have the honor to be, Sir, your obedient servant,

WILLIAM H. SEWARD.

FROM WASHINGTON.

Continued from First Page.

portance of the question and the thinness of the House. The motion was lost.

The substitute was agreed to.

Mr. DELANO then moved to lay the bill on the table.

The vote was taken, and resulted Yeas, 32; Nays, 85, so the House refused to lay the bill on the table. The following is the vote in detail:

YEAS—Messrs. Ancona, Benjamin, Bergen, Boyer, Buckland, Chandler, Dawson, Delano, Deming, Denison, Eldridge, Finck, Glossbrenner, Grider, Aaron Harding (Ky.), Austin D. Hubbard (West Va.), James R. Hubbell (Ohio), James M. Humphrey (N. Y.), Latham, Marvin, Niblack, Orth, Samuel J. Randall (Pa.), William H. Randall (Ky.), Ritter, Shanklin, Strouse, Taylor, Francis Thomas (Md.), Ward, Williams, Stephen F. Wilson (Pa.)—32.

NAYS—Messrs. Alley, Allison, Ames, James M. Ashley (Ohio), Baker, Banks, Baxter, Beaman, Bidwell, Bingham, Blaine, Boutwell, Brandegee, Brownell, Sidney Clarke (Kansas), Cobb, Conkling, Culloon, Darling, Dawes, Defrees, Dodge, Donelly, Driggs, Eliot, Farnsworth, Ferry, Garfield, Abner C. Harding (Ill.), Henderson, Higby, Holmes, Hotchkiss, A. W. Hubbard (Iowa), John H. Hubbard (Conn.), Hurlbut, Ingersoll, Jenckes, Julian, Kasson, Kelley, Kelso, Kuykendall, Laflin, Lawrence (Ohio), Loan, Longyear, Lynch, Marshall, McClurg, McKee, McRuer, Moorhead, Morrill, Morris, Moulton, O'Neill, Paine, Patterson, Perham, Raymond, Alexander H. Rice (Mass.), John H. Rice (Me.), Rollins, Ross, Sawyer, Shellabarger, Smith, Spalding, Stevens, Stillwell, Thornton, Trowbridge, Upson, Van Aernam, Burt Van Horn (N. Y.), Warner, Ellihu B. Washburne (Ill.), Henry D. Washburn (Ind.), William D. Washburn (Mass.), James F. Wilson (Iowa), Windom, Woodbridge—83.

The question recurring on the passage of the bill as amended, Mr. DELANO called for the yeas and nays. The House refused to order them, and the bill was passed without a division.

An abstract of the bill as originally reported will be found in the House proceedings of the 19th of April. The important change made in the original bill is the striking out of that part which contemplates the organization of a company under a stated charter, and inserting the following sections:

SECTION 8. *And be it further enacted*, That, in order to accomplish the early completion of said canal for military and commercial purposes, and to provide for the common defense and general welfare of the States bordering on the Northern frontier, and to regulate commerce among the several States, as well as to relieve the Treasury as far as may be practicable from a large expenditure of money, by availing itself of private enterprise, William J. Bourdman, Charles Henry, of Ohio, William Goodhue, Benjamin R. Shelden, of Illinois; Platt Smith, Lyman Cook of Iowa, Roland Hall, Paul Dillingham, of Vermont; Alva A. Law, Reuben E. Fenton, of New-York; Alexander H. Bullock, John S. Barlow, of Massachusetts; William A. Buckingham, Calvin Day, of Connecticut; Frederick Smith, Joseph B. Walker, of New-Hampshire; Alexander Mitchell, C. C. Sholes, of Wisconsin; Samuel Coney, Samuel F. Hery, of Maine; John B. Niles, Thomas H. Bringhurst of Indiana; Eber B. Ward, E. O. Groves, North of Michigan; William S. Slater, Ezra D. Fogg, of Rhode Island, Thomas C. Fletcher, Edward Bates, of Missouri; D. Blakeley, Thomas H. Armstrong, of Minnesota; John H. Walker, Jos. Scranton, of Pennsylvania, and such other persons as shall hereafter become subscribers to the capital stock of the corporation hereby created, and their successors shall be and hereby are created and elected into a body politic, and corporate, in deed and in law, by the name and style of "The Niagara Ship Canal Company."

