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PRESIDENT'S MESSAGE.

Fellow-citizens of the Senate and House of Representatives:

Upon the reassembling of Congress, it again becomes my duty to call your attention to the state of the Union, and the disorganized condition, under the various laws which have been passed upon the subject of reconstruction. It may safely be assumed as an axiom, that in the government of the States, the greatest wrong inflicted on a people was caused by unjust and arbitrary legislation, or by the unrelenting decrees of despotic rule, and that in the time of injurious and oppressive measures, the greatest good that can be conferred on a nation is the legislator or ruler who has the wisdom and magnanimity to retrace his steps when convinced of error, and he will sooner or later be rewarded with the respect and gratitude of an intelligent and patriotic people. Our own people—our own history, although embracing a period of less than a century, affords abundant proofs that most, if not all, of our domestic troubles are directly traceable to direct violations of the organic laws and excessive legislation. The most striking illustrations of this fact are furnished by the enactments of the past three years on the question of reconstruction; and after a fair trial they have substantially failed, and proved pernicious in their results; and there seems to be no good reason why they should longer remain on the statute books. States to which the Constitution guarantees a Republican form of government have been reduced to military dependencies, in each of which the people have been made subject to the arbitrary will of the commanding General; and although the Constitution requires that each State shall be represented in Congress, Virginia, Mississippi and Texas are not excluded from the House, and contrary to the express provisions of that instrument were denied participation in the recent election for President and Vice-President of the United States. The attempt to place the whole population under the domination of persons of color in the South, has impaired, if not destroyed the kindly relations that had previously existed between them, and mutual distrust has rendered a feeling of animosity, which, leading in some instances to collision and bloodshed, has prevented that co-operation between the two races so essential to the success of industrial enterprises in the Southern States; nor have the inhabitants of those States alone suffered from the disturbed condition of affairs growing out of these Congressional enactments, but the entire Union has been agitated by grave apprehensions of troubles, which might again involve the peace of the nation. Its interests have been injuriously affected by the derangement of business and labor, and the consequent want of prosperity. Throughout that portion of the Federal Constitution—the Magna Charta of common rights—under whose wise and salutary provisions we have successfully conducted our domestic and foreign affairs, ourselves, in peace and war to become a great nation among the powers of the earth, most assuredly now be adequate to the settlement of a question growing out of a civil war waged for its vindication. This great fact is made most manifest by the condition of the country when Congress assembled on the 9th of December, 1865; civil strife had ceased and the spirit of rebellion had spent its entire force. In the Southern States the people had warmed into national life, and throughout the whole country a healthy reaction in public sentiment had taken place. By the application of the simplest effective provisions of the Constitution the Executive Department, with the voluntary aid of those States, had brought the work of restoration as near completion, as was in the scope of its authority, and the nation was encouraged by the prospect of early and satisfactory adjustment of all its difficulties. Congress, however, interfered, and, refusing to perfect the work so nearly done, declined to admit the members of Congress from those States, and adopted a course which arrested the progress of restoration and frustrated that which had been done and successfully accomplished, and now, after three years of agitation and strife, has left the country further from the attainment of a warm and fraternal feeling than at the inception of the Congressional plan of reconstruction. It needs no argument to show that the legislation which has produced such consequences should be abrogated, or else be made to conform to the genuine principles of a Republican government.

Under the influence of party passion and sectional prejudice, other acts have been passed, not warranted by the Constitution. Congress has already been made familiar with my views respecting the Tenure-of-office bill, and experience proved that its repeal is demanded by the best interests of the country, and that while it remains in force the President cannot properly fulfil rigid accountability for public officers so essential to a just and efficient execution of the laws, and its revocation would enable the Executive Department to exercise the power of appointment and removal in accordance with the original design of the Federal Constitution.

The act of March, 1867, making an appropriation for the support of the army for the year ending June 30, 1867, and for other purposes, contains provisions which interfere with the President's constitutional functions as commander-in-chief of the army and navy, and the rights to protect themselves by means of their own militia.

These provisions should be at once annulled, for while the first might in a time of great emergency, seriously embarrass the Executive in his efforts to employ and direct the common strength of the nation for its protection and power, the other is contrary to the express declarations of the Constitution, that a well regulated militia being necessary to the security of a free State, the right of the people to keep and bear arms, shall not be infringed. It is believed that the repeal of all such laws would be accepted by the American people as at least a partial return to the fundamental principles of the Government and an indication that hereafter the Constitution is to be made the unerring national safeguard. They can be productive of no permanent benefit to the country, and should not be permitted to stand as so many monuments of the defficient wisdom which has characterized the most legislation.

