THE PRESIDENT.

[Continued from First Page.]

premises rented for the legation are located as to local charges. At Tangier the house occupied by our representative has been for many years the property of this government, having been given for that purpose in 1822 by the Sultan of Morocco. I approve the suggestion heretofore made that in view of the conditions of life and administration in the eastern countries, the legation buildings in China, Japan, Corea, Siam and perhaps Persia should be owned and furnished by the government with a view to permanency and security. To this end I recommend that authority be given to accept the gifts advertised in Japan and Siam and to purchase in the other countries named with provision for furniture and repairs. A considerable saving in rentals would result.

NEW ORLEANS EXPOSITION.

The World's Industrial Exposition held at New Orleans last winter, with the assistance of the Federal Government, attracted a large number of foreign exhibits and proved of great value in spreading among the concourse of visitors from Mexico and Central and South America a wider knowledge of the varied manufactures and productions of this country and their availability in exchange for the productions of those regions.

DUTY ON ART WORKS.

Past Congresses have had under consideration the advisability of abolishing the discrimination made by the tariff laws in favor of the works of American artists. The action of the policy which subjects to a high rate of duty the paintings of foreign artists, and exempts the production of American artists residing abroad, who receive gratuitously advantage and instructions is visited upon our citizens engaged in art culture in Europe, and has caused them with practical unanimity to favor the abolition of such an ungrateful distinction in their interest and for other obvious reasons, and I recommend it.

THE YEAR'S RECEIPTS AND EXPENDITURES.

The report of the Secretary of the Treasury fully exhibits the condition of the public finances of the several branches of government connected with his department. The suggestions of the Secretary relating to the practical operations of this important department and his recommendations in the direction of simplification and economy, particularly in the work of collecting customs duties, are especially commended to the attention of Congress.

The ordinary receipts from all sources for the fiscal year ended June 30, 1885, were $222,960,766 38, of this sum $181,471,987 34 was received from customs and $12,405,725 54 from Internal Revenue. The total receipts as given above were $24,820,163 54 less than those for the year ending June 30, 1884.

This diminution embraces a falling off of $15,595,590 42 in the receipts from customs and $9,087,346 97 in the receipts from Internal Revenue.

The total ordinary expenditures of the Government for the fiscal year were $260,226,905 50, leaving a surplus in the Treasury at the close of the year of $33,463,771 27. This is $10,919,854 32 less than the surplus reported at the close of the previous year. The expenditures are classified as follows:

For civil expenses	$13,826,942 07
For foreign intercourse	1,821,609 11
For Indians	6,502,404 63
For pensions	56,122,257 49
For the military, including river and harbor improvements and arsenals	42,670,578 47
For the Navy, including vessels, machinery and improvements of navy yards	16,021,073 61
For interest on the public debt	51,346,255 47
For the district of Columbia	3,499,659 25
Miscellaneous expenditures, including public buildings, light houses and collecting the revenue	54,728,051 21

The amount paid on the public debt during the fiscal year ended June 30, 1885, was $45,993,235 43, and there has been paid since that date and up to November 1, 1885, the sum of $369,828, leaving the amount of the debt at the last named date $1,514,476,860 47. There was, however, at that time in the Treasury applicable to the general purposes of the Government the sum of $66,818,292 38. The total receipts for the current fiscal year ending June 30, 1886, ascertained to October 1 1885, and estimated for the remainder of the year are $315,000,000. The expenditures ascertained and estimated for the same time are $245,000,000; leaving surplus at the close of the year estimated at $70,000,000.

IMPORTS AND EXPORTS.

The value of exports from the United States to foreign countries during the last fiscal year was as follows:

Domestic merchandise	$7,266,829 48
Foreign merchandise	155,068 09
Total	$7,421,897 55
Gold	$ 48,778 92
Silver	267,356 33
Total	$734,431 28

Some of the principal exports, with their values and the percentage they respectively bear to the total exportation are given as follows:

Articles.	Value.	Percentage.
Cotton and cotton manufactures	$213,799,069 00	29 43
Breadstuffs	160,370 20	22.07
Provisions	107,332,486 00	14.77
Oils, mineral, vegetable and animal	54,825,202 00	7.54
Tobacco and its manufactures	24,767 82	3.41
Wood and its manufactures	21,464,322 00	2.95

Our imports during the year were as follows:

Merchandise	$579,580,053 80
Gold	26,621,026 10
Silver	16,500,627 00
Total	$622,821,676 80

The following are given as prominent articles of imports during the year with their values and the percentage they bear to the total importation:

Articles.	value.	per. centage.
Sugar and molasses	$76,728,713	13.29
Coffee	48,723,818	8.09
Silk and its manufacture	44,656,482	7.73
Jute and its manufacture	40,223,002	6.92
Chemicals, dyes, drugs and medicines	35,076,816	6.07
Iron and steel and their manufactures	31,563,689	5.46
Flax, hemp, jute and their manufactures	32,834,874	5.63
Cotton and its manufacture	28,132,031	4.84
Hides and skins other than for wearing	20,566,443	3.56

Of the entire amount of duties collected 30 percent was collected from the following articles of import: Sugar and molasses, 20; wool and its manufactures, 15; silk and its manufactures, 8; iron and steel and their manufactures, 7; cotton manufactures, 6; flax, hemp and jute and their manufactures, 5.

