called Mosquito kingdom was finally disposed of by the convention.

The undersigned observes with pleasure that while thus expressing the opinion of the President of the United States on the several points thus enumerated, Mr. Buchanan announces that it is far from his purpose to re-open the general discussion upon them. Her Majesty's government had indeed refrained from pursuing that discussion by replying to Mr. Buchanan's note of the 22d of July, 1854, because it appeared to them that the continuation of the correspondence was not likely to lead to any satisfactory conclusion; and, as her Majesty's government are still of that opinion, the undersigned will confine his answer to Mr. Buchanan's present note within the same limits as those which Mr. Buchanan has prescribed to himself.

In answer, therefore, to the questions put by Mr. Buchanan, the undersigned has the honor to state to him that her Majesty's government adhere to the opinion which they have uniformly held, that the convention of April 19, 1850, was merely prospective in its operation, and did not in any way interfere with the state of things existing at the time of its conclusion. If it had been intended to do so, there can be no question but that in conformity with what the undersigned believes to be the universal rule in regard to instruments of this nature, it would have contained, in specific terms, a renunciation on the part of Great Britain of the possessions and rights which, up to the conclusion of the convention, she had claimed to maintain, and such renunciation would not have been left as a mere matter of inference.

Neither can her Majesty's government subscribe to the position that if the convention did not bear the meaning attached to it by the government of the United States, it would have imposed upon the government of the United States a self-denying obligation which was not equally contracted by Great Britain, and that such a state of things could not have been in the intention of the contracting parties; because if the convention did bear the meaning attached to it by the United States, it would then have imposed upon Great Britain the obligation to renounce possessions and rights without any equivalent renunciation on the part of the United States. If the government of the United States can complain in the one case of the convention as presenting an unilateral character unfavorable to the United States, with much greater reason might the government of Great Britain, in the other case, if the assumption of the United States were to be acted upon in the construction of the convention, complain of it as prejudicial to England.

But looking at the object the contracting parties had in view at the conclusion of the convention, namely, the security of the proposed ship canal, the British government considered that the design of the contracting parties was not to disturb any state of things than existing, but to guard against the future creation of a state of things which might by possibility interfere with the security of the proposed canal. That such was the true design of the convention is obvious from the provision in the sixth article, by which the contracting parties engaged to invite every State to enter into stipulations with them similar to those contained in the convention. But if the positions of the United States government were sound, and the convention was intended to interfere with the state of things existing at the time of its conclusion, and to impose upon Great Britain to withdraw from portions of territory occupied by it, a similar obligation would be contracted by other States acceding to the convention, and the governments of Central American States would, by the mere act of accession, sign away their rights to the territories in which they are situated.

The British government share the conviction of the President of the United States that the interest of the two countries and their mutual desire to maintain existing friendly relations, will alike inspire each party with a conciliatory spirit, and enable them to overcome all obstacles to a satisfactory adjustment of Central American questions. The British government see no reasons why it should be otherwise. The British government neither have the wish to extend the limits of their possessions, or the sphere of their influence in that quarter, nor would any British interest be promoted by doing so; but the British government are not prepared to contract either the one or the other in pursuance of the interpretation of a convention to which interpretation they cannot subscribe.

The undersigned requests Mr. Buchanan to accept the assurance of his highest consideration.

FOREIGN OFFICE, Sept. 28, 1855. CLARENDON.

MR. BUCHANAN TO LORD CLARENDON.

The undersigned, Envoy Extraordinary and Minister Plenipotentiary of the United States, has the honor to acknowledge the receipt of the note of the Earl of Clarendon, his Majesty's principal Secretary of State for Foreign Affairs, dated on the 28th ult., in reply to the note of the undersigned of the 11th ult., in reference to the Central American questions between the two governments; and he will not fail to transmit a copy of the same by the next steamer to the Secretary of State at Washington.

Whilst far from intending to renew the general discussion of these questions, which has already been exhausted, the undersigned, in passing, would make a single observation in regard to the Earl of Clarendon's remarks, that if the convention of 19th of April, 1850, had intended that Great Britain should withdraw from her possessions in Central America, "it would have contained in specific terms a renunciation" to that effect, "and such renunciation would not have been left as a mere matter of inference."

Now, it appears to the undersigned that an engagement by a party not "to occupy or exercise dominion" over territory of which that party is in actual possession at the date of the engagement, is equivalent in all results to an agreement to withdraw from such territory. Under these circumstances, this is not "a mere matter of inference," because the one proposition is necessarily and inseparably involved in the other, and they are merely alternative modes of expressing the same idea. In such a case, to withdraw is not to occupy, and not to occupy is necessarily to withdraw.

The undersigned needs no apology for briefly adverting to another argument of the Earl of Clarendon, because it has now for the first time been advanced. He states that if the proposition of the United States government were sound, and the convention was intended to interfere with the state of things existing at the time of its conclusion, and to impose upon Great Britain to withdraw from portions of territory occupied by it, a similar obligation would be contracted by the other States, acceding to the convention, (under the 6th article,) and the government of the Central American States would by the mere act of accession sign away their rights to the territories in which they are situated.