Economy of our finances demand careful and earnest consideration. Compared with the growth of population, the expenditures have reached an amount unprecedented in our history. The population of the United States in 1790 was nearly 4,000,000, and increasing each decade about thirty per cent. It reached in 1860, 31 000 000, an increase of 750 per cent. on the population in 1790. In 1869 it is estimated that it will reach 38 000,000, an increase of 868 per cent. in seventy-nine years. The annual expenditures of the Federal Government in 1791, were 4,200,000; in 1820, $10 500 000; in 1850, $41 000,000; in 1860, $63 000 000; in 1865, nearly $1 300,000 000; in 1867 it is estimated by the Secretary of the Treasury in his last annual report, that they will be $372 000 000. By comparison the public disbursements of 1869, as estimated with those of 1791, it will be seen that the increase of expenditures, since the beginning of the Government, has been 8618 per centum, while the increase of population for the same period was only 868 per centum. Again, the expenses in 1850, the year of peace immediately preceding the war, were only $63,000,000, while in 1869, the year of peace, three years after the war, it is estimated at $372 000 000, an increase of 489 per cent., while the increase of public expenditures was only twenty one per centum for the same period. The statistics further show that in 1791 the annual national expenses, compared with the population, were little more than $1 00 per capita, and in 1860 $2 60 per capita, while in 1869 they will reach the extravagant sum of $9 78 per capita. It will be observed that all of these statements referred to are to exhibit the disbursements in time of peace. It may, therefore, be of interest, to compare the expenditures of the three war period, viz: the war with Great Britain, the Mexican war, and the war of the rebellion. The annual expenses incident to the war of 1812 reached, at their highest amount, to about $31,000 000, while our population exceeded 8 000 000, showing an expenditure of only $3 80 per capita. In 1847 the expenditures growing out of the war with Mexico, reached $54 000 000, and the population was about 21,000 000 giving only $2 60 per capita for the war expenses of that year. In 1865 the expenditures called for by the rebellion reached the vast amount of $1 290 000 000, which, compared with a population of 34 000,000, gives $38 30 per capita. From the 4th day of March 1789, to the 30th of June, 1861, the entire expenditures of the Government were $1,700 000 000, and during that period we were engaged in a war with Great Britain and Mexico, and also involved in troubles with powerful Indian tribes. Louisiana was purchased from France at a cost of $15,000,000. Florida was ceded to us by Spain for $5,000,000. California was acquired from Mexico for $15,000,000, and the Territory of New Mexico was obtained from Texas for the sum of $10,000 000. Early in 1861, the war of the rebellion commenced, and 1st of July, of that year, to the 30th of June, 1868, the public expenditures reached the enormous aggregate of $3 300,000,000. Three years prior to the war the Government expended during that time the disbursements of the Government have successively been $520 000 000, $346 000 000 and $373,000 000. Added to these amounts, the $372 000 000 estimated as necessary for the fiscal year, ending June 30 1869, we obtain a total expenditure of $1,600 000 000 during the four years immediately succeeding the war, nearly as much as was expended during the twelve years that preceded the rebellion, and embraced the extraordinary amount already named. These facts clearly illustrate the necessity of retrenchment in all branches of the public service. Abuses which were tolerated during the war for the preservation of the nation, will not be endured by the people now that profound peace prevails.

The receipts from internal revenue and customs have during the past three years gradually diminished, and the continuance of useless and extravagant expenditures will involve the national bankruptcy, or else make inevitable an increase of taxes, already too enormous, and in many respects obnoxious on account of their unquestioned character. One hundred millions, annually, are expended for the military force, a large portion of which is employed in the execution of laws unnecessary and unconstitutional. One hundred and fifty millions are required each year to pay the interest on the public debt. An army of tax-gatherers impoverish the nation, and public agents, placed by Congress beyond the control of the Executive, divert from their legitimate purposes, large sums of money which they collect from the people in the name of the Government. Judicious legislation and prudent economy can alone remedy the defects and arrest the evils, which, if suffered to exist, cannot fail to diminish confidence in public counsels, and weaken the attachment and respect of the people towards their political institutions. Without proper care the small balances which it is estimated will remain in the Treasury at the close of the present fiscal year, will not be realized, and additional millions will be added to a debt which is now enumerated by billions.

It is shown by the able and comprehensive report of the Secretary of the Treasury, that the receipts for the fiscal year ending June 30, 1868, were $465,628,065, and that the expenditures for the same period were $377 340 284 leaving in the Treasury a surplus of $282,977 98. It is estimated that the receipts for the present fiscal year, ending June 30, 1869, will be $341 392 808, and the expenditures $336 152,479, showing a small balance of $5,240 598 in favor of the Government, for the fiscal year ending June 30, 1870. In 1870 it is estimated that the receipts will amount to $327 000 000, and the expenditures to $353,000 000 leaving an estimated surplus of $240 000 000. It becomes proper in this connection to make a brief reference to our public indebtedness, which has accumulated with such alarming rapidity and assumed such colossal proportions. In 1789, when the Government commenced operations under the Federal Constitution, it was burdened with an indebtedness of $75 000,000, created during the war of the Revolution. This amount had been reduced to $45 000,000, when in 1812 war was declared against Great Britain, and the three years' struggle which followed largely increased the national obligations, and in 1816 they had obtained the sum of $127,000 000. Wise and economical legislation, however, enabled the Government to pay the entire amount within a period of twenty years, and the extinguishment of the national debt filled the land with rejoicings and was one of the greatest events of President Jackson's administration, and after its reduction a large sum remained in the Treasury, which, for safe keeping, was deposited with the several States on condition that it should be returned when required by public wants. In 1849, the year after the termination of an expensive war with Mexico, we found ourselves involved in a debt of $64 000,000, and this was the amount owed by the Government in 1860, just prior to the outbreak of the rebellion. In the spring of 1861, our civil war commenced, and which in the years of its continuance made an enormous addition to the debt; and when in the spring of 1865 the nation successfully emerged from the conflict the obligations of the Government had reached the enormous sum of $2 873 992 909. The Secretary of the Treasury shows that on the first day of November 1867, this sum had been reduced to $2 491,504 963; but at the same time the report exhibits an increase during the past year of $25 625,162, for the debt on the first day of November last is stated to have been $2 527,129 512. It is estimated by the Secretary that the returns for the past month will add to our liabilities the further sum of $11,000,000, making a total increase during thirteen months of $46,500,000.