SEC. 9. *And be it further enacted*, That the capital stock of the said corporation shall be $6,000,000, with the right to increase the same to an amount equal to the actual cost of constructing said canal, and shall be divided into shares of $100 each, and which shall be subscribed for and held in not less than one share or more than 200 shares by any one person.

SEC. 10. *And be it further enacted*, That John C. Doore of Illinois, Philo Chamberlin of Ohio, Eldridge G. Merrick of Michigan, David Dawes, Abraham P. Grant, James D. Cooper of New-York, James Little of Massachusetts, and Edward Broadhead of Wisconsin, shall be Commissioners to open books for subscription to the stock of said corporation, on which shall be paid at the time of subscription, ten percentum thereof, and they shall open such books on or before the 1st day of August next, at such places as they may appoint, having first given notice of the time and place of meeting for that purpose, by publishing the same once at least in each week, for four weeks successively, in a public newspaper printed and published in the City of New-York; Chicago, in the State of Illinois; Detroit, in the State of Michigan; Milwaukee, in the State of Wisconsin; Cleveland, in the State of Ohio, and Boston, in the State of Massachusetts. The aforesaid subscription books shall be kept open at the places designated in the aforesaid notice, for at least three days. A majority of said Commissioners shall constitute a quorum for the transaction of business, and they may adjourn from time to time, and after the first three days, to such places as they may think fit, until the requisite number of shares be subscribed for; and in case a surplus of shares shall be subscribed for, they may apportion them among the subscribers, in such manner as they shall think, for the interest of the said corporation.

SEC. 16. *And be it further enacted*, That whenever five hundred thousand dollars of the capital stock of the said corporation shall have been subscribed for, and the subscribers shall have paid ten per centum upon the stock subscribed for by them respectively, the said corporation shall be deemed to be duly organized.

EQUALIZATION OF BOUNTIES.

Mr. RAYMOND presented a joint resolution of the Legislature of the State of New-York, in favor of the passage of a bill to equalize bounties paid to soldiers. Referred to the Committee on Military Affairs.

AMERICAN NAVAL REGISTERS.

Mr. J. M. HUMPHREY introduced a joint resolution authorizing the Secretary of the Treasury to grant American registers to certain vessels. Read twice and referred to the Committee on Commerce.

DUTIES REFUNDED.

Also, a bill to authorize the Secretary of the Treasury to refund money paid by A. Sherwood and others, for duties improperly collected. Read twice and referred to the Committee on Ways and Means.

PAY DEPARTMENT OF THE NAVY.

Mr. RICE (Mass.) introduced a joint resolution to carry into immediate effect the bill to provide for the better organization of the Pay Department of the Navy, which was considered and passed. It authorizes the President to waive the examination of such officers of the Pay Department as are on duty abroad, and who cannot be examined as required by law; provided, that their examination is to take place on their return to the United States.

ADJOURNMENT.

The House at 5 o'clock p. m. adjourned.

The Pennsylvania Battle Flags.

HARRISBURG, Pa., Tuesday, May 1, 1866.

Gov. Curtin has received a general order for the ceremonies to be observed on the return of the Standards of the Pennsylvania Volunteers, at Independence Square, Philadelphia, on the 4th of July.

Railroad Meeting.

BUFFALO, N. Y., Tuesday, May 1, 1866.

A meeting was held here to-day of Railroad Superintendents and Freight Agents, to make a Summer Time Table from New-York to St. Louis. The meeting was fully attended.

Beta-Theta-Psi.

CINCINNATI, Tuesday, May 1, 1866.

The National Convention of the Beta-Theta-Psi fraternity is holding its biennial session at the Spencer House in this city. Some fifty chapters are represented.

SOUTH AMERICA.

The Bombardment of Valparaiso.

Destruction of the Business Portion of the City.

GEN. KILPATRICK READY TO INTERFERE

The English Admiral Refuses to Join Him.

Terrible Excitement in South America Against the Spaniards.