Confining himself strictly to this view of the subject, he undersigned would observe, that, notwithstanding the general terms employed by the convention, an examination of its provisions, and especially of the sixth article itself, will prove it never intended that the Central American States should become joint parties to his treaty with the United States, Great Britain, and other governments exterior to Central America. These States are the subjects on which the guarantees of the convention were to act, and the exclusion of all other powers from the occupancy of Central America, with a view not only to the security of this canal, but all other canals and railroads across the Isthmus, was one of the main objects to be accomplished by the treaty.

The Earl of Clarendon has himself intimated how absurd it would be for the Central American governments to become parties to this convention according to the American construction. It would, however, be none the less absurd according to the British construction; because then no Central American State could accede to the treaty without confining itself forever within its existing boundaries, and agreeing not to add to its territory and extend its occupation under any possible circumstances which might arise in the future.

Besides, were it possible for Nicaragua, for example, to become a party to this joint convention, she would then have taken upon herself the extraordinary obligation to use her whole influence with herself, under the fourth article, to induce herself to facilitate the construction of the canal, and to use her good offices to procure from herself "the establishment of two free ports, one at each end of the canal," both these ports being within her own limits, consequences almost equally extraordinary would result from other portions of the convention.

The undersigned has the honor to renew to the Earl of Clarendon the assurance of his distinguished consideration.

JAMES BUCHANAN.

LEGATION OF THE UNITED STATES, LONDON, Oct. 4, 1855.

Our National Pensioners.

Synopsis of the annual report of the Commissioner of Pensions, for the year ending June 30, 1855:—

ARMY PENSIONS.

Original applications, and applications for increase allowed, are as follows:—

		Yearly amount.
1803	Revolutionary soldiers	$7,816 06
1858	" widows	55,167 70
1837	half pay widows	49,342 00
1839	invalid	25,036 61
1977		$137,362 37

Amount of arrearages due on the above, at the date of the issuing of the certificate, was.....$351,946 80

Amount paid out by Army Pension Agents, as per returns, viz.:—

Revolutionary soldiers	$126,379 06
widows of Revolutionary soldiers	566,114 87
half-pay widows	218,978 65
invalids	454,588 33
Total	$1,366,061 81

The number of pensioners on the roll of the several agencies is as follows:—

		Yearly amounts.
2626	Revolutionary soldiers	$44,993 38
[illegible]	widows of Revolutionary soldiers	451,219 42
2,432	half-pay widows	182,050 00
3,920	invalids	448,584 55
9,650	now on the rolls	$1,123,847 3

343 Revolutionary soldiers have died during the past year.

There have been added to the rolls during the year 1,71[illegible] new pensioners, and 1,628 withdrawals by deaths and transfers to the Treasury. These transfers are of such pensions as remain unclaimed for 14 months, but very many are ever again paid at any agency, the pensioners being dead.

NAVY PENSIONS.

Original applications, and applications for increase allowed, are as follows:—

	Yearly amount.
1 invalids	$2,102 0
1 widows and orphans	5,898 0
	$8,000 00

The amount of arrearages due on the above at the date of issuing the certificates was $8,518.

Amount paid out by Navy Pension Agent, as per returns, is as follows:—

Invalids	$25,770 25
Navy Pension fund	4,454 59
Widows and orphans	105,284 13
Privateers	3,541 53
Total	$139,050 50

The number of pensioners on the rolls of the several agencies is as follows, viz.:—

		Yearly amount.
[illegible]	invalids	$23,076 85
[illegible]	widows and orphans	98,924 00
[illegible]	privateers	1,480 00
[illegible]		$123,480 85

There have been added to the rolls during the year 65 new pensioners and 60 withdrawals by deaths and transfers to the Treasury of unclaimed pensions.

Bounty land for the year ending Sept. 30, 1855:—

		Acres.
54	warrants issued under acts prior to 1847	8,480
390	" " " act 1847	42,720
3,648	" " " 1850-52	257,080
34,337	" " " 1855	4,093,880
38,429		4,402,160

The total number of acres embraced in the warrants issued under all the acts are as follows:—

	Acres.
Acts prior to 1847	7,001,052
" " 1847	13,050,800
" " 1850-52	13,812,680
" " 1855	4,093,880
Total acres	37,958,412

Amount in scrip in lieu of land.....$284,875

Number of convictions during the year for frauds.....9

Number of prosecutions still pending.....9

NAVAL AFFAIRS.

Annual Report of the Secretary of the Navy.

NAVY DEPARTMENT, Dec. 3, 1855.

SIR—I have the honor to submit the annual report from this Department, exhibiting the duties performed by the several squadrons, my views of the present condition and future prospects of the service, and suggestions in regard to further legislation required.

SQUADRONS.