In my message of December 4 1865, it was suggested that the policy be pursued which, without being oppressive to the people, would at once begin to effect a reduction of the debt, and if persevered in discharge it within a definite number of years. The Secretary of the Treasury forcibly recommends legislation of this character and justly urges that the longer it is deferred the more difficult it must become of accomplishment. We should follow the wise precedent established in 1789 and 1816, and without further delay make provision for the payment of our obligations at as early a period as may be practicable. The fruits of our labors should be enjoyed by our citizens, rather than used to build up and sustain monied monopolies in our own and foreign lands. Our foreign debt is already computed by the Secretary of the Treasury at $850,000,000. Citizens of foreign countries receive interest upon a large portion of our securities, and American tax payers are made to contribute large sums for their support. The idea that such a debt is to become permanent and shall at all times be discarded, as involving taxation too heavy to be borne, and payment once in every sixteen years, at the present rate of interest, at an amount equal to the original sum, the vast debt, if permitted to become permanent in increasing, must eventually be gathered into the hands of a few and enable them to erect a dangerous and controlling power in the affairs of the Government. The borrowers would become servants to the lenders, the lenders the masters of the people. We now find ourselves, upon having given freedom to four millions of the colored race, it will then be our shame, that forty millions of people, by over taxation, usurpation and profligacy have suffered themselves to become enslaved, and merely exchange slave owners for new task masters in the shape of bondholders and taxgatherers; besides, permanent debts partials to monarchial seats, and tending to monopolies and perpetuate and close legislation, are totally irreconcilable with free institutions introduced into our Republican system. They would gradually but surely sap the foundations, eventually subvert our Governmental fabrics, and erect upon its ruin a monied aristocracy. It is our sacred duty to transmit, unimpaired, to our posterity, the blessings of the liberty which were bequeathed to us by the founders of the Republic, and, by our example, to teach those who are to follow us, carefully to avoid the dangers which threaten a free and independent people. Various plans have been proposed for the payment of the public debt. However, they have varied as to the time and mode in which it should be redeemed. There seems to be a general consciousness as to the propriety and justness of a reduction in the present rate of interest. The Secretary of the Treasury, in his report, recommends three per cent. Congress, in a bill passed prior to the adjournment on the 30th of July last, agreed upon four and a half per cent., while by many three per cent. has been held to be an amply sufficient return for the investment. The general impression as to the exorbitancy of the existing rate of interest has led to an inquiry in the public mind respecting the consideration which the Government has received for the bonds, and the conclusion seems to be prevailing that the amount which it obtained was in real money three or four hundred per cent. less than her obligations. I cannot be denied that we are paying extravagant per centage for the money borrowed, which was paper currency greatly depreciated below the value of coin. This fact is made apparent when we consider that bond-holders receive from the Treasury upon each dollar they own of Government securities six per cent. in gold, which is quite or nearly equal to nine per cent. in currency, and that the bonds are then converted into capital for the opening of National Banks upon which those institutions issue their circulation bearing six per cent. interest, that they are exempt from taxation by Government and State and thereby enhance the per cent in the hands of the holders. We thus have an aggregate of seventeen per cent. which may be received upon each dollar by the owners of Government securities. As any law that produces such results is justly regarded as favoring a few at the expense of the many, and has led to the further inquiry whether our bondholders, in view of the large profits which they have enjoyed, would themselves be averse to a settlement of our indebtedness on a plan which would yield them a fair remuneration, at the same time be just to the tax-payers of the nation, and our national credit be sacredly observed; but in making provisions for our creditors we should not forget what is due to the masses of the people. It may be assumed that the holders of our securities have already received upon their bonds a larger amount than their original investment, measured by a gold and currency basis, and this statement of facts it would become just and equitable that six per cent interest now paid by the Government should be applied to the reduction of the principal in semi-annual instalments, which in sixteen years and eight months would liquidate the entire national debt. Six per cent. in gold would, at present rates, equal nine per cent in currency, equivalent to a payment of the amount in half time—in a fraction less than seventeen years. This, in connection with all the other advantages derived from their investment, would afford the public creditors a fair and liberal compensation for the use of their capital, and with this they should be satisfied. The lessons of the past admonish the lender that it is not well to be over anxious in exacting from the borrower.