The steamer Costa Rica from Aspinwall on the 23d ult., arrived here yesterday. The following is her specie list:

Panama Railroad Co.	$21,333 34	A. E. & C. E. Titon	$25,500 00
Walter Watson & C. M. Mildred	120,023 00	Order	500,000 00
		Lees & Waller	250,000 00
Dabney Morgan & Co.	77,879 93	B. Collins	900 00
Eugene Kelly & Co.	86,500 00	C. Stevens	1,800 00
A. Belmont & Co.	65,017 21	F. Marcence & Co.	2,500 00
H. Marcuse	52,326 15	McKesson & Robbins	400 00
Bacon & Russell	31,732 19		
Wells, Fargo & Co.	99,437 69	Total	$1,313,270 72

From Our Special Correspondent.

PANAMA, April 23, 1866.

The steamship Limeña, Capt. Bloomfield, from South Pacific ports, arrived on the 20th inst. Her New-York freight list is very light. By this arrival we have dates from Valparaiso to the 3d, and from Callao to the 14th of April. The news is of thrilling interest.

CHILI.

Valpairaiso, the important and enterprising commercial metropolis of the western coast of South America, is, I regret to say, in ruins. Matters, which upon the departure of the preceding steamer were in a decidedly precarious condition, have since culminated in the almost total destruction of the business portion of the City of Valparaiso on one hand, and in eternal infamy and irrevocable disgrace on the other. The report that Admiral Mendez Nuñez had received orders from his Government to earnestly inaugurate the war under contemplation so long, was well founded.

On the 27th of March, Admiral Nuñez informed the Chilian Government that dispatches had been received from Madrid, appointing him Minister Plenipotentiary, *vice* Admiral Pareja, accompanied by instructions to insist upon the fulfillment of the original terms of settlement prescribed by his predecessor, or, in lieu of which, to bombard the City of Valparaiso. He also notified the Foreign Ministers of the course he was directed to pursue. From the Chilian authorities he was met with the reply that the Republic would never humble herself to the required degree. She would not be compelled to salute the Spanish flag, nor to apologize for imaginary offenses against the Government of Her Catholic Majesty. Upon the reception of the reply, Nuñez immediately notified the authorities of Valparaiso that he would allow them four days time in which to remove the non-combatants, preparatory to the bombardment of the city. He notified the foreign residents to save their movable property in the interim, as nothing beyond a compliance with his demands by the Republican Administration could change his determination as to the time of the attack.

It could scarcely be comprehended by the peaceful inhabitants of the place that Nuñez would execute his plan of destroying a defenseless city—especially one in which property held by foreign capitalists was so largely predominant. A meeting of Foreign Ministers was immediately held, and a request sent by them to Nuñez that he would reconsider his determination and allow the city to "still exist." His reply was firm, but courteous. His orders were explicit and could not be disregarded. The American Minister, Gen. Kilpatrick, was indefatigable in his efforts to bring about a reconciliation between the belligerents, but his labor was thrown away. The following is a copy of a letter to Mendez Nuñez from Kilpatrick, which is indicative of the desire of the latter to prevent the loss of life and property:

LEGATION OF THE UNITED STATES TO CHILI, VALPARAISO, March 28, 1866.

The undersigned, Envoy Extraordinary and Minister Plenipotentiary of the United States, has the honor to acknowledge the receipt of the note which his Excellency the Commander-in-Chief of her Catholic Majesty's Squadron in the Pacific and her Plenipotentiary, addressed him on the 27th inst., transmitting to him a memorandum addressed by his Excellency to the representatives of foreign nations resident in Chili. In this document, his Excellency is pleased to state the reasons which, in his opinion, justify the employment of extreme hostilities against the port of Valparaiso and other ports upon the coast of Chili by the forces under his command, allowing a term of four days for the purpose of placing in safety the old, the young and the helpless.

The undersigned has transmitted copies of that manifesto to his colleagues of the Diplomatic Corps. For himself, he does not feel called upon to examine into the causes of the present war, or of the failure of the attempt hitherto made to bring it to a close by conciliatory measures or by force of arms, but he does feel himself called upon earnestly to remonstrate, and solemnly to protest against the destruction of a purely mercantile port, almost exclusively the property of unoffending neutrals.