The Home Squadron, commanded by Commodore Hiram Paulding, consists of the flagship, the frigate Potomac, Capt. L. M. Powell; the sloops-of-war Saratoga, Commander E. G. Tilton; and Cyane, Commander A. B. Fairfax; and the steamer Fulton, Lieut. Commanding R. L. Tilghman.

The Columbia, late the flagship of the squadron, having conveyed from Pensacola to San Juan de Nicaragua the Minister to Nicaragua and Guatamala, proceeded from San Juan to St. Thomas, where she arrived on the 9th of February. The yellow fever having made its appearance on board, she proceeded to Norfolk, where she arrived on the 19th of March. Commodore Newton was detached from the command of the squadron, and the vessel put out of commission.

No intelligence has been received touching the sloop Albany, about whose fate, at the date of my last report, a painful anxiety was felt. The steamers Princeton and Fulton were both sent in search of her. The Princeton left Pensacola on the 21st November, ran down the coast of Cuba, examined the islands of Little Caymans and Cayman Brac, thence to Kingston, (Jamaica,) Aspinwall and Key West. The Fulton, Lieutenant J. K. Mitchell, sailed from Norfolk the 30th of December, and ran through the Bahama and Caribbee Islands—along the Spanish main to Aspinwall, thence to San Juan de Nicaragua, thence across to Jamaica, sighting the various Keys on the way; thence to the Balize, Honduras and along the coast of Yucatan to Campeachy; thence to Havana and Norfolk, where she arrived on the 5th of April, making a rapid and searching cruise, evincive of the most indefatigable and untiring zeal. Not the slightest information could be obtained of the missing ship.

The sloop Falmouth, Commander T. Darrah Shaw, sailed from Norfolk on the 15th of December, and proceeded on a cruise through the West India Islands, touching at St. Thomas, Bay of Samana, City of St. Domingo, Port-au Prince, Gonaives, St. Jago de Cuba, Carthegena and Aspinwall, and thence to Pensacola, where she arrived on the 5th of May. The cruise of the Falmouth was also such as would afford an opportunity of obtaining information in relation to the Albany.

The Cyane, Commander S. B. Wilson, having been put in commission, sailed from Boston April 28, 1855, to join this squadron. In March, intelligence having reached the government that the Spanish frigate Ferrolona had fired at the U. S. Mail steamer El Dorado, off the coast of Cuba, while peaceably pursuing her cruise, it was deemed necessary and proper that a sufficient naval force should appear in those waters, with a view to the protection of the rights and property of our citizens, and for the purpose of commanding due respect to our flag. The Department, on the 10th of April assigned Commodore Charles S. McCauley to special duty, and to the temporary command of the home squadron, and placed under him the Cyane, the Jamestown, the Princeton and the Fulton. To these vessels was added, as a flagship, the San Jacinto, Captain C. K. Stribling. They were actively engaged in cruising and watching over the interests and rights of our countrymen in that quarter until early in June. The instructions issued to Commodore McCauley on that interesting occasion have already been published. It is certainly gratifying that no occasion occurred for collision between the national vessels of the two countries. Apprehensions of unfriendly interference having ceased to exist, Commodore McCauley was detached from this duty.

Commodore Paulding was assigned to the command of this squadron on the 1st of July, and has for his flagship the frigate Potomac, Capt. L. M. Powell. The Potomac having, in company with the Cyane and Saratoga, made a short cruise to the eastward, Commodore Paulding was ordered to proceed with his flagship to the coast of Central America, to look after the interests of our country, and to see that American citizens suffer no detriment from the revolutionary troubles now distracting Nicaragua. He sailed from New York under these orders on the 18th of November. The other vessels were actively cruising.

BRAZIL SQUADRON.

This squadron, Commodore William D. Salter, consists of the flagship, the frigate Savannah, Captain Samuel Merser; the sloop-of-war Germantown, Commander William F. Lynch; and the brig Bainbridge, Commander James H. Rowan. The store-ship Relief, Commander Stephen C. Rowan, was also attached to this squadron, but returned to New York on the 16th of November, and has been put out of commission. The Savannah and Germantown will be relieved during the ensuing year.

The squadron has been industriously cruising, principally between Rio de Janeiro and the Rio de la Plata, looking in at St. Catherines, Montevideo, and Buenos Ayres. The health of officers and men has been good.

Misunderstandings of a very serious nature, involving a painful collision, having occurred between our Consul and officers of the Water Witch and the President of the Republic of Paraguay, it was deemed expedient by Commander T. J. Page, commanding that steamer, on special service, to discontinue for the present the completion of the survey of the river Parana, in which considerable progress had been made. You are aware of the state of negotiations between the two governments on this subject.