THE TARIFF MUST BE REDUCED.

The fact that our revenues are in excess of the actual needs of an economical administration of the Government, justifies a reduction in the amount exacted from the people for its support. Our Government is but the means established by the will of a free people by which certain principles are applied which they have adopted for their benefit and protection, and it is never better administered and its true spirit is never better observed than when the people's taxation for its support is scrupulously limited to the actual necessity of expenditure and distributed according to a just and equitable plan. The proposition with which we have to deal is the reduction of the revenue received by the Government and indirectly paid by the people from customs duties. The question of free trade is not involved, nor is there now any occasion for the general discussion of the wisdom or expediency of a protective system. Justice and fairness dictate that in any modification of our present laws relating to revenue the industries and interests which have been encouraged by such laws and in which our citizens have large investments should not be injured or destroyed.

We should also deal with the subject in such manner as to protect the interests of American labor, which is the capital of our workingmen. Its stability and proper remuneration furnish the most justifiable pretext for a protective policy. Within these limitations a certain reduction should be made in our customs revenue. The amount of such reduction having been determined, the inquiry follows, where can it best be remitted and what articles can best be relieved from duty in the interest of our citizens. I think the reduction should be made in the revenue derived from a tax upon the imported necessaries of life. We thus directly lessen the cost of living in every family of the land and release to the people in every humble home a larger measure of the rewards of frugal industry.

NATIONAL BANKS.

During the year ended September 1, 1885, one hundred and forty-five National banks were organized, with an aggregate capital of $10,938,000, and circulating notes have been issued to them amounting to $4,274,910. The whole number of these banks in existence on the day above mentioned was 2,727. The very limited amount of circulating notes issued by our National banks compared with the amount the law permits them to issue upon a deposit of bonds for their redemption, indicates that the volume of our circulating medium may be largely increased through this instrumentality.

THE BOGUS 80-CENT DOLLAR.

Nothing more important than the present condition of our currency and coinage can claim your attention. Since February, 1878, the government has, under the compulsory provisions of law, purchased silver bullion and coined the same at the rate of more than $2,000,000 every month. By this process, up to the present day, 215,759,481 silver dollars have been coined. A reasonable appreciation of a delegation of power to the general government would limit its exercise without express restrictive words to the people's needs and the requirements of the public welfare. Upon this theory the authority to "coin money" given to Congress by the Constitution, if it permits the purchase by the Government of bullion for coinage in any event, does not justify such purchase and coinage to an extent beyond the amount needed for a sufficient circulating medium. The desire to utilize the silver product of the country should not lead to a misuse or the perversion of this power. The necessity for such an addition to the silver currency of the nation as is compelled by the silver coinage act, is negatived by the fact that up to the present time only about fifty millions of silver dollars so coined have actually found their way into circulation, leaving more than one hundred and sixty-five millions in the possession of the government, the custody of which has entailed a considerable expense for construction of vaults for its deposit. Against this latter amount there are outstanding silver certificates amounting to about $93,000,000.

Every month two millions of gold in the public Treasury are paid out for two millions or more of silver dollars, to be added to the idle mass already accumulated. If continued long enough this operation will result in the substitution of silver for all the gold the Government owns applicable to its general purposes. It will not do to rely upon the customs receipts of the Government to make good this drain of gold, because the silver thus having been made legal tender for all debts and dues, public and private, at times during the last six months 58 percent of the receipts for duties have been in silver or silver certificates, while the average within that period has been 20 percent.

The proportion of silver and its certificates received by the Government will probably increase as time goes on, for the reason that the nearer the period approaches when it will be obliged to offer silver in payment of its obligations, the greater inducement there will be to hoard gold against depreciation in the value of silver or for the purpose of speculating. This hoarding of gold has already begun. When the time comes that gold has been withdrawn from circulation, there will be apparent the difference between the real value of the silver dollar and a dollar in gold, and the two coins will part company. Gold, still the standard of value made necessary in our dealings with other countries, will be at a premium over silver. Banks which have substituted gold for the deposits of their customers may pay them with silver bought with such gold, thus making a handsome profit. Rich speculators will sell their hoarded gold to their neighbors, who need it to liquidate their foreign debts, at ruinous premiums over silver, and the laboring men and women of the land, most defenseless of all, will find that the dollar received for the wage of their toil has sadly shrunk its purchasing power.