His Excellency states, that upon the establishment of the blockade of the Chilian coast, it was conducted with lenity, and that neutrals were courteously dealt with, that finding this course unavailing to obtain the desired amends from Chili, the force under his command made two distinct attempts to obtain by combat the satisfaction Spain demanded, and finally, that failing to do so on account of insuperable neutral obstacles, it is his duty to cause Chili to feel all the rigors of war, and that he will consequently fire upon Valparaiso, and upon any other ports he may deem proper with the guns of his squadron, as a terrible act of hostility rendered legitimate by the reasons set forth by him, and which place the full responsibility of all the evils thereby caused to neutrals upon the Government of Chili. These reasons fail to satisfy the undersigned, as they will fail to satisfy civilized nations, that his Excellency the Spanish Admiral is justified in resorting to a species of warfare which he himself most truly qualifies as terrible, in order to punish an enemy which he has thus far failed to punish by legitimate modes of warfare.

While belligerent rights permit a recourse to extreme measures for the carrying out legitimate military operations, they do not include the wanton destruction of private property, where no result advantageous to the lawful ends of the war can be attained. International law expressly exempts from destruction purely commercial communities, such as Valparaiso, and the undersigned would beg his Excellency to consider most earnestly the immense loss to neutral residents, and the impossibility of removing within the brief term allotted to them their household goods, chattels and merchandise.

If, however, his Excellency persists in his intention to bombard the port of Valparaiso, in spite of the earnest remonstrance contained herein, it only remains for the undersigned to reiterate, in the clearest manner, in the name of his Government, his most solemn protest against the act as unusual, unnecessary, and in contravention of the laws and customs of civilized nations; reserving to his Government the right to take such action as it may deem proper in the premises.

The undersigned has the honor to renew to his Excellency the Commander-in-Chief of her Catholic Majesty's Naval Forces in the Pacific, and her Plenipotentiary, the assurances of his distinguished consideration. J. KILPATRICK.

To this remonstrance the inevitable reply was returned. Plans of settlement were proposed, the most feasible of which was that the Spanish flag should be elevated over the barracks at Valparaiso, the Chilian flag placed at the masthead of the Admiral's ship Numancia, and a simultaneous salute fired to both. This question disposed of, the others would have been of easy solution. The Chilians agreed to the mode of settlement at once; but the haughty Spaniard would not retreat one inch from the position he had taken. It soon became evident that nothing short of absolute foreign intervention could avert the threatened calamity, and the non-combatants and most portable articles of merchandise were then removed beyond reach of the enemy's guns.

Seeing that all peaceable efforts to save Valparaiso were fruitless, Gen. Kilpatrick proposed to the English and French Chargé d'Affaires to see what virtue there would be in shot and shell, from the men-of-war of the several Powers, then lying in the harbor. The American Commodore, Rodgers, and our Minister, jointly proposed to anchor the different fleets between the Spanish squadron and the city: and, in case hostilities were commenced, they also agreed that if the British fleet would fire the first gun, the American men-of-war would assume all further responsibility. British interest in Valparaiso is much more extensive than American—in fact it is four times as great—and our representatives were unwilling to assume the entire responsibility on the part of the American Government alone. It was also proposed that the American and English ships fire simultaneously on the Spaniards, and together compel them to desist. But to each and every proposition to this effect a negative reply was given.

All foreign opposition to the Spanish having thus vanished, Nuñez prepared to attack the city. Early on the morning of March 31 (the four days' grace having elapsed) he notified the foreign squadrons to withdraw beyond range of his guns. The English squadron was the first to comply with the notification; while, at the last moment, the American ships slowly and sullenly moved from their anchorage to a safer place. The Monadnock, a monitor, which alone could have totally annihilated the entire Spanish squadron, brought up the rear, and as she passed by the attacking fleet her 500-pounders seemed to dare the vandals to a trial of strength and skill.

Shortly before 8 o'clock a. m. the enemy's vessels began to maneuver. The Numancia, Resolucion, Villa de Madrid, Blanca, Vencedora and Paquete de Maule were under steam. The flagship Numancia took up her position immediately in front of the mole, and about a mile from shore. At 8:10 a. m. she fired two blank shots, as a warning to the non-combatants of the city that the attack was about to commence. The latter, taking advantage of this circumstance, left their houses and posted themselves on the hights overlooking the place, and out of range of the enemy's guns.