Rigid compliance with the letter of the bond of provision made for the payment of the indebtedness of the Government in the manner suggested, our country will rapidly resume its wonted prosperity. Its interest demand that some measures should be taken to release the large amount of capital invested in securities of the Government; it is not now merely unproductive, but in taxation annually consumes $150 000,000, which would otherwise be used by our enterprising people in adding to the wealth of the nation and commerce, which at one time successfully rivaled that of the great maratime powers, has rapidly diminished, and our industrial interests are in a depressed and languishing condition, the development of our inexhaustible resources checked and the fields of the South are becoming waste for want of means to till them. With a sufficiency of capital now idle it would be infused into the paralyzed energies of our people, and activity and vigor imparted to every branch of industry. Our people received encouragement in their efforts to recover from the effects of the rebellion and of injudicious legislation, and it should be the aim of the Government to stimulate them by the prospect of an easy relief from the burdens which impede their prosperity. If we cannot take the burdens from their shoulders we should at least manifest a willingness to help to bear them. In referring to the condition of the circulating medium, I shall merely reiterate substantially that portion of my last annual message which relates to that subject. The proportion which the currency of any country should bear to the whole value of commercial produce circulated by its means is a question on which political economists have not agreed, nor can it be controlled by legislation, but must be left to the irrevocable laws which everywhere regulate commerce and trade. The circulating medium will irresistibly flow to those parts where it is in greatest demand. The law of demand and supply is as unswerving as that which regulates the tides of the ocean and currency, like the tides, has its ebb and flow throughout the commercial world. At the beginning of the rebellion the bank note circulation of the country amounted to not much more than $200 000,000. Now the circulation of the National bank notes and those known as legal tenders, is nearly $700,000 000. While it is urged by some that this amount should be increased, others contend that a decided reduction is absolutely essential to the best interest of the country. In view of these diverse opinions it may be well to ascertain the real value of our paper issues when compared with a specie currency. For the purpose, let us inquire how much gold and silver could be purchased by the seven hundred millions of paper money now in circulation.

Probably not more than half the amount of the latter, showing that when our paper currency is compared with gold and silver, its commercial value is compressed into $350,000,000, this striking fact making it the obvious duty of the Government as early as may be consistent with the principles of sound political economy to take such measures as will enable the holder of its notes and those of the National Banks to convert them without loss into specie or its equivalent. A reduction of our paper circulating medium may not necessarily follow. This, however, would depend up the law of demand and supply, though it should be borne in mind that by making legal tender and bank notes convertible into coin or its equivalent, their present specie value in the hands of their holders would be enhanced 100 per cent. Legislation for the accomplishment of a result so desirable, is demanded by the highest public considerations. The Constitution contemplates that the circulating medium of the country shall be uniform in quality and value. At the time of the formation of that instrument the country had just emerged from the war of the revolution, and was suffering from the effects of a redundant and worthless paper currency, and the sages of that period were anxious to protect their posterity from the evil which they themselves had experienced, and hence, in providing a circulating medium, they conferred upon Congress the power to coin money and regulate the value thereof, at the same time prohibiting the States from making anything but gold and silver a tender in payment of debts. The anomalous condition of our currency is in striking contrast with that which was originally designed. Our circulation now embraces, first the notes of the national banks, which are made receivable for all dues to the Government, excluding imports, and by all its creditors excepting in the payment of interest upon its bonds and the securities themselves; second, the legal tender notes issued by the United States, which the law requires shall be received as well in payment of all debts, delivering the citizens of all port dues, except imports, and gold and silver coin, by the operations of our present system of finances. However, the metallic currency, when collected, is reserved only for one class of Government creditors, who, holding its bonds, semi-annually receive their interest in coin from the National Treasury, there is no reason which will be accepted as satisfactory, by the people, why those who defended us on the land and protected us on the sea—the pensioners upon the gratitude of the Nation, bearing the scars and wounds received while in its service, the public servants in the various departments of the Government, the farmer who supplies the soldiers of the army and the sailors of the navy, the artisan who builds the national work shops, or the mechanic and laborer who builds its edifices or constructs its forts and vessels of war, in payment of their just and hard earned dues, should receive depreciated paper, while another class of their citizens, no more deserving, are paid in coin of gold and silver. Equal and exact justice requires that all the creditors of the Government should be paid in a currency possessing a uniform value, and this can only be accomplished by the restoration of the currency to the standard established by the Constitution, and by this means we would remove a discrimination which may, if it has not already done so, create a prejudice that may become deep rooted and will spread and imperil the National credit. The feasibility of making our currency correspond with the constitutional standard, may be seen by a reference to a few facts derived from our commercial statistics. The aggregate product of precious metals in the United States from 1849 to 1867, amounted to $1,174 000,000, which for the same period the net exports of specie were $741,000,000. This shows an excess of product over the net exports of $433,000,000. There are in the Treasury $103,407 985 in coin, and in circulation in the States on the Pacific coast about $4 000,000, and a few millions in the Banks and other banks—in all, less than $160,000 000. Taking into consideration the specie in the country prior to 1849 and that since 1867, we have more than $300,000 000 not accounted for by exportation or by the returns of the Treasury, and therefore most probably remaining in the country. These are important facts and show how completely the inferior currency will supersede the better, forcing it from circulation among the masses and causing it to be exported as merely an article of trade, to add to the money capital of foreign lands. They show the necessity of retiring our paper money that the return of gold and silver to the avenues of trade may be invited and a demand created which will cause the retention at home of at least so much of the productions of our rich and inexhaustible gold bearing fields as may be sufficient for the purposes of circulation. It is unreasonable to expect a return to a sound currency so long as the Government and banks, by continuing the issue of irredeemable notes, fill the channels of circulation with depreciated paper. Notwithstanding the coinage by our large mints since 1849, of $874,000,000, the people now are strangers to the currency which was designed for their use and benefit, and specimens of the precious metals bearing national devices are seldom seen, except when prompted to gratify the interest excited by their novelty. I depreciated paper is to be continued as the prominent currency of the country, and all our coin is to become a mere article of traffic and speculation, the prices of all that is indispensable to the comfort of a people, it will be wise economy to abolish our mints, thus saving the nation the cost and expense incident to such establishments, and let our precious metals be exported in bullion.