It may be said that the latter result will be but temporary, and that ultimately the price of labor will be adjusted to the change; but even if this takes place the wage worker cannot possibly gain, but must inevitably lose, since the price he is compelled to pay for his living will not only be measured in a coin heavily depreciated and fluctuating and uncertain in its value, but this uncertainty in the value of the purchasing medium will be made the pretext for an advance in prices beyond that justified by actual depreciation. The words uttered in 1834 by Daniel Webster in the Senate of the United States are true to-day: "The very man of all others who has the deepest interest in a sound currency and who suffers most by mischievous legislation in money matters is the man who earns his daily bread by his daily toil."

The most distinguished advocate of bimetalism, discussing our silver coinage, has lately written: "No American citizen's hand has yet felt the sensation of cheapness either in receiving or expending the silver act dollars, and thus who live by labor or legitimate trade never will feel that sensation of cheapness. However plenty silver dollars may become they will not be distributed as gifts among the people; and if the laboring man should receive four depreciated dollars where he now receives but two, he will pay in the depreciated coin more than double the price he now pays for all the necessaries and comforts of life. Those who do not fear any disastrous consequences arising from the continued compulsory coinage of silver as now directed by law, and who suppose that the addition to the currency of the country intended as its result will be a public benefit, are reminded that history demonstrates that the point is easily reached in the attempt to float at the same time two sorts of money of different excellence, when the better will be in circulation. The hoarding of gold which has already taken place indicates that we shall not escape the usual experience in such cases." So if this silver coinage be continued we may reasonably expect that gold and its equivalent will abandon the field of circulation to silver alone. This of course must produce a severe contraction of our circulating medium instead of adding to it.

It will not be disputed that any attempt on the part of the Government to cause the circulation of silver dollars worth eighty cents, side by side with gold dollars worth one hundred cents, even with the limit that legislation does not run counter to the laws of trade, to be successful, must be seconded by the confidence of the people, that both coins will retain the same purchasing power and be interchangeable at will.

THE PEOPLE DO NOT WANT IT.

A special effort has been made by the Secretary of the Treasury to increase the amount of our silver coin in circulation, but the fact that a large share of the limited amount thus put out has soon returned to the public Treasury in payment of duties tends to the belief that the people do not now desire to keep it in hand, and this with the evident disposition to hoard gold gives rise to the suspicion that there already exists a lack of confidence among the people touching our financial processes.

There is certainly not enough silver now in circulation to cause uneasiness, and the whole amount coined and now on hand might after a time be absorbed by the people without apprehension; but it is the ceaseless stream that threatens to overflow the land which causes fear and uncertainty. What has been thus far submitted upon this subject relates almost entirely to considerations of a home nature, unconnected with the bearing which the policies of other nations have upon the question. But it is perfectly apparent that a line of action in regard to our currency cannot wisely be settled upon or persisted in without considering the attitude on the subject of other countries with whom we maintain intercourse through commerce, trade and travel. An acknowledgment of this fact is found in the act by virtue of which our silver is compulsorily coined. It provides that "the President shall invite the governments of the countries composing the Latin Union, so called, and of such other European nations as he may deem advisable, to join the United States in a conference to adopt a common ratio between gold and silver, for the purpose of establishing internationally the use of bi-metallic money and securing fixity of relative value between these metals."

FAILURE OF THE SILVER CONFERENCE.

This conference absolutely failed, and a similar fate has awaited all subsequent efforts in the same direction, and still we continue our coinage of silver at rates different from that of any other nation. The most vital part of the silver coinage act remains inoperative and unexecuted, and without an ally or friend we battle upon the silver field in an illogical and losing contest. To give full effect to the design of Congress on this subject I have made careful and earnest endeavor since the adjournment of the last Congress.

To this end I delegated a gentleman well instructed in fiscal science to proceed to the financial centres of Europe and in conjunction with our ministers to England, France and Germany, to obtain a full knowledge of the attitude and intent of these governments in respect of the establishment of such international ratio as would procure free coinage of both metals at the mints of those countries and our own. By my direction our Consul General at Paris has given close attention to the proceedings of the Congress of the Latin Union in order to indicate our interest in its objects and report its action.

It is a significant fact that four of the five countries composing the Latin Union mentioned in our coinage act, embarrassed with their silver currency, have just completed an agreement among themselves that no more silver shall be coined by their respective governments, and that such as has been already coined and in circulation shall be redeemed in gold by the country of its coinage. The resort to this expedient by these countries may well arrest the attention of those who suppose we can succeed without shock or injury in the attempt to circulate on its merits all the silver we may have been compelled to coin by the provisions of our silver coinage act.

It may be said in brief, as to the result of these efforts, that the attitude of the leading powers remains substantially unchanged since the Monetary Conference of 1881; nor is it to be questioned that the views of these governments are in each instance supported by the weight of public opinion. The steps thus taken have, therefore, only more fully demonstrated the uselessness of further attempts at present to arrive at any agreement on the subject with other nations. In the meantime we are accumulating silver coin based upon our own peculiar rates to such an extent and assuming so heavy a burden to be provided for in any international negotiation as will render us an undesirable party to any future monetary conference of nations.