In the interim the Spanish frigates were posted as follows: The Resolucion, fronting the railroad station; the Blanca and Villa de Madrid, before the custom warehouses; and the Vencedora opposite the Calle del Cabo. The Numancia remained outside the line thus formed, signaling orders to the attacking vessels. By 8:30 everything was in readiness for the attack, so early had the preparations began and so rapidly had they been completed.

The spectacle thus presented must have been one of melancholy interest. The doomed city, lying completely defenseless before a fleet of might and strength, surely challenged the pity of all spectators. To the peaceful inhabitants gathered together on the hights beyond, the scene must have been appalling. They were there to view the ruthless destruction of their homes and property—to witness the ruination of the wealth of years.

At 9 o'clock a. m. the first shot was fired upon the city, it emanated from the Blanca and was aimed at the custom warehouse. Accompanied by the cry of "Long live the Queen!" the firing soon became general. For 3½ hours the bombardment was continued. Not an opposing shot was fired in defense of the city; not a hand was lifted in opposition to the Spanish squadron. With the means at their command, it was useless for the Chilians to resist the attack.

The destruction of property was immense. The warehouses, containing millions of dollars worth of foreign merchandise, were almost totally demolished. It is here that the bombardment affected foreigners so generally. All the public and many private buildings were completely ruined. The Hotel de la Union was fired by a red-hot shot, and all that portion of the city in its immediate vicinity was consumed by the entire conflagration. To complete the entire destruction of the custom warehouses, a fire broke out about 11:45 o'clock a. m., which speedily enveloped the whole of them in flames. Nothing was spared by the enemy within range of their guns. Public property and private, hospitals and churches, wharves and their appurtenances, were each and all made an object of attack.

After firing between 2,000 and 3,000 shot and shell point blank into the city, the flagship Numancia gave the signal to withdraw. The last shot was fired at 12:30 o'clock p. m. The frigates immediately got under way after the firing had ceased, and proceeded to the anchorage from whence they came in the morning. The foreign fleets resumed their old positions, and on the water everything soon bore its usual appearance.

Immediately after the firing ceased, the people on the hights rushed into the city, and strove to check the conflagration, in which they partially succeeded. Owing to the fact that nearly all the inhabitants had left the place, the number of killed and wounded was comparatively small. The exact figures have not been given.

It was not known what the future plans of Nuñez might be, but it was generally believed that he would ravage the coast, and proceed to do at other cities what he had done at Valparaiso. It was feared that Caldera, Coquimbo, and other places, would, in turn, fall victims to the vandalism of the Spaniards.

The English residents of Chili are highly indignant at the conduct of their Minister and of Commodore Denman of the British squadron. Before the bombardment, a meeting was held by the former, and the following resolutions, which damn their own representatives and praise ours, were adopted:

Resolved, 1. That the statement of facts read at the meeting this day by Mr. Hague be hereby adopted as a true and impartial narrative.

2. That this meeting cannot too severely censure the vacillating conduct of Rear-Admiral Denman, in having given to the British community of Valparaiso positive assurances that he would interfere by force, if necessary, to prevent a general bombardment, and afterward retracting the same; thus causing the loss of much valuable time which might have been profitably employed in securing safety to life and property.

3. That this meeting cannot but condemn Rear-Admiral Denman's conduct as inconsistent with correct ideas of that neutrality which he stated he had strict orders to observe, inasmuch as while he denies to the British community of Valparaiso the protection of the flag under his command, he did not hesitate to detach one of the ships of his squadron for the protection of Spanish Commissaries, contraband of war in Peruvian waters, who left Valparaiso for the North in the mail steamer Payta on the 17th inst.

4. That Rear-Admiral Denman's plea of want of sufficient force to oppose the Spaniards is humiliating to his countrymen and inexcusable, considering that the combination of a powerful United States squadron was pressed upon him by its commanders, and that this meeting cannot express in sufficiently strong terms its indignation that such an atrocity as the bombardment of a defenseless town with a population of 80,000 inhabitants should be permitted in the presence of a British squadron.

5. That the absence of precise instructions from the English Government with regard to the threatened bombardment can only be accounted for by the supposition on its part that our difficulties have come to a conclusion, leaving therefore unforeseen considerations to be solved by the good judgment of its representative, who to the great regret of this meeting would appear to consider the duties of neutrality inconsistent with any action in favor of those interests which we specially confided to his protection, and which under existing circumstances are so seriously compromised.