The time has come when the Government and national banks should be required to take more efficient steps and make arrangements for the resumption of specie payment. Let specie payments be at once earnestly inaugurated by the Government and banks, and the value of our paper circulation would directly approximate a standard, and specie payment having been resumed by the Government and banks, all notes or bills of paper issued by either, of a less denomination than twenty dollars, should be by law excluded from circulation, so that the people may have the benefit and convenience of gold and silver currency which in all other business transactions will be uniform in value at home and abroad. Every man of property or industry, every man who desires to preserve what he honestly possesses, or to obtain what he can honestly, has a direct interest in maintaining a safe circulating medium—such a medium as shall be real and substantial, not liable to vibrate with options, not subject to be blown up or blown down by the breeze of speculation—but it is to be made secure. A disordered currency is one of the greatest political evils. It undermines the virtues necessary for the support of the social system, and encourages propensities destructive of his happiness; it warsagainst industry, frugality and economy, and it fastens the evil spirit of extravagance and speculation. I has been asserted by one of our profound and gifted statesmen, that of all the contrivances for cheating mankind, no one has been so effectual as that which deludes them with paper money. This is the most effectual of inventions to fertilize the rich man by the sweat of the poor man's brow. Ordinary tyranny, oppression and excessive taxation—these tell lightly on the happiness of the mass of the community, compared with a fraudulent currency, and the robberies committed by depreciated paper. Our own history has recorded for us instances, enough, and more than enough of its demoralizing tendency. The injustice and interable oppression on the virtuous and well disposed, of a degraded paper currency, authorized by law, and in every way countenanced by the Government, is one of the most successful devices, in time of peace or war, of expansions or revolutions, to accomplish the transfer of all the precious metals from the great mass of the people into the hands of the few, where they are hoarded in secret places, or deposited under bolts and bars, while the people are left to endure all the inconveniences, sacrifices and demoralizations resulting from the use of depreciated and worthless paper.

The Secretary of the Interior in his report gives valuable information in reference to the interests confided to the supervision of his department, and reviews the operations of the Land Office, the Pension and Patent Offices, and the Indian Bureau. During the fiscal year ending June 30, 1868, 6 665 700 acres of public lands were disposed of. The entire cash receipts of the General Land Office for the same period were $1 632 145, being greater by $284,883 than the amount realized from the same sources during the previous year.

The entries under the Homestead law over 2,328 903 acres, nearly one-fourth of which was taken under the act of June 21, 1866, which applies only to the States of Alabama, Mississippi, Florida, Louisiana and Arkansas. On the 30th of June, 1868, 167 643 names were found on the Pension Rolls, and during the year ending that day the total amount paid for pensions, including the expenses of disbursement, was $7 410 096, being $5,391 250 greater than that expended for like purposes during the preceding year. During the year ending the 30th of September last the expenses of the Patent Office exceeded the receipts by $171 000 including reissues and designs; 14 153 patents were issued.

Treaties with various Indian tribes have been concluded, and will be submitted to the Senate for its constitutional action. I cordially sanction the stipulations which provide for receiving lands for the various tribes, when they may be encouraged to abandon their nomadic habits and engage in agricultural and industrial pursuits. This policy, inaugurated many years since, has met with signal success wherever it has been pursued in good faith and with economy and liberality by the United States Government. The necessity for extending it as far as practicable in relations with the Aboriginal population, is greater now than at any preceding period. Whilst we furnish subsistence and instructions to the Indians, and guarantee the undisturbed enjoyment of this treaty and their rights, we should hold that the treaty should insist upon the faithful observance of this agreement to remain within their respective reservations. This is the only mode by which collision with other tribes and with the whites can be avoided and the safety of our frontier settlement secured.