AN APPEAL TO PATRIOTISM.

The condition in which our Treasury may be placed by an experience in our present course is a matter of concern to every patriotic citizen who does not desire his Government to pay in silver such of its obligations as should be paid in gold; nor should our condition be such as to oblige us, in a prudent management of our affairs, to discontinue the calling in and payment of interest befitting obligations which we have the right now to discharge, and avoid the payment of further interest thereon.

The so-called debtor class, for whose benefit the continued compulsory coinage of silver is insisted upon, are not dishonest because they are in debt and they should not be suspected of a desire to jeopardize the financial safety of the country in order that they may cancel their present debts by paying the same in depreciated dollars. Nor should it be forgotten that it is not the rich nor the money-lender alone that must submit to such a readjustment enforced by the Government and their debtors. The pittance of the widow and the orphan, and the incomes of the helpless beneficiaries of all kinds, would be disastrously reduced. The depositors in savings banks and in other institutions which hold in trust the savings of the poor, when their little accumulations are scaled down to meet the new order of things, would in their distress painfully realize the delusion of the promise made to them that plentiful money would improve their condition. We have now on hand all the silver dollars necessary to supply the present needs of the people and to satisfy those who from sentiment wish to see them in circulation, and if their coinage is suspended they can be readily obtained by all who desire them. If the need of more is at any time apparent their coinage may be renewed. That disaster has not already overtaken us furnishes no proof that danger does not wait upon a continuation of the present silver coinage. We have been saved by the most careful management and unusual expedients; by a combination of fortunate circumstances and by a confident expectation that the government course in regard to silver coinage would be speedily changed by action of Congress. Prosperity hesitates upon our threshold because of dangers and uncertainties surrounding this question.

Capital timidly shrinks from trade, and investors are unwilling to take the chance of the questionable shape in which their money will be returned to them, while enterprise halts at a risk against which care and sagacious management do not protect. As a necessary consequence labor lacks employment, and suffering and distress are visited upon a portion of our fellow citizens especially entitled to the careful consideration of those charged with the duties of legislation. No interest appeals to us so strongly for a safe and stable currency as the vast army of the unemployed. I recommend the suspension of the compulsory coinage of silver dollars directed by the law passed in February, 1878.

STEAMBOAT INSPECTION.

The Steamboat Inspection service on the 30th day of June, 1885, was composed of 140 persons, including officials, clerks and messengers. The expenses of the service over the receipts were $138,822 22 during the fiscal year. The special inspection of foreign steam vessels organized under the law passed in 1882 was maintained during the year at an expense of $36,641 63. Since the close of the fiscal year reductions have been made in the force employed which will result in a saving during the current year of $17,000 without affecting the efficiency of the service.

The Supervising Surgeon General reports that during the fiscal year 41,714 patients have received relief through the Marine Hospital service, of whom 12,803 were treated in hospitals and 28,911 at dispensaries. Active and effective efforts have been made through the medium of this service to protect the country against an invasion of cholera, which has prevailed in Spain and France, and the smallpox which recently broke out in Canada.

LIFE SAVING SERVICE.

The most gratifying results have attended the operations of the Life Saving Service during the last fiscal year. The provisions of law requiring the appointment of the force employed in this service to be made solely with reference to their fitness and without reference to their political or party obligation has secured the result which may confidently be expected in any branch of public employment where such a rule is applied. As a consequence this service is composed of men well qualified for the performance of their dangerous and exceptionally important duties. The number of stations in commission at the close of the year was 203. The number of disasters to vessels and craft of all kind within their field of action was 371. The number of persons endangered in such disasters was 2,439, of whom 2,428 were saved and only 11 lost. Other lives which were imperiled, though not by disasters to shipping, were also rescued and a large amount of property was saved through the aid of this service. The cost of its maintainance during the year was $827,474 43.

COAST AND GEODETIC SURVEY.

The work of the coast and geodetic survey was, during the last fiscal year, carried on within the boundaries and off the coasts of thirty-two States and Territories and the District of Columbia. In July last certain irregularities were found to exist in the management of this bureau, which led to a prompt investigation of its methods. The abuses which were brought to light by this examination and the reckless disregard of duty and the interest of the Government developed on the part of some of those connected with the service, made a change of superintendents and a few of its other officers necessary. Since the bureau has been in other hands the introduction of economies and application of business methods have produced an important saving to the Government and a promise of more useful results. This service has never been regulated by anything but most indefinite legal enactments and most unsatisfactory rules. It was many years ago sanctioned apparently for a purpose regarded as temporary and in relation to a survey of our coast. Having gained a place in the appropriations made by Congress it has gradually taken to itself powers and objects not contemplated, and extended its operations until it sadly needs legislative attention. So far as a further survey of our coast is concerned there seems to be propriety in transferring the work to the Navy Department. The other duties now in charge of this establishment, if they cannot be profitably attached to some existing department or other division, should be presented under a law exactly defining their scope and purpose, and with a careful discrimination between the scientific inquiries which may properly be assumed by the Government, and those which should be undertaken by State authorities or individual enterprise. It is hoped that the report of the Congressional committee heretofore appointed to investigate this and other like matters will aid in the accomplishment of proper legislation on this subject.

