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THE PRESIDENTS' MESSAGE.

Fellow-Citizens of the Senate and House of Representatives:

To express gratitude to God, in the name of the People, for the preservation of the United States, is my first duty in addressing you. Our thoughts next revert to the death of the late President by an act of parricidal treason. The grief of the nation is still fresh; it finds some solace in the consideration that he lived to enjoy the highest proof of its confidence by entering on the renewed term of the Chief Magistracy, to which he had been elected; that he brought the civil war substantially to a close; that his loss was deplored in all parts of the Union; and that foreign nations have rendered justice to his memory. His removal cast upon me a heavier weight of cares than ever devolved upon any one of his predecessors. To fulfil my trust I need the support and confidence of all who are associated with me in the various departments of Government, and the support and confidence of the people. There is but one way in which I can hope to gain their necessary aid; it is, to state with frankness the principles which guide my conduct, and their application to the present state of affairs, well aware that the efficiency of my labors will, in a great measure, depend on your and their undivided approbation.

The Union of the United States of America was intended by its authors to last as long as the States themselves shall last. "THE UNION SHALL BE PERPETUAL," are the words of the Confederation. "To FORM A MORE PERFECT UNION," by an ordinance of the people of the United States, is the declared purpose of the Constitution. The hand of Divine Providence was never more plainly visible in the affairs of men than in the framing and the adopting of that instrument. It is, beyond comparison, the greatest event in American history; and indeed is it not, of all events in modern times, the most pregnant with consequences to every people on earth? The members of the Convention which prepared it, brought to their work the experience of the Confederation, of their several States, and of other Republican Governments, old and new; but they needed and they obtained a wisdom superior to experience. And when for its validity it required the approval of a people that occupied a large part of a continent and acted separately in many distinct conventions, what is more wonderful than that, after earnest contention and long discussion, all feelings and all opinions were ultimately drawn in one way to its support?

The Constitution to which life was thus imparted contains within itself ample resources for its own preservation. It has the power to enforce the laws, punish treason, and ensure domestic tranquility. In case of the usurpation of the Government of a State by one man, or an oligarchy, it becomes a duty of the United States to make good the guarantee to that State of a republican form of government, and to maintain the homogeneousness of all. Does the lapse of time reveal defects? A simple mode of amendment is provided in the Constitution itself, so that its conditions can always be made to conform to the requirements of advancing civilization. No room is allowed even for the thought of a possibility of its coming to an end. And these powers of self-preservation have always been asserted in their complete integrity by every patriotic Chief Magistrate—by Jefferson and Jackson, not less than by Washington and Madison. The parting advice of the Father of his Country, while yet President, to the people of the United States, was, that the "free Constitution, which was the work of their hands, might be sacredly maintained;" and the inaugural words of President Jefferson held up "the preservation of the General Government, in its constitutional vigor, as the sheet anchor of our peace at home and safety abroad." The Constitution is the work of "the People of the United States," and it should be as indestructible as the people.

It is not strange that the framers of the Constitution, which had no model in the past, should not have fully comprehended the excellence of their own work. Fresh from a struggle against arbitrary power, many patriots suffered from harassing fears of an absorption of the State Governments by the General Government, and many from a dread that the States would break away from their orbits. But the very greatness of our country should allay the apprehension of encroachments by the General Government. The subjects that come unquestionably within its jurisdiction are so numerous, that it must ever naturally refuse to be embarrassed by questions that lie beyond it. Were it otherwise, the Executive would sink beneath the burden; the channels of justice would be choked; legislation would be obstructed by excess; so that there is a greater temptation to exercise some of the functions of the General Government through the States than trespass on their rightful sphere. "The absolute acquiescence in the decisions of the majority" was, at the beginning of the century, enforced by Jefferson "as the vital principle of republics," and the events of the last four years have established, we will hope forever, that there lies no appeal to force.

The maintenance of the Union brings with it "the support of the State Governments in all their rights;" but it is not one of the rights of any State Government to renounce its own place in the Union, or to nullify the laws of the Union.—The largest liberty is to be maintained in the discussion of the acts of the Federal Government; but there is no appeal from its laws, except to the various branches of the Government itself, or to the people, who grant to the members of the Legislative and of the Executive Departments no tenure but a limited one, and in that manner always retain the powers of redress.