Commander Page has, however, in the meantime, in a small steamer chartered for the purpose, proceeded to the distance of three hundred and sixty miles up the river Salado, which empties into the Parana at Santa Fé, the principal town of the province of the same name, and one of the Argentine Confederation. Beyond this distance it was found impossible to proceed, on account of the shallowness of the water. The Salado had never before this been either ascended or descended to this point. The practicability of its navigation was a problem unsolved until this exploration. Commander Page, at last dates, was at Santa Fé, and would proceed from thence to the head or upper waters of the Pitcomago, with the hope of descending that river. Its exploration has been attempted by others, but never accomplished.

AFRICAN SQUADRON.

This squadron, Commodore Thomas Crabbs, consists of his flagship, the Jamestown, Commander James H. Ward; the sloops of war Dale, Commander William McBlair; and St. Louis, Commander John W. Livingston; and the brig Dolphin, Commander Edward R. Thomson.

The flag ship Jamestown, in the early part of the summer, was assigned to special duty off the coast of Cuba, under Commodore McCauley. She sailed from Key West on the 9th of June, and arrived at Funchal Roads on the 8th of July.

The St. Louis, Commander J. W. Livingston, sailed from Philadelphia on the 10th of November, to relieve the Dale. On her arrival on the coast, the Dale will return to the United States.

Commodore Isaac Mayo, who recently commanded this squadron, returned with his flagship, the Constitution, to the United States on the 2d of June, entering the port of Portsmouth, New Hampshire. When within three or four hundred miles of Portsmouth, he received intelligence which induced him to alter his course and proceed to Havana, for the purpose of volunteering his services, and that of his ship, to Commodore McCauley, if required. The appearance of the Constitution was opportune and impressive.

The sloop-of-war Marion, Commander Hugh Y. Purviance, recently belonging to this squadron, having been condemned as unseaworthy, and her time being nearly out, returned to the United States, entering Norfolk on the 10th of August.

The vessels of this squadron have been regularly cruising within the limits of their station, affording relief, whenever opportunity offered, to merchant vessels, and also taking care of the interests of Americans in that portion of the world. The Department has recent advices that the slave trade south of the equator is entirely broken up. The health of the officers and men on this station has been good for the past year.

THE MEDITERRANEAN SQUADRON,

Commanded by Commodore Samuel L. Breese, consists of his flagship, the frigate Congress, Commander Thomas T. Craven; the steam frigate Saranac, Captain John C. Long; and the sloop Constellation, Captain Charles H. Bell. The store ship Supply, Lieutenant David D. Porter, is also in the Mediterranean, engaged in special service for the War Department.

The Congress sailed from New York on the 16th of July, to take the place of the Cumberland, and the Constellation sailed from New York on the 9th of August, to join this squadron.

Commodore Stringham commanded this squadron in the early part of the year, but, with his flagship, the Cumberland, Commander Andrew A. Harwood, returned to the United States on the 30th of June, arriving at Boston.

The sloops-of-war St. Louis, Captain Duncan N. Ingraham, and Levant, Commander Charles C. Turner, have also both returned from this station, the former arriving at Philadelphia on the 10th and the latter at New York on the 4th of May. The Saranac will be relieved early next year.

Owing to the return of most of the vessels of this squadron early in the year, and their reliefs not arriving out until late, their usual cruising has been in a great measure interrupted, the winter season in that sea being unfavorable to extended cruising.

THE EAST INDIA SQUADRON,

Commodore Joel Abbot, consists of the flagship, the sloop Macedonian, the steam frigate Powhatan, Capt. Wm. J. McCluney, and the sloop of war Vandalia, Captain John Pope. The storeship John P. Kennedy, transferred from the North Pacific exploring expedition, is stationed at Canton, under the command of Commander Oliver S. Glisson.

Commodore Mathew C. Perry, recently in command of this squadron, has returned to the United States. The frigate Susquehanna, Captain Franklin Buchanan, arrived from this squadron, at Philadelphia, on the 10th of March; the steam frigate Mississippi, Commander Sidney Smith Lee, at New York, on the 23d of April; the sloop of war Plymouth, Commander John Kelly, at Norfolk, on the 11th of January; and the storeships Supply, Lieutenant Arthur Sinclair; Lexington, Lieutenant John S. Glasson; and Southampton, Lieutenant Junius J. Boyle, at New York on the 12th and 16th of February and the 31st of March, respectively.

The treaty with Japan having been ratified by the Senate, Commander Henry A. Adams was sent out with it to China, and on his arrival Commodore Abbot was directed to despatch a vessel of war to Japan, that an exchange of the ratification of the treaty might be made with the Japanese authorities. The Powhatan, Captain McCluney, having on board Commander Adams, who was duly empowered to effect the exchange, reached Japan safely, and, having accomplished his undertaking on the 21st February last, Commander Adams returned to the United States. It was the intention of Commodore Abbot to have visited Japan this year, but important matters at Shanghae occurring at the time of the proposed visit, prevented it.