OUR ARMY.

The report of the Secretary of War is herewith submitted. The attention of Congress is invited to the detailed account which it contains of the administration of his department, and his recommendations and suggestions for the improvement of the service. The army consisted at the day of the last consolidated returns of 2,154 officers and 24,705 enlisted men. The expenses of the Department for the fiscal year ended June 30, 1885, including $13,164,394 60 for public works and harbor improvements, were $45,850,999 54. Beside the troops which were dispatched in pursuit of the small band of Indians who left their reservation in Arizona and committed murders and outrages, two regiments of cavalry and one of infantry were sent last July to the Indian Territory to prevent an outbreak which seemed imminent. They remained to aid, if necessary, in the expulsion of intruders on the reservations, who seemed to have caused discontent among the Indians, but the Executive proclamation warning them to remove was complied with without interference.

Troops were also sent to Rock Springs, in Wyoming Territory, after the massacre of Chinese there, to prevent further disturbance, and afterward to Seattle, in Washington Territory, to avoid a threatened attack upon Chinese laborers and domestic violence there. In both cases the mere presence of the troops had the desired effect. It appears that the number of desertions have diminished, but during the last fiscal year they numbered 2,927, and one instance is given by the Adjutant General of six desertions by the same recruit. I am convinced that this number of desertions can be much diminished by better discipline and treatment, but the punishment should be increased for repeated offenses. These depositions might also be reduced by lessening the term of the first enlistment, thus allowing a discontented recruit to contemplate a nearer discharge and the army a profitable riddance. After one term of service a re-enlistment would be quite apt to secure a contented recruit and good soldier. The acting Judge Advocate General reports that the number of trials by general court martial during the year was 2,328, and that 11,851 trials took place before garrison and regimental courts martial. The suggestion that probably more than half the army have been tried for offenses great and small in one year may well arrest attention.

Of course many of these trials before garrison and regimental courts martial were for offenses almost frivolous and there should, I think, be a way devised to dispose of these in a more summary and less inconvenient manner than by court martial. If some of the proceedings of courts martial which I have had occasion to examine present the ideas of justice which generally prevail in these tribunals, I am satisfied that they should be much reformed, if the honor and honesty of the army and navy are by their instrumentality to be vindicated and protected.

The Board of Fortifications or other defences appointed in pursuance of the provisions of the act of Congress approved March 3, 1885, will in a short time present their report, and it is hoped that this may greatly aid the legislation necessary to remedy the present defenseless condition of our sea coasts.

THE SIGNAL SERVICE.

The work of the Signal Service has been prosecuted during the last year with results of increasing benefit to the country. The field of investigation has been enlarged with a view of adding to its usefulness. The number of stations in operation June 30, 1885, was 489. Telegraph reports are received daily from 160 stations. Reports are also received from 25 Canadian stations, 375 volunteer observers, 53 army surgeons at military posts and 333 foreign stations. The expense of the service during the fiscal year, after deducting the receipts from military telegraph lines, was $792,592 97. In view of the fact referred to by the Secretary of War that the work of this service is ordinarily of a scientific nature, and the further fact that it is assuming larger proportions, and becoming more and more unsuited to the fixed rules which must govern the army, I am inclined to agree with him in the opinion that it should be separately established. If this is done the scope and extent of its operations should be, as nearly as possible, definitely prescribed by law and always capable of exact ascertainment.

WEST POINT ACADEMY.

The Military Academy at West Point is reported as being in a high state of efficiency and well equipped for the satisfactory accomplishment of the purposes of its maintenance. The fact that the class which graduates next year is an unusually big one has constrained me to decline to make appointments to second lieutenancies in the army from civil life, so that such vacancies as exist in these places may be reserved for such graduates; and yet it is not probable that there will be enough vacancies to provide positions for them all when they leave the military school. Under the prevailing law and usage those not thus assigned to duty never actually enter the military service. It is suggested that the law on this subject be changed, so that such of these young men as are not at once assigned to duty after graduating, may be retained as second lieutenants in the army, if they desire it, subject to assignment when the opportunity occurs and under proper rules as to priority of selection. The expenditures on account of the Military Academy for the last fiscal year, exclusive of the sum taken for the support of the army, were $290,712 07.

The act approved March 3, 1885, designed to compensate officers and enlisted men for loss of private property while in the service of the United States is so indefinite in its terms, and apparently admits so many claims, the adjustment of which could not have been contemplated, that if it is to remain upon the statute books it needs amendments.

CONSTRUCTION OF BRIDGES.