"The sovereignty of the States" is the language of the Confederacy, and not the language of the Constitution. This latter contains the emphatic words: "The Constitution, and the laws of the United States which shall be made in pursuance thereof, and all treaties made or which shall be made under the authority of the United States, shall be the supreme law of the land; and the judges in every State shall be bound thereby, anything in the constitution or laws of any State to the contrary notwithstanding."

Certainly the Government of the United States is a limited government; and so is every State government a limited government. With us, this idea of limitation spreads through every form of administration, general, State, and municipal, and rests on the great distinguishing principle of the recognition of the rights of man. The ancient republics absorbed the individual in the State, prescribed his religion, and controlled his activity.—The American system rests on the assertion of the equal right of every man to life, liberty, and the pursuit of happiness; to freedom of conscience, to the culture and exercise of all his faculties. As a consequence, the State Government is limited, as to the General Government in the interest of Union, as to the individual citizen in the interest of freedom.

States, with proper limitations of power, are essential to the experience of the Constitution of the United States. At the very commencement, when we assumed a place among the Powers of the earth, the Declaration of Independence was adopted by States; so also were the Articles of Confederation; and when "the People of the United States" ordained and established the Consitution, it was the assent of the States, one by one, which gave it vitality. In the event, too, of any amendment to the Constitution, the proposition of Congress needs the confirmation of States. Without States, one great branch of the legislative government would be wanting. And, if we look beyond the letter of the Constitution to the charter of our country, its capacity for comprehending within its jurisdiction a vast continental empire is due to the system of States. The best security for the perpetual existence of the States is the "Supreme authority" of the Constitution of the United States. The perpetuity of the Constitution brings with it the perpetuity of the States; their mutual relation makes us what we are, and in our political system their connexion is indissoluble. The whole cannot exist without the parts, nor the parts without the whole. So long as the Constitution of the United States endures, the States will endure; the destruction of the one is the destruction of the other; the preservation of the one is the preservation of the other.

I have thus explained my views of the mutual relations of the Constitution and the States, because they unfold the principles on which I have sought to solve the momentous questions and overcome the appalling difficulties that met me at the very commencement of my administration. It has been my steadfast object to escape from the sway of momentary passions, and to derive a healing policy from the fundamental and unchanging principles of the Constitution.

I found the States suffering from the effects of a civil war. Resistence to the General Government appeared to have exhausted itself. The United States had recovered possession of their forts and arsenals; and their armies were in the occupation of every State which had attempted to secede.—Whether the territory within the limits of those States should be held as conquered territory, under military authority emenating from the President as the head of the army, was the first question that presented itself for decision.

Now, military governments, established for an indefinite period, would have offered no security for the early suppression of discontent; would have divided the people into vanquishers and the vanquished; and would have envenomed hatred, rather than have restored affection. Once established, no precise limit to their continuance was conceivable. They would have occasioned an incalculable and exhausting expense. Peaceful emigration to and from that portion of the country is one of the best means that can be thought of for the restoration of harmony; and that emigration would have been prevented; for what emigrant from abroad, what industrious citizen at home would place himself willingly under military rule? The chief persons who would have followed in the train of the army would have been dependants on the General Government, or men who expected profit from the miseries of their erring fellow-citizens. The powers of patronage and rule which would have been exercised, under the President, over a vast and populous, and naturally wealthy region, are greater than, unless under extreme necessity, I should be willing to trust any man; they are such as, for myself, I could never, unless on occasions of great emergency, consent to exercise. The wilful use of such powers, if continued through a period of years, would have endangered the purity of the general administration and the liberties of the States which remained loyal.

Besides, the policy of military rule over a conquered territory would have implied that the States whose inhabitants may have taken part in the rebellion had, by the act of those inhabitants, ceased to exist. But the true theory is, that all pretended acts of secession were, from the beginning, null and void. The States cannot commit treason, nor screen the individual citizens who may have committed treason, any more than they can make valid treaties or engage in lawful commerce with any foreign power. The States attempting to secede placed themselves in a condition where their vitality was impaired, but not extinguished—their functions suspended, but not destroyed.