The continuance of the civil war in China has required the untiring efforts and activity of this squadron to afford protection to the lives and property of American citizens. Numerous hordes of pirates infest the Chinese waters, and interfere seriously with commerce in that region. Commodore Abbot has at all times shown himself prompt and judicious in the discharge of the delicate duties imposed upon him. Several engagements have taken place between detachments from the American men-of-war on that station and the pirates, which have resulted most disastrously to the latter. Many of the piratical junks have been destroyed, their depots on shore burnt, and a number of the pirates killed. In the several encounters the officers and men have conducted themselves gallantly, and honorable mention is made of Lieutenants Pegram, Preble, Rolando, E. Y. McCauley and Spreston; Assistant Engineers Stamm and Kellogg; Acting Masters' Mates J. P. Williams and S. R. Craig, and private Benjamin Adamson, of the marine corps, who was dangerously wounded. I deem this a proper occasion to suggest the purchase or building of one or two steamers of light draught, to be used in the Chinese rivers, as indispensable for the protection of the immense property belonging to citizens of the United States in China.

The steam frigate San Jacinto, Commander Henry H. Bell, bearing the broad pennant of Commodore James Armstrong, sailed from New York on the 25th of October, to relieve the Macedonian. Commodore Abbot will return home in his flagship on the arrival out of the San Jacinto. The sloop-of-war Levant, Commander William Smith, also sailed from New York on the 13th of November, to join this squadron. The Powhatan has been ordered to the United States. The Vandalia will also be recalled so soon as a substitute can be fitted out.

The survey and reconnaissance of the Behring's Strait, the North Pacific Ocean, and China Seas, has been continued under the directions of Commander John Rodgers, with commendable activity and satisfactory results. Early in September, 1854, the vessels of the expedition, consisting of the Vincennes, Commander Rodgers; the steamer John Hancock, Lieutenant Commanding Henry K. Stevens; the Porpoise, Acting Lieutenant William King Bridge, and the Fenimore Cooper, Acting Lieutenant William Gibson, sailed from Hong Kong, and proceeded to the Bonin and Ladrone Islands, to the westward, for surveying purposes. They returned to Hong Kong in February, 1855, with the exception of the orig Porpoise, which vessel parted company with the Vincennes on the 21st of September, 1854, in mid channel between Formosa and China, to the northward and westward of the Pescadores. Commodore Abbot was instructed to cause the most diligent search to be made for her. So long a time has since elapsed that the Department has been, with reluctance, compelled to consider her lost. The fullest confidence was reposed in her officers; they were all young, energetic, and full of professional pride. The service, in this calamity, has met with a severe loss. Commander Rodgers apprehends that she was lost in a very heavy typhoon, of great force and extent, which occurred about a month after their separation, in which many vessels were dismantled and greatly injured, and the Vincennes narrowly escaped. The Porpoise was to have met Commander Rodgers at the Bonin Islands, after performing certain duties. Commander Rodgers, after waiting there somewhat beyond the appointed time, went in search of her, visiting Loo Choo and other islands and places, where he thought it possible she might have been driven in the gale, but without gaining any intelligence of her. Subsequently, the Fenimore Cooper and the John Hancock have thoroughly explored the Pescadores and around the island of Formosa, but without success.

The expedition again left Hong Kong in March, surveying the islands between Loo Choo and Japan, the Kurile islands, thence to Petropaulowski, where the vessels separated, taking up different routes of survey. The Fenimore Cooper proceeded to Atcka, one of the Aleutian islands—to make inquiries in relation to the fate of the officers and crew of the whale ship Monongahela, which it is supposed was lost in the autumn of 1853, in attempting, during a gale, the seventy-second passage in longitude 172 West. Diligent inquiry was made and the islands of Segoum and Amoughta, which lie one each side of the passage, were thoroughly examined. At Atcka are still several water casks supposed to have belonged to the missing vessel, but no tidings of the officers and crew, all of whom are supposed to have perished with the vessel.

The Vincennes sailed from Petropaulowski and entered Fleering's Strait, reaching the harbor of Glassenappe on the Arctic side. Commander Rodgers left at this place a party under acting Lieutenant John M. Brooke, for observations during his absence further north. He then stood to the north for the purpose of verifying the position of land in about 72 deg. north and 175 west, placed upon the Admiralty charts by her Britanic Majesty's frigate Herald, Capt. Kellett, to examine, if possible Plover Island, reported to have been seen by the same officer, and then endeavor to reach "Wrangel's Land," as described to Wrangel by the natives, as visible in clear weather from Cape Yakin. Running over the call of Herald shoal, on which was not less than eighteen fathoms of water, he passed Herald Island and stood to the northward until he ran through the position of the land given on the Admiralty chart, and came to anchor in 42 fathoms, in lat. 72 deg. 5 min., long. 174 deg. 37 min. west. It was so clear that the horizon was apparently without limit. No land could be seen from the royal yards, and the water, as far as the vision could reach, was free from ice. He then returned to Herald Island, the southeast point of which was determined at lat. 71 deg. 21 min. north, long. 175 deg. 20 min. west. From the summit of the island no land could be seen in any direction, although the horizon was good. Running towards Plover Island, when half way from its alleged position, his progress was arrested by a barrier of ice. No land could be seen from the mast head, though the air was clear. Commander Rodgers is of opinion that this island does not exist, and that Capt. Kellett was misled by appearances.