6. That it is a matter of regret that between the British Chargé d'Affaires and this community, there has long existed an estrangement which has rendered him unfit to represent its interests, and that in the present emergency the disadvantages accruing therefrom have been more sensibly felt by his passive submission to the abuses of the Spanish squadron, while other neutrals have been placed in much more favorable positions through the exertions of their representatives.

7. That a deputation be appointed to wait upon the United States Minister, Gen. Kilpatrick, and upon Commodore Rogers, and express to them on behalf of this meeting, its high appreciation of their earnest endeavors to prevent, by cooperation with the British forces, the bombardment of this city, deeply regretting that these endeavors had not been more successful.

8. That these resolutions, and the documents referred to in them, be laid before the British public.

A bitter feeling is said to prevail throughout Chili against the English. British commercial interests are thought to have suffered an irreparable injury, while the pleasure with which all classes and parties commend the action of the Americans, bodes much good to the latter. The *Mercurio* of Valparaiso remarks, that it is at a loss to see how the English and French Chargé d'Affaires can justify themselves to their respective Governments, for having calmly and indifferently stood by, while the Spaniards were burning eighteen or twenty millions worth of property belonging to their countrymen, possessing, as they did, ample means to prevent it.

PERU.

The Peruvians were wild with excitement over the news of the bombardment of Valparaiso. Great fears were entertained for the safety of foreigners—and especially of Spaniards—residing in Lima; so terrible was the excitement of the lower classes that they threatened an indiscriminate massacre of Europeans, and did not even spare Americans in their denunciations. The feeling was somewhat alleviated by the arrest and imprisonment of all the Spaniards in the city. Yet, fearing a repetition of the terrible scenes following the overthrow of Pezet, the authorities used every precaution to prevent it, and the arrest of the Spaniards removed the pretext for an outbreak.

At Callao all was confusion. The warehouses were being relieved of their contents, merchants were sending their goods to Lima, and, in fact, every one seemed to be possessed with the insane fear that Callao would be the next place of attack. But the chances are that Nuñez will turn his attention toward easier and less dangerous work before he approaches that city. If they possess the requisite bravery, the Peruvians have the means of returning hard knocks for those received.

Admiral Pearson had arrived at Callao, but immediately sailed in the Suwance for Valparaiso.

CENTRAL AMERICA.

By the arrival of the steamship Guatemala, Captain Douglas, we have later news from Central America. Everything was quiet in political circles. An effort is being made in Costa Rica to contract with an American company for the construction of an Inter-Oceanic Railroad. All British and French projects aiming at that end have proved to be sad failures, and now the Central Americans want to give Yankee ingenuity and skill a trial. A carriage road is projected between Guatemala City and San Salvador. The ordinary session of the Nicaraguan Congress closed on the 15th ultimo, but was opened again in extraordinary session on the 19th.

From Our Special Correspondent.

SANTIAGO DE CHILI, March 31, 1866.

The United States Minister Gen. Kilpatrick, and the United States Commodore, Rogers, have been doing their utmost to effect a peaceful solution of the differences between Spain and Chili. Long conferences have been held on board the Numancia.

The published but unofficial result of Kilpatrick's conference with the Spanish Admiral is this, that:

1. The Spanish and Chile flags should be unfurled upon an United States ship and receive mutual salute from the belligerents.

2. To reciprocally deliver up the prizes and prisoners made, including the Covadonga.

3. That the Chili Government would declare that she never intended injury against the Queen of Spain.

It is said that on the part of the Spanish Admiral he intimated that if these terms were not agreed to he would bombard.

It is generally supposed that Chili has refused these conditions, since she will not treat with Spain, unless her ships be withdrawn. Even to yesterday noon, within less than 24 hours before the bombardment was to commence, strenuous efforts were still being made to effect a peaceable solution of the question, but Chili would not treat with the Spanish Admiral unless he would withdraw the threat of bombardment.

The telegraph dispatch of yesterday afternoon gave us no hopes of anything but bombardment this morning at 9 o'clock.

THE SPANISH ADMIRAL GIVES OFFICIAL NOTICE OF THE BOMB