But if any State neglects or refuses to perform its offices, there is the more need that the General Government should maintain all its authority, and, as soon as practicable, resume the exercise of all its functions. On this principle I have acted, and have gradually and quietly, and by almost imperceptible steps, sought to restore the rightful energy of the General Government and of the States. So that Provisional Governors have been appointed for the States, Conventions called, Governors elected, Legislatures assembled, and Senators and Representatives chosen to the Congress of the United States. At the same time, the Courts of the United States, as far as could be done, have been reopened, so that the laws of the United States may be enforced through their agency. The blockade has been removed and the custom-houses re-established in ports of entry, so that the revenue of the United States may be collected. The Post Office Department renews its ceaseless activity, and the General Government is thereby enabled to communicate promptly with officers and agents. The courts bring security to persons and property; the opening of the ports invites the restoration of industry and commerce; the post office renews the facilities of social intercourse and business. And is it not happy for us all, that the restoration of each one of these functions of the General Government brings with it a blessing to the States over which they are extended? Is it not a sure promise of harmony and renewed attachment to the Union that, after all that has happened, the return of the General Government is known only as a beneficence?

I know very well that this policy is attended with some risk; that for its success it requires at least the acquiescence of the States which it concerns; that it implies an invitation to those States, to resume their functions as States of the Union.—But it is a risk that must be taken; in the choice of difficulties, it is the smallest risk; and to diminish, and, if possible, to remove all danger, I have felt it incumbent on me to assert one other power of the General Government—the power of pardon. As no State can throw a defense over the crime of treason, the power of pardon is exclusively vested in the Executive Government of the United States. In exercising that power, I have taken every precaution to connect it with the clearest recognition of the binding force of the laws of the United States, and an unqualified acknowledgement of the great social change of condition in regard to slavery which has grown out of the war.

The next step which I have taken to restore the constitutional relations of the States, has been an invitation to them to participate in the high office of amending the Constitution. Every patriot must wish for a general amnesty at the earliest epoch consistent with public safety. For this great end there is need of a concurrence of all opinions, and the spirit of mutual conciliation. All parties in the late terrible conflict must work together in harmony. It is not too much to ask, in the name of the whole people, that, on the one side, the plan of restoration shall proceed in conformity with a willingness to cast the disorders of the past into oblivion; and that, on the other, the evidence of sincerity in the future maintenance of the Union shall be put beyond any doubt by the ratification of the proposed amendment to the Constitution, which provides for the abolition of slavery forever within the limits of our country. So long as the adoption of this amendment is delayed, so long will doubt, and jealousy, and uncertainty prevail. This is the measure which will efface the sad memory of the past; this is the measure which will most certainly call population, and capital, and security to those parts of the Union that need them most. Indeed, it is not too much to ask of the States which are now resuming their places in the family of the Union to give this pledge of perpetual loyalty and peace. Until it is done, the past, however much we may desire it, will not be forgotten. The adoption of the amendment reunites us beyond all power of disruption. It heals the wound that is still imperfectly closed; it removes slavery, the element which has so long perplexed and divided the country; it makes of us once more a united people, renewed and strengthened, bound more than ever to mutual affection and support.

The amendment to the Constitution being adopted, it would remain for the States, whose powers have been so long in abeyance, to resume their places in the two branches of the National Legislature, and thereby comple the work of restoration. Here it is for you, fellow-citizens of the Senate, and for you, fellow-citizens of the House of Representatives, to judge, each of you for yourselves, of the elections, returns, and qualifications of your own members.

The full assertion of the powers of the General Government requires the holding of Circuit Courts of the United States within the districts where their authority has been interrupted. In the present posture of our public affairs, strong objections have been urged to holding those courts in any of the States where the rebellion has existed; and it was ascertained, by inquiry, that the Circuit Court of the United States would not be held within the District of Virginia during the autumn or early winter, nor until Congress should have "an opportunity to consider and act on the whole subject." To your deliberations the restoration of this branch of the civil authority of the United States is therefore necessarily referred, with the hope that early provision will be made for the resumption of all its functions. It is manifest that treason, most flagrant in character, has been committed. Persons who are charged with its commission should have fair and impartial trials in the highest civil tribunals of the country, in order that the Constitution and the laws may be fully vindicated; the truth clearly established and affirmed that treason is a crime, that traitors should be punished and the offence made infamous; and, at the same time, that the question may be judicially settled, finally and forever, that no State of its own will has the right to renounce its place in the Union.