Running for Wrangel's Land, which has never been seen by Europeans—when within ten miles of its position and in the Pelynia, or open sea, in lat. 70 deg 41 min., long. 177 deg. 21 min. east, he was again arrested by barriers of ice. No land could be seen, though it was thought that the vision extended for six or eight miles in every direction.

Having attained the limits proposed by him, and penetrated further than any one else in the directions selected, Commander Rodgers taking on board acting Lieutenant Brooke and his party, at Glassenappe, proceeded to San Francisco, where, with the other vessels of his command, he arrived early in October. The steamer John Hancock was there transferred to the Navy Yard at Mare Island, California, and the Vincennes and Fenimore Cooper are awaiting the orders of the Department as to the further prosecution of the survey.

The expedition, in addition to its other duties, has afforded protection to commerce and our citizens when necessary.

Commander Rodgers and his officers are entitled to the highest commendation for the ability and energy with which they have prosecuted the work to which they were assigned, and I have no doubt their labors will prove not only of great benefit to commerce, but also interesting contributions to science.

PACIFIC SQUADRON.

This squadron is composed of the following vessels:—the flagship, the Independence, Captain Josiah Tattnall; the sloop of war St. Marys, Commander Theodore Bailey; the John Adams, Commander Edward B. Boutwell; the Decatur, Commander Guest Gansevoort, and the steamer Massachusetts, Commander Samuel Swartwout. The stationary storeship Fredonia, Lieutenant Jas. D. Johnston, is at Valparaiso, and the Warren, Lieutenant David McDougall, is at the navy yard at Mare Island, California. Commander Wm. Mervine commands this squadron.

The St. Lawrence, commander Wm. H. Hunter, the flagship of Commodore Bladen Dulany, having been relieved by the Independence on the 2d of February, arrived with the Commodore on board, at Norfolk, on the 21st of March. The sloop of war Portsmouth, Commander T. A. Dornin, returned from this station on the 5th of April, entering Norfolk. The time of the St. Marys will expire the latter part of the year, when she will be ordered to the United States.

The cruising of the vessels of the Pacific squadron during the past year has been extended. The straits of Fuca, Astoria, and Portland, the Sandwich Islands, the Feejee Islands, Southern Polynesia, and many of the ports of Chili and Mexico have been visited. A vessel will soon be despatched to the Marquesas Islands to correct irregularities on the part of the natives of those islands. The interests of Americans have been fully looked after.

The Michigan, commander Chas. H. McBlair, (until the 21st of September under the command of Commander J. S. Nicholas), is still usefully employed on the lakes, affording assistance to merchantmen in distress, and during the past year has been the means of saving a large amount of property and many lives.

REPORT OF THE NAVAL BOARD.

The report of the Naval Board of fifteen officers of the higher grades, assembled under the "Act to promote the efficiency of the Navy," having been approved by you, I have, in pursuance of your direction, carried the same into execution, according to the provisions of the law. After a "careful examination," two hundred and one officers were, in their judgment, found "incapable of performing promptly and efficiently all their duty, both ashore and afloat," and of these seventy-one were reserved on "leave of absence pay," eighty-one "on furlough pay," and forty-nine recommended to be stricken from the rolls. The vacancies have been filled according to the act, "by regular promotion in the order of rank or seniority." Although there are now on this reserved list one hundred and forty-seven officers, the expenses of the navy, as appears from calculations accurately made are not increased, for the reason that they are not only on reduced pay, but the officers promoted to their vacancies do not receive the full pay of the grade to which they are thus promoted. They attain the higher rank and secure more responsible and important commands, but are not to enjoy full pay until the vacancies they fill are made complete by either resignation, death or removal. And the law, judiciously administered, by no means involves an increase of the aggregate number of officers, for it is the crowding the service with the lower grade of passed midshipmen, to linger there until the prime of life, without rank, and comparatively without useful service, which has really done sad mischief.