The companies constructing the railroad from the Pacific to Salt Lake have most energetically engaged in prosecuting the work, and it is believed that the line will be completed before the expiration of the next fiscal year. The six per cent. bonds issued to these companies amounted on 5th inst to $44 337,000 and additional work has been earned to the extent of $3,200,000. The Secretary of the Interior in August last directed my attention to the report of a Government Director of the Central Pacific Railroad Company, who had been specially instructed to examine the location, construction and equipment of the road, and submitting for the opinion of the Attorney General certain questions in regard to authority, which arose upon this report and these which had from time to time been presented by the Commissioners appointed to examine this and other lines, and have recently submitted a statement of their investigation, of which the report of the Secretary of the Interior furnishes specific information.

The report of the Secretary of War contains information of interest and importance respecting the several bureaus of the War Department and the operations of the army. The strength of our military force on the 30th of September last was 48 000 men, and it is computed that it will be decreased to 43 000, and it is the opinion of the Secretary of War that within the next years a considerable diminution of the infantry force may be made without detriment to the interests of the country, and in view of the great expense attending the military peace establishment and the absolute necessity of retrenchment wherever it can be applied, it is hoped that Congress will sanction the reduction which his report recommends. While in 1869 sixteen thousand three hundred men cost the nation $16,472,000, the sum of $65,682 000 is estimated as necessary for the support of the army during the fiscal year ending June 30, 1870; as estimated by the War Department for the last two fiscal years were, for 1867, $538,144 61, and for 1868, $252,056 69. The actual expenditures during the same periods were, respectively, $95,224,417 and $123,246 448. The estimate submitted December last for the fiscal year ending June 30, 1869, was $77,124 708, and the expenditures for the first quarter, ending the 30th of September last, were $27 319 117, and the Secretary of the Treasury gives $68,000,000 as the amount which will probably be required during the remaining three quarters, if there should be no reduction of the army, making it, in the aggregate, cost for the year considerable in excess of $95 000 000. The difference between the estimate and the expenses for the three years, which has been named, is thus shown to be $175,345 243 for this single branch of the public service. The report of the Secretary of the Navy exhibits the operations of that department and of the navy. During the year a considerable reduction of the force has been effected. There are forty-two vessels, carrying 411 guns, in the six squadrons which have been established in different parts of the world, and three of these vessels are returning to the United States, and four are used as store ships, leaving the actual cruising force thirty five vessels, carrying 356 guns. The total number of vessels in the navy is 296, mounting 1743 guns. Eighty-three vessels of every description are in use, armed with 196 guns. The number of enlisted men in the service, including apprentices, has been reduced to 8500. An increase of the navy yard facilities is recommended, which in the opinion of this bring promotive of economy and security, a more thorough and systematic survey of the North Pacific ocean is advised, in view of our recent acquisition, our expanded commerce, and the increasing intercourse between the Pacific States and Asia. The naval pension funds which consists of a moiety of the avails of captures during the war, amounts to $24,000,000.

Exception is taken to the act of the 23d July last, which reduced the interest on the fund loaned to the Government, by the Secretary, estimated at three per cent., instead of six per cent., which was originally stipulated when the investment was made.

An amendment of the pension laws is suggested to remedy the omissions and defects in the existing enactment. The expenditures of the Department during the fiscal year were $20,120 394, and these estimates for the coming year amount to $20,993 514.

The Postmaster-General's report furnishes a full and clear exhibit of the operations and condition of the postal service. The ordinary postal revenue for the fiscal year ending June 30 1868 was $16 292,600, and the total expenditures, embracing all the services for which special appropriations have been made by Congress, amounted to $22 730,593, showing an excess of expenditures of $6 437 991. Deducting from the expenditures the sum of $1 896,525, the amount of appropriations for ocean steamships, and other special services, the excess of expenditures was $4,451 466. By using all unexpended balances in the Treasury, $3,800 000 is the actual sum, for which a special appropriation is required to meet the deficiency is $741,266. The causes which produced this large excess of expenditure over revenue, were the restoration of service in the late insurgent States, and the putting into operation of new service and established by acts of Congress which amounted within the last two years and a half to about 48 700 miles, equal to more than one-third of the whole amount of the service at the close of the war. New postal convention with Great Britain, North Germany, Belgium, the Netherlands, Switzerland and Italy respectively have been carried into effect under their provisions. Important improvements have resulted in the reduced rates of the international postage and exchange facilities with European countries. The cost of the United States trans-Atlantic ocean mail service since January 1, 1868, has been largely issued under the operation of these new conventions, a reduction of over half having been effected under the new arrangements for ocean steamship service, which went into effect at that date. The attention of Congress is invited to practical suggestions and recommendations made in this report by the Postmaster General. An important question has occurred during the past year. In our accustomed cordial, friendly intercourse with Costa Rica, Guatamala, Honduras, San Salvador, France, Austria, Belgium, Switzerland, Portugal, the Netherlands, Denmark, Sweden and Norway, Rome, Greece, Turkey, Persia, Egypt, Liberia, Morocco, Tripoli, Tunis, Corsica and Madagascar. Cordial relations have also been maintained with the Argentine and Oriental republics. The expressed wish of Congress that our national good offices might be tendered to those republics, and also to Brazil and Paraguay for bringing to end the calamitous war which has been so long raging in the valley of the La Platte, has been assiduously complied with, and kindly acknowledged by all of the belligerents. That important negotiation, however, has thus far been without results.