The relations of the General Government towards the four millions of inhabitants whom the war has called into freedom, has engaged my most serious consideration. On the propriety of attempting to make the freedmen electors by the proclamation of the Executive, I took for my counsel the Constitution itself, the interpretations of that instrument by its authors and their contemporaries, and recent legislation by Congress. When, at the first movement towards independence, the Congress of the United States instructed the several States to institute governments of their own, they left each State to decide for itself the conditions for the enjoyment of the elective franchise. During the period of the Confederacy, there continued to exist a very great diversity in the qualifications of electors in the several States; and even within a State a distinction of qualifications prevailed with regard to the officers who were to be chosen. The Constitution of the United States recognizes these diversities when it enjoins that, in the choice of members of the House of Representatives of the United States, "the electors in each shall have the qualifications requisite for electors of the most numerous branch of the State Legislature." After the formation of the Constitution, it remained, as before, the uniform usage for each State to enlarge the body of its electors, according to its own judgment; and, under this system, one State after another has proceeded to increase the number of its electors, until now universal suffrage, or something very near it, is the general rule. So fixed was this reservation of power in the habits of the people, and so unquestioned, has been the interpretation of the Constitution, that during the civil war the late President never harbored the purpose—certainly never avowed the purpose—of disregarding it; and in the acts of Congress, during that period, nothing can be found which, during the continuance of hostilities, much less their close, would have sanctioned any departure by the Executive from a policy which has so uniformly obtained. Moreover, a concession of the elective franchise to the freedmen, by act of the President of the United States, must have been extended to all colored men, wherever found, and so must have established a change of suffrage in the Northern, Middle, and Western States, not less than in the Southern and Southwestern. Such an act would have created a new class of voters, and would have been an assumption of power by the President which nothing in the Constitution or laws of the United States would have warranted.

On the other hand, every danger of conflict is avoided when the settlement of the question is referred to the several States. They can, each for itself, decide on the measure, and whether it is to be adopted at once, and absolutely, or introduced gradually, and with conditions. In my judgment, the freedmen, if they show patience and manly virtues, will sooner obtain a participation in the elective franchise through the States than through the General Government, even if it had power to intervene. When the tumult of emotions that have been raised by the suddenness of the social change shall have subsided, it may prove that they will receive the kindliest usage from some of those on whom they have heretofore most closely depended.

But while I have no doubt that now, after the close of the war, it is not competent for the General Government to extend the elective franchise in the several States, it is equally clear that good faith requires the security of the freedom in their liberty and their property, their right to labor, and their right to claim the just return of their labor.—I cannot too strongly urge a dispassionate treatment of this subject, which should be carefully kept aloof from all party strife. We must equally avoid hasty assumptions of any natural impossibility for the two races to live side by side, in a state of mutual benefit and good will. The experiment involves us in no inconsistency; let us then, go on and make that experiment in good faith, and not be too easily disheartened. The country is in need of labor, and the freedmen in need of employment, culture and protection. While their right of voluntary migration and expartriation is not questioned, I would not advise their forced removal and colonization. Let us rather encourage them to honorable and useful industry, where it may be beneficial to themselves and to the country; and, instead of hasty anticipations of the certainty of failure, let there be nothing wanting to the fair trial of the experiment. The change in their condition is the substitution of labor by contract for the status of slavery. The freedmen cannot fairly be accused of unwillingness to work, so long as a doubt remains about his freedom of choice in his pursuits, and the certainty of his recovering his stipulated wages. In this the interests of the employer and the employed coincide.—The employer desires in his workmen spirit and alacrity, and these can be permanently secured in no other way. And if the one ought to be able to enforce the contract, so ought the other. The public interest will be best promoted, if the several States will provide adequate protection and remedies for the freedmen.—Until this is in some way accomplished, there is no chance for the advantageous use of their labor; and the blame of ill-success will not rest on them.

I know that sincere philanthropy is earnest for the immediate realization of its remotest aims; but time is always an element in reform. It is one of the greatest acts on record to have brought four millions of people into freedom. The career of free industry must be fairly opened to them; and then their future prosperity and condition must, after all, rest mainly with themselves. If they fail, and so perish away, let us be careful that the failure shall not be attributable to any denial of justice. In all that relates to the destiny of the freedmen, we need not be too anxious to read the future; many incidents which, from a speculative point of view, might raise alarm, will quietly settle themselves.

Now that slavery is at an end or near its end, the greatness of its evil in the point of view of public economy, becomes more and more apparent.—Slavery was essentially a monopoly of labor, and as such locked the States where it prevailed against the incoming of free industry. Where labor was the property of the capitalist, the white man was excluded from employment, or had but the second best chance of finding it; and the foreign emigrant turned away from the region where his condition would be so precarious. With the destruction of the monopoly, free labor will hasten from all parts of the civilized world to assist in developing various and immeasurable resources which have hitherto lain dormant. The eight or nine States nearest the Gulf of Mexico have a soil of exuberant fertility, a climate friendly to long life, and can sustain a denser population than is found as yet in any part of our country. And the future influx of population to them will be mainly from the North, or the most cultivated nations in Europe. From the sufferings that have attended them during our late struggle, let us look away to the future, which is sure to be laden for them with greater prosperity than has ever before been known. The removal of the monopoly of slave labor is a pledge that those regions will be peopled by a numerous and enterprising population, which will vie with any in the Union in compactness, inventive genius, wealth, and industry.