Perhaps no event, either legislative or executive, touching the history of the navy, has attracted more earnest attention or created a more profound sensation than the action of the late Naval Board. With a view to a just and wise consideration of this grave and delicate subject, the unexcited mind will not merely pass in calm and scrutinizing review the proceedings of the Board and the executive, but naturally recur to the history of the law itself, and with special care to the condition of the navy which occasioned its passage with such remarkable unanimity. The peculiar nature of the law did not escape the scrutiny of those who passed it. The allegation that it partook somewhat of the odious character of a Star Chamber proceeding was met by the fearless and ardent and warning eloquence. The feature providing for dropping entirely from the service—which was not in the original bill—was inserted in the House by an overwhelming majority, and, after elaborate and thorough debate in the Senate, was passed almost unanimously. There was still on the statute book and in full force the law of courts martial, surrounding their prominent ceedings with the solemnity of a sworn court, sworn to judge advocate and sworn witnesses, subject to penalties for non-appearance. And yet, such was the condition of the navy, as urged by Secretaries and conceded by statesmen, officers and citizens—such the loud cry for prompt reform echoed and reechoed through the country—that Congress, in its wisdom, failing to pass the general and more comprehensive bills originally reported by the committees, instituted this summary tribunal with signal majorities. The officers selected to compose the Board were, in terms highly laudatory, pronounced fit men for the delicate task. Indeed, when their names were announced, there was a warm and general expression of favor and gratification rarely exhibited. Before prescribing regulations as authorized, the opinion of the Attorney General was asked on the true interpretation of the following provision of the act, "Provided, that no officers upon said Board shall examine into or report upon the efficiency of officers of a grade above them." His opinion was, that "the entire body will sit together, deliberate and determine, and by proper means authenticate their conclusion as to lieutenants, masters and passed midshipmen; after that, the lieutenants will have to retire, and the captains and commanders will act in regard to all officers of the rank of commander, when the commanders must retire; and the captains will act as to officers of that rank. All the examinations having thus been made and the proper judgements reached, in the manner contemplated by the law, the sum total of the opinions will be certified to the Secretary in such form of authentication as he in his regulations shall see fit to prescribe." The few regulations prescribed were chiefly based on this opinion, with the purpose of protecting the officers whose efficiency was thus to be examined into, from the slightest danger of being prejudiced by the influence or the presence of judges below them in grade. Lieutenants were not allowed even to be present at the proceedings and deliberations in regard to commanders, and, therefore, could not aid to effect their own promotion. And, in accordance with the same regulation, a commander could not have the opportunity by his presence to exert influence to secure his promotion to a captaincy. And thus it was designed that, if by the execution of the law, officers of the Board should happen to be promoted, their proceedings should not be tainted with the blighting suspicion that they labored for their own advancement and not the public good. The Department, therefore, by filling the Board with men of high reputation and acceptable to the country and the navy, by surrounding them with safe-guards and restrictions to secure impartiality and justice, and to remove the opportunity and the temptation for indulgence in action for personal gain, by spreading before them the entire files and records of the Department, hoped that a successful effort had been made to insure the faithful and satisfactory execution of a law passed with every indication of earnest solicitude "to promote the efficiency of the navy."

The order notifying the officers of their appointment issued on the 5th of June; they commenced their joint labor on the 20th of June, and reported the result on the 26th of July.

And, now, sir, while the operation of this law is by some hailed with enthusiasm as a salutary and indispensable corrective of admitted ills which depressed the service, by others it is received with undisguised dissontent and dissatisfaction. This can hardly be regarded as unnatural. The provisions of the law are generous, indeed, strikingly liberal, but they are at the same time exacting and sternly just. It provides for the careful support of some and the prompt removal of others. And however faithfully, honestly and carefully executed, it is a measure of reform, and no measure of that character is ever executed without more or less inconvenience, disappointment and discontent.

Actuated, no doubt, by a desire to seek truth and justice as nearly as possible, Congress thought it safest to entrust the reform not merely to the President and the Secretary, whose acquaintance with the officers, both personally and officially, must necessarily be very limited—but chiefly to the officers of the three higher grades, whose knowledge of their brother officers would naturally enable them to perform the duty more thoroughly and with less liability to err. The task was delicate and involved struggles between duty and feeling. They were men—not infallible. It would be strange indeed if their work were perfect and entirely free from error. Those errors—if they exist—will soon and surely be discovered by the developements of time, by continued inquiry, and by calm, dispassionate observation. The officers of the navy, as a class, are proud, brave, sensitive, patriotic and self-sacrificing; and if the sword of any one of those gallant men has been unauntiously taken from him all right-minded men will say, let his country restore it to him with all the honors and reparation due to injured merit. And while I can by no means recommend the adoption of any measure of repeal or any course of proceeding in conflict with the general action of the Board, I have no doubt that there should be and will be found a remedy for any mistake or error of judgment if the service has thus been deprived of a meritorious and capable officer—either by reservation or dropping. Facts which have come to my knowledge assure me that it would be but reasonable to provide a year's pay for the officers who have been suddenly dropped from a service upon which they had, heretofore, so exclusively depended, without any consideration for future self-reliance.