There should be a general law of Congress making provision for the construction of bridges over navigable waters in such manner as not to obstruct navigation. It seems that under existing statutes the Government cannot intervene to prevent such a construction when entered upon without its consent, though when such consent is asked and granted upon condition, the authority to insist upon such condition is clear.

Thus it is represented that while the officers of the Government are with great care guarding against the obstruction of navigation by a bridge across the Mississippi river at St. Paul, a large pier for a bridge has been built just below the place directly in the channel of the river. If such things are to be permitted a strong argument is presented against the appropriation of large sums of money to improve the navigation of this and other important highways of commerce.

OUR GALLANT TARS.

The report of the Secretary of the Navy gives a history of the operations of his department, and the present condition of the work commited to his charge. He details in full the course pursued by him to protect the rights of the Government in respect to certain vessels unfinished, at the time of his accession to office and also concerning the despatch boat Dolphin, claimed to be completed and awaiting the acceptance of the department. No one can fail to see from recitals contained in this report that only the application of business principles has been insisted upon in the treatment of these subjects, and that whatever controversy has risen was caused by the exaction on the part of the Department of contract obligations as they were legally constructed. In the case of the Dolphin, with entire justice to the contractor, an agreement has been entered into providing for the ascertainment by a judical inquiry of the complete or partial compliance with the contract in her construction; and further providing for the assessment of any damages to which the government may be entitled on account of a partial failure to perform such contract or the payment of the sum still remaining unpaid upon her price in case a full performance is adjudged. The contractor by reason of his failure in business being unable to complete the other three vessels, they were taken possession of by the government in their unfinished state under a clause in the contract permitting such a course, and are now in process of completion in the yard of the contractor but under the supervision of the Navy Department.

Congress at its last session authorized the construction of two additional new cruisers and two gun boats at a cost not exceeding in the aggregate $2,005,000. The appropriation for this purpose having become available the first day of July last, steps were at once taken for the procurement of such plans for the construction of the vessels as would be likely to insure their usefulness when completed. These are of the utmost importance considering the constant advance in the art of building vessels of this character, and the time is not lost which is spent in that careful consideration and selection.

WE MUST HAVE SHIPS.

All must admit the importance of an effective navy to a nation like ours having such an extended sea coast to protect, and yet we have not a single vessel of war that could keep the seas against a first-class vessel of any important power. Such a condition ought not to longer continue. The nation that cannot resist aggression is constantly exposed to it. Its foreign policy is of necessity weak, and its negotiations are conducted with disadvantage, because it is not in condition to enforce the terms dictated by its sense of right and justice.

Inspired as I am by the hope shaped by all patriotic citizens that the day is not far distant when our navy will be such as befits our standing among the nations of the earth, and rejoiced at every step that leads in the direction of such a consummation, I deem it my duty to especially direct the attention of Congress to the close of the report of the Secretary of the Navy, in which the humiliating weakness of the present organization of his department is exhibited, and the startling abuses and waste to which its present methods are exposed. The conviction is forced upon us with the certainty of mathematical demonstration that before we proceed further in the restoration of a navy we need a thoroughly reorganized Navy Department.

The fact that within seventeen years more than $75,000,000 has been spent in construction, repair, equipments and armament of vessels, and the further fact that instead of an effective and creditable fleet we have only the discontent and apprehension of a nation undefended by war vessels, added to the disclosures now made, do not permit us to doubt that every attempt to revive our navy has thus far for the most part been misdirected and all our efforts in the direction have been little better than blind gropings and expensive, aimless follies. Unquestionably if we are content with the maintenance of a Navy Department as a shabby ornament to the Government a constant watchfulness may prevent some of the scandal and abuse which have found their way into our present organization, and its incurable waste may be reduced to the minimum. But if we desire to build ships for present use fulness instead of naval reminders of the days that are past we must have a Department organized for the work, supplied with all the talent and ingenuity our country affords, prepared to take advantage of the experiences of other nations, systematized so that all efforts shall unite and lead in one direction, and fully imbued with the conviction that war vessels, though new, are useless unless they combine all that the ingenuity of man has up to this day brought forth relating to their construction. I earnestly commend the portion of the Secretary's report devoted to this subject to the action of Congress, in the hope that his suggestions touching the reorganization of his Department may be adopted as the first step toward the reconstruction of our navy.

THE POSTAL SERVICE.

The affairs of the postal service are exemplified by the report of the Postmaster General which will be laid before you. The postal revenue, whose ratio of gain upon the rising prosperity of 1882 and 1883 outstripped the increasing expenses of our growing service, was checked by the reduction on the rate of letter postage which took effect with the beginning of October in the latter year, and it diminished during the two past fiscal years $2,790,000, in about the proportion of $2,270,000 in 1884 to $520,000 in 1885.

Natural growth and developments have in the meantime increased expenditure, resulting in a deficiency in the revenue to meet the expenses of the Department of five and a quarter million dollars for the year 1884 and eight and a third million in the last fiscal year. The anticipated and natural revival of the revenue has been oppressed and retarded by the unfavorable business condition of the country, of which the postal service is a faithful indicator. The gratifying fact is shown, however, by the report that our returning prosperity is marked by a gain of $380,000 in the revenue of the latter half of last year over the corresponding period of the preceding year.