Our Government springs from and was made for the people—not the people for the Government.—To them it owes allegiance; from them it must derive its courage, strength and wisdom. But, while the Government is thus bound to defer to the people, from whom it derives its existence, it should, from the very consideration of its origin, be strong in its power of resistance to the establishment of inequalities. Monopolies, perpetuities, and class legislation, are contrary to the genius of free government, and ought not to be allowed. Here there is no room for favored classes or monopolies, the principle of our Government is that of equal laws and freedom of industry. Wherever monopoly attains a foothold, it is sure to be a source of danger, discord, and trouble. We shall but fulfil our duties as legislators by according "equal and exact justice to all men," special privileges to none. The Government is subordinate to the people; but, as the agent and representative of the people, it must be held superior to monopolies, which, in themselves, ought never to be granted, and which, where they exist, must be subordinate and yield to the Government.

The Constitution confers on Congress the right to regulate commerce among the several States. It is of the first necessity, for the maintenance of the Union, that the commerce should be free and unobstructed. No State can be justified in any device to tax the transit of travel and commerce between States. The position of many States is such that, if they were allowed to take advantage of it for purposes of local revenue, the commerce between States might be injuriously burdened, or even virtually prohibited. It is best, while the tendency to dangerous monopolies of this kind is still feeble, to use the power of Congress so as to prevent any selfish impediment to the free circulation of men and merchandise. A tax on travel and merchandise, in their transit, constitutes one of the worst forms of monopoly, and the evil is increased if coupled with a denial of the choice of route.—When the vast extent of our country is considered, it is plain that every obstacle to the free circulation of commerce between the States ought to be sternly guarded against by appropriate legislation, within the limits of the Constitution.

The report of the Secretary of the Interior explains the condition of the public lands, the transactions of the Patent Office and the Pension Bureau, the management of our Indian affairs, the progress made in the construction of the Pacific Railroad, and furnishes information in reference to matters of local interest in the District of Columbia. It also presents evidence of the successful operation of the Homstead Act, under the provisions of which 1,150,533 acres of the public lands were entered during the last fiscal year—more than one-fourth of the whole number of acres sold or otherwise disposed of during that period. It is estimated that the receipts derived from this source are sufficient to cover the expenses incident to the survey and disposal of the lands entered under this act, and that the payment in cash to the extent of from forty to fifty per cent. will be made by settlers, who may thus at any time acquire the title before the expiration of the period at which it would otherwise vest. The homstead policy was established only after long and earnest resistance; experience proves its wisdom. The lands in the hands of industrious settlers, whose labor creates wealth and contributes to the public resources, are worth more to the United States than if they had been reserved as a solitude for future purchasers. The lamentable events of the last four years, and the sacrifices made by the gallant men of our army and navy have swelled the records of the Pension Bureau to an unprecedented extent. On the 30th day of June last, the total number of pensioners was 85,986, requiring for their annual pay, exclusive of expenses, the sum of $8,023,545. The number of applications that have been allowed since that date will require a large increase of this amount for the next fiscal year. The means for the payment of the stipends due, under existing laws, to our disabled soldiers and sailors, and to the families of such as have perished in the service of the country, will no doubt be cheerfully and promptly granted. A grateful people will not hesitate to sanction any measure having for their object the relief of soldiers mutilated and families made fatherless in the efforts to preserve our national existence.

The report of the Postmaster General presents an encouraging exhibit of the operations of the Post Office Department during the year. The revenues of the past year from the loyal States alone exceed the maximum annual receipts from all the States previous to the rebellion, in the sum of $6,038,091; and the annual average increase of revenue during the last four years, compared with the revenues of the four years immediately preceding the rebellion, was $3,593,845. The revenues of the last fiscal year amounted to $14,556,158, and the expenditures to $13,694,728, leaving a surplus of receipts over expenditures of $861,430. Progress has been made in restoring the postal service in the Southern States. The views presented by the Postmaster General against the police of granting subsidies to ocean mail steamship lines upon established routes, and in favor of continuing the present system, which limits the compensation for ocean service to the postage earnings, are recommended to the careful consideration of Congress.