Charles A. Washburne, late United States Minister to Paraguay, having resigned and being desirous to return to the United States, the Rear Admiral commanding the South Atlantic squadron was early directed to send ships of war to Assumption, the capital of Paraguay, to receive Mr. Washburne and his family and remove them from a situation represented to be endangered by faction and foreign war. The Brazilian commander of the allied invading forces refused permission to the Wasp to pass through the blockading force, and that vessel returned to its accustomed anchorage. Remonstrance having been made against this refusal, it was promptly overruled, and the Wasp, therefore, resumed her errand, and received Mr. Washburne and his family and conveyed them to a safe and convenient port. In the meantime an excited controversy had arisen between the President of Paraguay and the late United States Minister, which it is understood grew out of proceedings in giving asylum in the United States Legation to alleged enemies of that Republic. The question of the right to give asylum is one difficult, and often productive of great embarrassment in States well organized and established foreign powers refuse to concede or exercise that right except as to persons actually belonging to the diplomatic service. On the other hand all such persons insist upon exercising the rights of citizens in States where the laws of nations are not fully acknowledged, respected and obeyed. The President of Paraguay is understood to have applied to Mr. Washburne the very improbable charge of personal complicity in insurrection and treason. The correspondence, however, has not reached the United States. Mr. Washburne, in connection with the controversy represents that United States citizens attached to the legation were arbitrarily seized at his side, when he leaving the capital, prisoners committed to prison and there subjected to torture for the purpose of procuring confessions of their own criminality and testimony to support the points and allegations against the United States Minister.

Mr. McMahon, the newly appointed Minister to Paraguay, says he as reached the La Plata. He has been instructed to proceed without delay to Ascension, there to investigate the whole subject. The Rear Admiral commanding the United States South Atlantic Squadron has been directed to attend the new Minister, with a naval force, to sustain such demands as the occasion may require, and to vindicate the rights of United States citizens, and of any others who may be exposed to danger in the theater of war.

With these exceptions, friendly relations have been maintained between the United States and Brazil and Paraguay. Our relations during the past year with Bolivia, Ecuador, Peru and Chile have become especially friendly and cordial. Spain and the Republics of Peru, Bolivia and Ecuador have expressed their willingness to accept the mediation of the United States for terminating the war upon the South Pacific coast. Chile has not finally declared upon the question. In the meantime, the conflict has practically exhausted itself, since no belligerent or hostile movement has been made by either party during the last year, and there are no indications of a present purpose to resume hostilities on either side. Great Britain and France have cordially seconded our proposition of mediation, and I do not forego this hope that it may soon be accepted by all the belligerents and lead to a secure establishment of peace and friendly relations between the Spanish Republics of the Pacific and Spain, a result which would be attended with a common benefit to the belligerents and much advantage to all commercial nations.

I communicate for the consideration of Congress, a correspondence which shows that the Bohemian Republic has established the principle of receiving into its citizenship any citizen of the United States or any other of the American Republics upon the simple condition of voluntary registering.

The correspondence hereunto submitted will be found painfully replete with the accounts of the ruin and wretchedness produced by recent earthquakes, of unparalleled severity, in the republics of Peru, Ecuador and Bolivia. The diplomatic agency and the naval forces of the United States, who were present in those countries at the time of these disasters, furnished all the relief in their power, and have been gratefully thanked, with graceful and touching acknowledgments by the Congress of Peru, and an appeal to the charity of our fellow citizens has been answered by much liberality.

In this connection, I submit an appeal which has been made by the Swiss government, whose government and institutions are kindred to our own, on behalf of its inhabitants, who are suffering extreme destitution, produced by great inundations.

Our relations with Mexico, during the year, have been marked by an increasing growth of mutual confidence. The Mexican Government has not yet acted upon the treaties negotiated here last summer, for establishing the rights of naturalized citizens on a liberal and just basis, for regulating consular powers, and for the adjustment of mutual claims. All commercial nations, as well as all friends of republican institutions, have occasion to regret the frequent local disturbances which occur in some of the constituent States of Columbia. Nothing has occurred, however, to affect the harmony and cordial friendship which has happily for several years existed between that youthful republic and our own. Negotiations are pending with a view to the survey and construction of a ship canal across the Isthmus of Darien under the auspices of the United States. I hope to be able to submit the results of that negotiation to the Senate during its present session.