The change in the weight of first class matter which may be carried for a single rate of postage from a half ounce to an ounce, and the reduction by one half of the rate of newspaper postage which, under recent legislation, begun with the current year, will operate to restrain the augmentation of receipts which otherwise might have been expected to such a degree that the scale of expense may gain upon the revenue and cause an increased deficiency to be shown at its close. Yet after no long period of reawakened prosperity if characterized by proper economy, it is confidently anticipated that even the present low rates, now as favorable as any country affords, will be adequate to sustain the cost of the service. The operation of the Postoffice Department is for the convenience and benefit of the people, and the mode by which they pay the charges of the useful arm of their public service, so that it be just and impartial, is of less importance to them than the economical expenditure of the means they provide for its maintenance and the due improvements of its agencies so that they may enjoy its highest usefulness. A proper attention has been directed to the prevention of waste or extravagance and good results appear from the report to have already been accomplished.

I approve the recommendation of the Postmaster General to reduce the charges on domestic money orders of five dollars and less from 8 to 5 cents. This change will materially aid those of our people who most of all avail themselves of this instrumentality but to whom the element of cheapness is of the greatest importance, and with this reduction the system would still remain self-supporting. The free delivery system has been extended to nineteen additional cities during the year and 178 now enjoy its conveniences. Experience has commended it to those who enjoy its benefits, and further enlargement of its facilities is due to other communities to which it is adapted. In the cities where it has been established, taken together, the local postage exceeds its maintenance by nearly $1,300,000. The limit to which the system is now confined by law has been nearly reached, and the reason given justly its extension, which is proposed.

THE FOREIGN MAILS.

It was decided with my approbation after a sufficient examination to be inexpedient for the Post Office Department to contract for carrying our foreign mails under the additional authority given by last Congress. The amount limited was inadequate to pay all within the purview of the law the full rate of fifty cents per mile, and it would have been unjust and unwise to have given it to some and denied to others, nor could contracts have been let under the law to all at a rate to have brought the aggregate within the appropriation without such practical rearrangement of terms as would have violated it. The rate of sea and inland postage which was proffered under another statute clearly appears to be a fair compensation for the desired service, being three times the price necessary to secure transportation by other vessels upon any route, and much beyond the charges made to private persons for services less burdensome. Some of the steamship companies, upon the refusal of the Postmaster General to attempt by the means provided for the distribution of the sum appropriated as an extra compensation, withdrew the services of their vessels and thereby occasioned slight inconvenience, though no considerate injury, the mails having been dispatched by other means.

Whatever may be thought of the policy of subsidizing any line of public conveyance or travel, I am satisfied that it should not be done under cover of an expenditure incident to the administration of a department, nor should there be any uncertainty as to the recipients of the subsidy or any discretion left to an executive officer as to its distribution. If such gifts of public money are to be made for the purpose of aiding any enterprise in the supposed interest of the public, I cannot but think that the amount to be paid and the beneficiary might better be determined by Congress than in any other way.

POSTAL UNION.

The International Congress of Delegates from the postal union countries convened at Lisbon, Portugal, in February last, and after a session of some weeks the Delegates signed a convention amendatory of the present postal union convention in some particulars, designed to advance its purposes. This additional act has had my approval and will be laid before you with the departmental report. I approve the recommendation of the Postmaster General that another assistant be provided for his department, and I invite your consideration to the several other recommendations contained in the report.

DEPARTMENT OF JUSTICE.

The report of the Attorney General contains a history of the conduct of the Department of Justice during the last year and a number of valuable suggestions as to needed legislation, and I invite your careful attention to the same. The condition of business in the courts of the United States is such that there seems to be an imperative necessity for remedial legislation on the subject. Some of these courts are so overburdened with pending cases that the delays in determining litigation amounts often to a denial of justice. Among the plans suggested for relief is one submitted by the Attorney General. Its main features are the transfer of all the original jurisdiction of the Circuit Courts to the District Courts, and an increase of judges for the latter. Where necessary an addition of judges to the Circuit Courts and constituting them exclusively courts of appeal and reasonably limiting appeals thereto; further restrictions of the right to remove causes from the State to Federal courts, permitting appeals to the Supreme Court from the courts of the District of Columbia and the Territories only in the same cases as they are allowed from State Courts and guarding against an unnecessary number of appeals from the Circuit Courts. I approve the plan thus outlined and recommend the legislation necessary for its application to our judicial system.

SALARIES FOR MARSHALS AND DISTRICT ATTORNEYS.