It appears, from the report of the Secretary of the Navy, that while, at the commencement of the present year, there were in commission 530 vessels of all classes and descriptions, armed with 3000 guns and manned by 51,000 men. The number of vessels at present in commission is 117, with 830 guns and 12,128 men. By this prompt reduction of the naval forces the expenses of the Government will be largely diminished, and a number of vessels, purchased for naval purposes from the merchant marine, have been returned to the peaceful pursuits of commerce. Since the suppression of active hostilities our foreign squadrons have been re-established, and consist of vessels much more efficient than those employed on previous service previous to the rebellion. The suggestion for the enlargement of the navy-yards, and especially for the establishment of one in fresh water for iron-clad vessels, is deserving of consideration, as is also the recommendation for a different location and more ample grounds for the Naval Academy.

In the report of the Secretary of War, a general summary is given of the military campaigns of 1864 and 1865, ending in the suppression of armed resistance to the national authority in the insurgent States. The operation of the general administrative Bureaus of the War Department during the past year are detailed, and an estimate made of the appropriations that will be required for military purposes in the fiscal year commencing the 30th day of June, 1866. The national military force on the 1st of May, 1865, numbered 1,000,516 men.—It is proposed to reduce the military establishment to a peace footing, comprehending fifty thousand troops of all arms, organized so as to admit of an enlargement by filling up the ranks to eighty-two thousand six hundred, if the circumstances of the country should require an augmentation of the army. The volunteer force has already been reduced by the discharge from service of over eight hundred thousand troops, and the Department is proceeding rapidly in the work of further reduction. The war estimates are reduced from $516,240,131 to $33,814,416, which amount, in the opinion of the Department, is adequate for a peace establishment. The measures of retrenchment in each Bureau and branch of the service exhibit a diligent economy worthy of commendation. Reference is also made in the report to the necessity of providing for a uniform militia system, and to the propriety of making suitable provision for wounded and disabled officers and soldiers.

The revenue system of the country is a subject of vital interest to its honor and prosperity, and should command the earnest consideration of Congress. The Secretary of the Treasury will lay before you a full and detailed report of the receipts and disbursements of the last fiscal year, of the probable receipts and expenditures for the other three quarters, and the estimates for the year following the 30th of June, 1866. I might content myself with a reference to that report, in which you will find all the information required for your deliberations and decision. But the paramount importance of the subject so presses itself on my mind, that I cannot but lay before you my views of the measures which are required for the good character, and, I might almost say, for the existence of this people. The life of a republic lies certainly in the energy, virtue, and intelligence of its citizens; but it is equally true that a good revenue system is the life of an organized Government. I meet you at a time when the nation has voluntarily burdened itself with a debt unprecedented in our annals.—Vast as its amount, it fades away into nothing when compared with the countless blessings that will be conferred upon our country and upon man by the preservation of the nation's life. Now, on the first occasion of the meeting of Congress since the return of peace, it is of the utmost importance to inaugurate a just policy, which shall at once be put in motion, and which shall commend itself to those who come after us for its continuance. We must aim at nothing less than the complete effacement of the financial evils that necessarily followed a state of civil war. We must endeavor to apply the earliest remedy to the deranged state of the currency, and not shrink from devising a policy which, without being oppressive to the people, shall immediately begin to effect a reduction of the debt, and, if persisted in, discharge it fully within a definitely fixed number of years.

It is our first duty to prepare in earnest for our recovery from the ever-increasing evils of an irredeemable currency, without a sudden revulsion, and yet without untimely procrastination. For that end, we must each in our respective positions prepare the way. I hold it the duty of the Executive to insist upon frugality in the expenditures; and a sparing economy is itself a great national resource. Of the banks to which authority has been given to issue notes secured by bonds of the United States, we may require the greatest moderation and prudence, and the law must be rigidly enforced when its limits are exceeded. We may each one of us counsel our active and enterprising countrymen to be constantly on their guard, to liquidate debts contracted in a paper currency, and by conducting business as nearly as possible on a system of cash payments on short credits, to hold themselves prepared to return to the standard of gold and silver. To aid our fellow-citizens in the prudent management of their monetary affairs, the duty devolves on us to diminish by law the amount of paper money now in circulation. Five years ago the bank-note circulation of the country amounted to not much more than two hundred millions; now the circulation, bank and national, exceeds seven hundred millions. The simple statement of the fact recommends more strongly than any words of mine could do, the necessity of our restraining this expansion. The gradual reduction of the currency is the only measure that can save the business of the country from disastrous calamities; and this can be almost imperceptibly accomplished by gradually funding the national circulation in securities that may be made redeemable at the pleasure of the Government.