But, sir, I cannot conclude this branch of my report without doing justice to the officers of the Board. From the spirit and temper with which they entered upon a painful and unsought duty, and from the earnestness and diligence with which they searched the records of the Department, I deem it but an act of simple justice to express my conviction that they were actuated by elevated considerations, and that their aim was truth, impartiality, and the good of the service. And although, from the liability of man to err, there may be discovered here and there a mistake of judgment, I have an abiding conviction that history will prove that this work reinvigorated the navy—imparted to it a robust and active health—inspired the hearts of the young and gallant officers, hitherto drooping with hopeless despondency, with fresh energy and contentment with the service, wanned the thoughtless and the indolent to quit the haunts of idleness, and seek the path of duty leading to honor, and caused the country to repose with the more pride and confidence in the belief of the invincibility of this right arm of defence. I have no hesitation, but take much pleasure in saying that I have already witnessed its happy effect in the new impulse and readiness for duty seen and felt at the Department. And, sir, though the number reported incompetent seems large, and may well attract attention, is that a circumstance of itself sufficient to justify reflection upon a Board who were bound under the law to make a "careful examination," and report the names of all whom they adjudge incompetent, of every grade, to do their whole duty promptly and efficiently, ashore and afloat? If but a small number of officers had become inefficient, would the Secretaries of the Navy for the last fifteen years have again and again urged, with almost pertinacious zeal, that some stringent measure of reform was indispensable to save the navy from impending ruin? Would committees, session after session, have reported and pressed such measures? Would grave members have arisen as they did in Congress, and have seriously moved to abolish the navy and begin again, if but a small defect existed? Would the Senate every session for some years have, almost with unanimity passed the measure for relieving the service of the inefficient, and for imparting vigor and health by promoting able and brave officers before age had crippled their energies and impaired their usefulness? Would the press in almost every town and village have fulminated its thunders for reform, and have teemed with articles of laudation and approval when the measure prevailed, if but a small number of the incapable "blocked up the path" of promotion? Or had it become manifest to all—to statesman and citizen—that something radical, thorough and searching must be administered to secure the navy from the dangers which imperilled it, and emancipate it, if possible, from the weight which seemed so surely to be burdening and pressing it down?

The regulations prescribed—which have heretofore been published—the correspondence with and the report of the Board accompany this report.

INCREASE OF THE NAVY.

Subsequent reflection and a comparative estimate of the relative strength of the naval forces of other powers, have but served to confirm me in the policy urged heretofore of gradually but steadily increasing the material of our navy. Also emphasis conviction of its importance is my apology for reiterating with earnest solicitude, my recommendation to the last Congress to order the construction of an additional number of steam sloops-of-war, carrying each about twenty guns of the best modern improvement, requiring a draft of not more than eighteen feet, and thereby being capable of entering every Southern as well as Northern port of any magnitude. Vessels of this size have attracted much consideration, and acquired much character during the recent conflicts in Europe. This addition to the increase, so wisely ordered by the last Congress, would argument our marine to a point forming a nucleus which, sustained by the merchant marine, would aid largely to protect our country in a sudden emergency, contribute much to our estimation abroad and our confidence at home.

The facility with which an invincible volunteer army may be raised from our countrymen, trained to the use of arms from boyhood, may well justify the settled policy of having but a small standing army. This remarkable feature in the character of our people, has wrung from those, even by no means partial to our institutions, the reluctant admission that the Americans are the most warlike people on earth. I fear, however, that this circumstance has caused some of our legislators to become unmindful of the equally well settled fact, that ships capable of resisting and contending with vessels of war, require much time to construct them properly—that materials from the forest cannot start up in our shipyards by magic, like soldiers at the drum tap. In the conquest of Mexico, which illustrated so brilliantly the reliability of volunteers, it should not be forgotten that there was no naval force of the enemy to annoy our commerce, or attack our coast, or disturb trade, with even apprehension of danger.

A reference to the report of the Bureau of Construction, &c., will exhibit the vessels in condition for useful service. I deem it my duty candidly to express the opinion that our navy is not only too diminutive to be expected to contend fairly with that of other respectable nations, is insufficient to give adequate protection to our commerce, but is, unquestionably, too feeble to command the waters of our own coast. Indeed, when a comparison is fairly instituted of what would be the demand for service upon our navy now, in the event of war, with that the demand upon it in the war of 1812, my opinion is that it will be found that our country is not now better prepared for a sudden emergency than it was then. The aggregate tonnage of the United States in 1812 was 1,269,997 36-95 tons; for the fiscal year, ending June 30, 1855, it was 5,212,600 10-95 tons. In 1812 our whole coast to be protected, extended along the Atlantic merely from Maine to Florida. Since then, not only have Florida and Texas been added, but a Pacific coast bordering a new country teeming with population and wealth. Thus, sir, it appears that the navy will have millions more of commerce to protect, and thousands of miles of coast to defend. I could not, if I would, disguise the truth that even a respectable navy must necessarily involve large expenditures. But it is equally true that, without naval strength, a six month's war with any nation with a powerful marine would, in the seizure of rich and valuable cargoes, in the destruction of fleets of merchantmen and in plundering defenceless points along the coast, cost us more, far more, than a squadron of invincible men of war. Recent occurrences in Europe demonstrate the folly of relying upon a navy so feeble, so impotent for either assault or defence, that policy required it to be carefully sunk to avoid enriching the enemy. The United States cannot by such a policy maintain rank and command respect.