The present mode of compensating United States Marshals and District Attorneys should, in my opinion, be changed. They are allowed to charge against the Government certain fees for services, their income being measured by the amount of such fees within a fixed limit as to their annual aggregate. This is a direct inducement for them to make their fees in criminal cases as large as possible in an effort to reach the maximum sum permitted. As an entirely natural consequence unscrupulous Marshals are found encouraging frivolous prosecutions, arresting people on petty charges of crime and transporting them to distant places for examination and trial for the purpose of earning mileage and other fees, and District Attorneys uselessly attend criminal examinations far from their places of residence for the express purpose of swelling their accounts against the Government. The actual expenses incurred in these transactions are also charged against the Government. Thus the rights of our citizens are outraged and public expenditures increased for the purpose of furnishing public officers a pretext for increasing the measure of their compensation. I think Marshals and District Attorneys should be paid salaries adjusted by a rule which will make them commensurate with services fairly rendered.

In connection with this subject I desire to suggest the advisability, if it be found not obnoxious to constitutional objection, of investing United States Commissioners with the power to try and determine certain violations of law within the grade of misdemeanors. Such trials might be made to depend upon the option of the accused. The multiplication of small and technical offenses especially under the provisions of our internal revenue law render some change in our present system very desirable in the interests of humanity as well as economy. The district courts are now crowded with petty prosecutions involving a punishment in case of conviction of only a slight fine, while the parties accused are harrassed by an enforced attendance upon courts held hundreds of miles from their homes. If poor and friendless they are obliged to remain in jail during the months perhaps that elapse before a session of the court is held, and are finally brought to trial surrounded by strangers and with but little real opportunity for defense. In the meantime frequently the marshal has charged against the Government his fees for an arrest, the transportation of the accused, the expense of the same and for summoning witnesses before a commissioner, a grand jury and a court. The witnesses have been paid from the public funds large fees and traveling expenses and the commissioner and district attorney have also made their charges against the Government. This abuse in the administration of our criminal law should be remedied, and if the plan above suggested is not practicable some other should be devised.

OUR INDIAN WARDS.

The report of the Secretary of the Interior containing an account of the operations of this important department and much interesting information will be submitted for your consideration. The most intricate and difficult subject in charge of this department is the treatment and management of the Indians. I am satisfied that some progress may be noted in their condition as a result of a prudent administration of the present law and regulations for their control. But it is submitted that there is a lack of a fixed purpose of policy on this subject which should be supplied. It is useless to dwell upon the wrongs of the Indians, and as useless to indulge in the heartless belief that because their wrongs are avenged in their own atrocious manner, therefore they should be exterminated. They are within the care of our government and their rights are or should be protected from invasion by the solemn obligations they are properly enough called the wards of government, and it should be borne in mind that this guardianship involves on our part efforts for the improvement of their condition and the enforcement of their rights.

There seems to be a general concurrence in the proposition that the ultimate object of their treatment should be their civilization and citizenship, and fitted to keep pace in the march of progress with the advanced civilization about them. They will readily assimilate with the mass of our population, assuming the responsibilities and receiving the protection incident to their condition. The difficulty appears to be in the selection of the means to be employed toward the attainment of this result.

Our Indian population, exclusive of those in Alaska, is reported as numbering 260,000. Nearly all are located on lands set apart for their use and occupation, aggregating over 134,000,000 of acres. These lands are included in the boundaries of 171 reservations of different dimensions, scattered in 21 States and Territories at present, in great variations in climate and the kind and quality of their soils. Among the Indians upon these several reservations there exist the most marked differences in natural traits and disposition and in their progress toward civilization.

RELIGION AND EDUCATION FOR LO!

While some are lazy, vicious and stupid, others are industrious, peaceful and intelligent; while a portion of them are self supporting and independent, and have so far advanced in civilization that they make their own laws, administered through officers of their own choice, and educate their children in schools of their own establishment and maintenance, other still retain in squalor and dependence almost the savagery of their natural state. In dealing with this question the desires manifested by the Indians should not be ignored. Here again we find a great diversity. With some the tribal relation is cherished with the utmost tenacity, while its hold upon others is considerably relaxed. The love of home is strong with all, and yet there are those whose attachment to a particular locality is by no means unyielding. The ownership of their land in severalty is much desired by some, while by others, and sometimes among the most civilized, such a distribution would be bitterly opposed. The variation of their wants growing out of and connected with the character of their several locations should be regarded. Some are upon reservations most fit for grazing, but without flocks or herds, and some on arable land, having no agricultural implements. While some of the reservations are double the size necessary to maintain the number of Indians now upon them, in a few cases, perhaps, they should be enlarged. Add to all this the difference in the administration of the agencies. The same duties are devolved upon all. The disposition of the agents and the manner of their contact with the Indians have much to do with their condition and welfare. The agent who perfunctorily performs his duty and slothfully neglects all opportunity for the alleviation of their moral and physical improvement and fails to inspire them with a desire for better things, will accomplish nothing in the direction of their civilization; while he who feels the burden of an important trust and has an interest in his work will by consistent example, firm yet considerate treatment, and well directed aid and encouragement, instantly lead them under his charge