Our debt is doubly secure—first in the actual wealth and still greater undeveloped resources of the country; and next in the character of our institutions. The most intelligent observers among political economists have not failed to remark, that the public debt of a country is safe in proportion as its people are free, that the debt of a republic is the safest of all. Our history confirms and establishes the theory, and is, I firmly believe, destined to give it a still more signal illustration. The secret of this superiority springs not merely from the fact that in a republic the national obligations are distributed more widely through countless numbers in all classes of society; it has its root in the character of our laws. Here all men contribute to the public welfare, and bear their fair share of the public burdens. During the war, under the impulse of patriotism, the men of the great body of people, without regard to their own comparative want of wealth, thronged to our armies and filled our fleets of war, and held themselves ready to offer their lives for the public good. Now, in their turn, the property and income of the country should bear their just proportion of the burden of taxation, while in our impost system, through means of which increased vitality is incidentally imparted to all the industrial interests of the nation, the duties should be so adjusted as to fall most heavily on articles of luxury, leaving the necessaries of life as free from taxation as the absolute wants of the Government, economically administered will justify. No favored class should demand freedom from assessment, and the taxes should be so distributed as not to fall unduly on the poor, but rather on the accumulated wealth of the country. We should look at the national debt just as it is—not as a national blessing, but as a heavy burden on the industry of the country, to be discharged without unnecessary delay.

It is estimated by the Secretary of the Treasury that the expenditures for the fiscal year ending the 30th of June, 865, will exceed the receipts $112,194,947. It is gratifying, however, to state that it is also estimated that the revenue for the year ending the 30th of June, 1867, will exceed the expenditures in the sum of $111,682,818. This amount, or so much as may be deemed sufficient for the purpose, may be applied to the reduction of the public debt, which, on the 31st day of October, 1865, was $2,740,884,750. Every reduction will diminish the total amount of interest to be paid, and so enlarge the means of still further reductions, until the whole shall be liquidated; and this, as will be seen from the estimate of the Secretary of the Treasuary, may be accomplished by annual payments even within a period not exceeding thirty years. I have faith that we shall do all this within a reasonable time; that as we have amazed the world by the suppression of a civil war which was thought to be beyond the control of any Government, so we shall equally show the superiority of our institutions by the prompt and faithful discharge of our national obligations.

The Department of Agriculture, under its present direction, is accomplishing much in the developing and utilizing the vast agricultural capabilities of the country, and for information respecting the details of its management reference is made to the annual report of the Commissioner.

I have dwelt thus fully on our domestic affairs because of their transcendental importance. Under any circumstances, our great extent of territory and variety of climate, producing almost everything that is necessary for the wants, and even the comforts of man, make us singularly independent of the varying policy of foreign Powers, and protects us against every temptation to "entagling alliances," while at the present moment the re-establishment of harmony, and the strength that comes from harmony, will be our best security against "nations who feel powerful and forget the right." For myself, it has been and it will be my constant aim to promote peace and amity with all foreign nations and Powers; and I have every reason to believe that they all, without exception, are animated by the same disposition. Our relations with the Emperor of China so recent in their origin, are most friendly. Our commerce with his dominions is receiving new developments; and it is very pleasing to find that the Government of that great Empire manifests satisfaction with our policy and reposes just confidence in the fairness which marks our intercourse. The unbroken harmony between the United States and the Emperor of Russia is receiving a new support from an enterprised designed to carry telegraphic lines across the continent of Asia through his dominions, and so connect us with all Europe by a new channel of intercourse. Our commerce with South America is about to receive encouragement by a direct line of mail steamships to the rising Empire of Brazil. The distinguished party of men of science who have recently left our country to make a scientific exploration of the natural history and rivers and mountain ranges of that region, have received from the Emperor that generous welcome which was to have been expected from his constant friendship for the United States, and his well-known zeal in promoting the advancement of knowledge. A hope is entertained that our commerce with the rich and populous countries that border the Mediterranean sea may be largely increased. Nothing will be wanting on the part of this Government to extend the protection of our flag over the enterprise of our fellow-citizens. We receive from the Powers in that region assurances of good will; and it is worthy of note that a special envoy has brought us messages of condolence on the death of our late Chief Magistrate from the Bey of Tunis, whose rule includes the old dominions of Carthage on the African coast.