The very liberal treaty which was entered into between the United States and Nicaragua has been ratified by both Republics.

Costa Rica, with an earnestness of a sincerely friendly neighbor, selects a reciprocity of trade which I commend to the consideration of Congress.

The convention created by treaty between the United States and Venezuela in July, 1865, for the mutual adjustment of claims has been held, and its decisions have been received at the Department of State. The heretofore recognized Government of the United States of Venezuela has been subverted, a provisional government having been instituted under circumstances which promise durability. It has been formally recognized.

I have been reluctantly obliged to ask explanation and satisfaction for national injuries committed by the President of Hayti. The political and social condition of the Republics of Hayti and St. Domingo are unsatisfactory and painful. The abolition of slavery, which has been carried into effect throughout the Island of St. Domingo and the entire West Indies, except the Spanish islands of Cuba and Porto Rico, have been followed by a profound popular conviction of rightfulness of Republican institutions and an intense desire to secure them. The attempt, however, to establish Republics there encounters many obstacles, most of which may be supposed to result from long [illegible] habits of colonial supineness [illegible] upon European monarchies.

While the United States [illegible] occasions, professed [illegible] ness that any part of its adjacent islands, shall be made a theater for a new establishment of monarchial power, and so little has been done by the United States in the other hand, to attract the communities by which we are surrounded to our own country, or to lend even a moral support to efforts they are actively and constantly making to secure republican institutions for themselves. It is, indeed, a question of grave consideration, whether our recent and present example is not calculated to check the growth and expansion of communities, and make these communities distrust if not dread a government which at will consigns to military domination States that are integral parts of our Federal Union, and make ready to meet any attempts by other nations to extend to this hemisphere the monarchial institutions of Europe assume to establish over a large portion of its people a rule more absolute, harsh and tyrannical than any known to civilized powers. The acquisition of Alaska was made with a view of extending our national jurisdiction and republican principles in the American hemisphere. Believing that a further step could be taken in the same direction, I last year entered into a treaty with the King of Denmark for the purchase of the Island of St. Thomas and St. John, on the best terms then obtainable, with the express consent of the people of the island. This treaty still remains under consideration in the Senate. A new Convention has been entered into between Denmark, extending the time fixed for final ratification of the original treaty. A comprehensive national policy would seem to sanction the acquisition and incorporation into our Federal Union of the several adjacent continental and insular communities as speedily as it can be done peacefully and lawfully, and without any violation of national justice, faith or honor. Foreign possession or control of these communities has hitherto hindered the growth and impaired the influence of the United States. Chronic revolution and anarchy thus would be equally injurious. Each one of them, when firmly established as an independent republic, when incorporated wholly, would be a new source of strength and power. Conforming my administration to these principles I have on no occasion countenanced support or toleration to unlawful expeditions set on foot upon the plea of republican propagandism, or of national extension or aggrandizement. The necessity, however, of repressing such unlawful movements clearly indicates the duty which rests on us of adopting our legislative measures to new circumstances, to a decline of European monarchial power and influence, and the increase of Oriental Republics, interests and sympathies. It cannot be long before it will become necessary for this Government to lend some effective aid to the solution of the political and social problems which are continually kept before the world by the two Republics of the Island of St. Domingo, and which are now developing themselves more distinctly than before. In the Island of Cuba the subject is commended to your consideration with all earnestness, because I am satisfied that the time has arrived when even so direct a proceeding as the annexation of the Republic of the Island of St. Domingo would not only receive the consent of the people themselves but would also give satisfaction to all other foreign nations. I am aware that upon the question of further extending our possessions it is apprehended by some that our political system cannot fully be applied to an area more extending than our Continent, but the conviction is rapidly gaining ground in America, that with the increased facilities for intercommunication between all portions of the earth, the principles of our Government are embraced in our Constitution, and if faithfully maintained and carried out, would prove of sufficient strength and breadth to comprehend within their sphere and influence the civilized nations of the world.

The attention of the Senate and of Congress is again respectfully invited to the treaty for the establishment of commercial reciprocity with the Hawaiin Kingdom, entered into last year and already ratified by that Government. The attitude of the United States towards these islands is not different to that in which they stand towards the West Indies. It is known and felt by the Haw in Government and people that their Government and institutions are feeble and precarious, and that the United States being so near a neighbor, would be unwilling to see the island pass under foreign control. Their prosperity is continually disturbed by expectations and alarm of unfriendly and political proceedings as well from the United States as from foreign powers. A reciprocity treaty while it could not materially diminish the plea of the United States, would be a guarantee of the good will and forbearance of all nations, until the people of the islands of themselves at no distant day voluntarily apply for admission into the Union.

The Emperor of Russia has acceded to the treaty negotiated here in January last for the security of trade marks in the interest of manufacture and commerce. I have invited his attention to the importance of establishing now while it seems easy and practicable, a fair and equal regul