Our domestic contest, now happily ended, has left some traces in our relations with one at least of the great maratime Powers. The formal accordance of beligerent rights to the insurgent States was unprecedented, and has not been justified by the issue. But in the systems of neutrality pursued by the Powers which made that concession there was a marked difference. The materials of war for the insurgent States were furnished in a great measure from the workshops of Great Britain, and British ships, manned by British subjects, and prepared for receiving British armaments, sailed from the ports of Great Britain to make war upon American commerce, under the shelter of a commission from the insurgent States. These ships having once escaped from British ports, ever afterwards entered them in every part of the world, to refit, and so to renew their depredations. The consequences of this conduct were most disastrous to the States then in rebellion, increasing their desolation and misery by the prolongation of our civil contest. It had, moreover, the effect, to a great extent, to drive the American flag from the sea, and to transfer much of our shipping and our commerce to the very power whose subjects had created the necessity for such a change. These events took place before I was called to the administration of the Government. The sincere desire for peace by which I am animated led me to approve the proposal, already made, to submit the questions which had thus arisen between the countries to arbitration. These questions are of such moment that they must have commanded the attention of the great Powers and are so interwoven with the peace and interests of every one of them as to have insured an impartial decision. I regret to inform you that Great Britain declined the arbitrament, but, on the other hand, invited us to the formation of a joint commission to settle mutual claims between the two countries, from which those for the depredations before mentioned should be excluded. The proposition, in that very unsatisfactory form, has been declined.

The United States did not present the subject as an impeachment of the good faith of a Power which was professing the most friendly disposition, but as involving questions of public law of which the settlement is essential to the peace of nations; and, though pecuniary reparation to their injured citizens would have followed incidentally on a decision against Great Britain, such compensation was not their primary object. They had a higher motive, and it was in the interests of peace and justice to establish important principles of international law. The correspondence will be placed before you. The ground on which the British Minister rests his justification is, substantially, that the municipal law of a nation, and the domestic interpretations of that law, are the measure of its duty as a neutral; and I feel bound to declare my opinion before you and before the world, that that justification cannot be sustained before the tribunal of nations. At the same time I do not advise to any present attempt at redress by acts of legislation. For the future, friendship between the two countries must rest on the basis of mutual justice.

From the moment of the establishment of our free Constitution, the civilized world has been convulsed by the revolutions in the interests of democracy or of monarchy; but through all these revolutions the United States have wisely and firmly refused to become propagandists of republicanism. It is the only government suited to our condition; but we have never sought to impose it on others; and we have consistently followed the advice of Washington to recommend it only by the careful preservation and prudent use of the blessing. During all the intervening period the policy of European Powers and of the United States has, on the whole, been harmonious. Twice, indeed, rumors of the invasion of some parts of America, in the interests of monarchy, have prevailed; twice my predecessors have had occasion to announce the views of this nation in respect to such interference. On both occasions the remonstrance of the United States was respected, from a deep conviction, on the part of European Governments, that the system of non-interference and mutual abstinence from propagandism was the true rule for the two hemispheres. Since those times we have advanced in wealth and power, but we retain the same purpose to leave the nations of Europe to choose their own dynasties and form their own systems of government. This consistent moderation may justly demand a corresponding moderation. We should regard it as a great calamity to ourselves, to the cause of good government, and to the peace of the world, should any European Power challange the American people, as it were, to the defense of republicanism against foreign interference. We cannot foresee and are unwilling to consider what opportunities might present themselves, what combinations might offer to protect ourselves against designs inimical to our form of government. The United States desire to act in the future as they have ever acted heretofore; they never will be driven from that course but by the aggression of European Powers, and we rely on the wisdom and justice of those Powers to respect the system of non-interference which has so long been sanctioned by time, and which, by its good results, has approved itself to both continents.

The correspondence between the United States and France, in reference to questions which have become subjects of discussion between the two Governments, will, at a proper time, be laid before Congress.

When, on the organization of our Government, under the Constitution, the President of the United States delivered his inaugural address to the two Houses of Congress, he said to them, and through them to the country and to mankind, that "the preservation of the sacred fire of liberty and the destiny of the republican model of government are justly considered as deeply, perhaps as finally staked on the experiment intrusted to the American people