

PRESIDENT'S 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 parritchial treason. The grief of the nation is still fresh; it finds 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 fulfill the trust I used the support and confidence of those 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 adopting of that instrument. Its origin and completion were an event in American history, and indeed is not of all events in modern times, and indeed pregnant with consequences for every people on the 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 the people that occupied a large part of a continent and acted separately in many distinct confederations, what is more wonderful than that, after earnest contention and long discussion, all feelings and all opinions were ultimately drawn into one way to its support?

The Constitution to which life was thus imparted contains within itself ample resources for its own preservation. It has 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 so to maintain the homogeneity of all. Does the law of time reveal defects? A simple 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 first 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 extent 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, and 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 to 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 the 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 their rights;" but it is not one of the rights 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 law except to the various branches of that Government itself, or to the people, who grant to its members of the Legislative and of the Executive Departments no tenure but a limited one, and in that manner always retain the powers and redress.

"The sovereignty of the States" is the language of the Confederacy, and not the language of the Constitution. The 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 . . . 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 hold 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. While, in this sense, 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

quence, 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 existence 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 Constitution, 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 character 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 connection 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 on the true relations between 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. Resistance to the General Government appeared to have exhausted itself. The United States had recovered possession of the former rebel States, and the Union was 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 emanating 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 enveloped hatred, rather than 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 dependents 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 entrust to any one 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. To that end, Provisional Governors have been appointed for the States, Conventions of the 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. 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 its 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 of 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, by renewing their allegiance to the United 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 to State can throw a defence 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 uncertainty prevail. This is the measure which will efface the sad memory of the past; this is the measure which will most certainly calm 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 complete 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 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 an act on the whole subject." To your deliberation 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 this war has called into the political life of the country are a subject of discussion. 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 interests of the country, the views of the friends and contemporaries, and recent legislation by Congress. When, at the first movement towards independence, the Congress of the U. States instructed the several States to provide for the formation of a national convention, 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 general feeling in favor of the formation of a new general 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 U. States was then in force, and the question of the choice of members of the House of Representatives of the U. States, "the electors in each State shall have the qualifications requisite for the most numerous branch of the State Legislature," was the subject of discussion. The Constitution, if 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 might have a larger number of electors than another of its electors, until now, universal suffrage, or something near it, is the general rule. So fixed was this reservation of power in the hands of the people, that the framers of the Constitution, in 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, and in the Executive action, during the continuation of hostilities, much less after their close, would have sanctioned any departure by the Executive from a policy which has so universally prevailed. The President has no power to confer the franchise to the freedmen, by act of the President of the U. States, must have been extended to all colored men, wherever found, and so must have established a change in the basis of representation, and a new class of electors, 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 no President would have dared to assume. 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 States. They can, each for itself, decide on the measure, and they can, each for itself, adopt it absolutely, or introduced gradually and with conditions. In my judgment, the freedmen, if they show patience and many virtues, will sooner obtain a participation in the elective franchise through the States than through the General Government, even if it had power to increase it. When the tumult of emotions that have been raised by the war has subsided, and the passions shall have subsided, it may prove that they will receive the kindest 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 legislate on the subject of slavery in the several States, it is equally clear that good faith requires the security of the freedmen 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 the necessity of the observance of this principle, and I earnestly pray afloat 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 peace and good will. The experiment in freedom is in no manner a failure, and the experiment in good faith, and not be too easily disheartened. The country is in need of labor, and the freedmen are in need of employment, culture and protection. While their right of voluntary migration and settlement is secured, and their right to their own labor and 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 their freedom, let us rather consider the result 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, and I think they should remain about the borders of each, in their pursuit of the means of 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 the freedmen are able to secure it no other way. And if the one ought to be able to enforce his will, so ought the other. The public interest will be best promoted if the several States will provide adequate pro-

tection 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 necessities to have brought forth a mass 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 on 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 effort to bring about the freedom of the negro, we need 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 the evil, in the point of view of public opinion, has become much less. The negro is no longer essentially a monopoly of labor, and has stuck to the States where it prevailed against the incoming of free industry. Where labor was the property of the capital, the white man was excluded from employment, and but for the monopoly of labor, the finding of a market for the emigrant turned away from the region where his condition would be so precarious. With the destruction of monopoly, free labor will hasten from all parts of the civilized world to assist in developing various and immeasurable resources which have hitherto been shut up. The eight millions of the free negroes of 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, from the most civilized regions of the world. From the slavery which has oppressed 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 negroes who are peopled by a virtuous and intelligent population, will share 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 its very existence, and to them it owes its courage, strength and wisdom. But, while the Government is thus bound to devote to the people, for 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, for example, 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 menace to the people, and it is the duty of the Government to fulfill 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 supreme in its own sphere. In the exercise of its duty 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 States should be permitted to regulate the commerce which the State can be justified in any device to tax, transit, travel and commerce between States. The position of many States is such that, if they were allowed to take advantage of it for purpose of local revenue, the commerce between States might be injuriously burdened. The States of the Union are not all equally advanced in civilization and industry, and 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, cannot be 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 the 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 various departments of the Government, and the information in reference to matters of local interest in the District of Columbia. It also presents evidence of the successful operation of the Homestead Act, under the provisions of which 1,160,533 acres of the public lands were entered during the fiscal year—more than one million acres—of which 1,000,000 have been actually 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 payments in cash to the holders of from four to five per cent. on the principal settlers, who have thus at one time acquire title before the expiration of the period it would otherwise vest. The homestead policy was established only after long and earnest resistance: experience proves its wisdom. The lands, in the hands of industrious settlers, whose labor and enterprise have been the means of their acquisition, are worth more to the U. 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 record of the Pension Bureau to an unprecedented extent. On the 30th day of June, 1900, the Bureau had received 1,000 applications for their annual pay, exclusive of expenses, the sum of \$8,023.45. 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 support of the widows and orphans of our existing soldiers and 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 that will aid in the support of the existing soldiers 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, and shows that the revenues of the postal service have increased in the aggregate of the past year from the loyal States alone, and reached 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, is \$1,000,000. The expenditures of the postal fiscal year amounted to \$4,550,008, 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 policy of granting subsidies to the more remote and less profitable 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, since the commencement of the present war, there have been 530 vessels engaged in all classes and descriptions, armed with 3,600 guns and manned by 51,000 men, the number of vessels 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 have been largely diminished, and a number of vessels, purchased for the purpose of the war, and which, of course, have been returned to the peaceful pursuits of commerce. Since the suppression of active hostilities our foreign squadrons have been re-established, and consists of vessels much more efficient than those employed on similar service previous to the rebellion. The suggestion for the enlargement of the navy and, especially for the establishment of a fleet of iron-clad vessels, is also deserving of consideration, as is also the recommendation for a different location and more ground 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 Federal authority in the insurgent States. The operations of the War Department, the Executive Bureau 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 this force to 250,000 men, to a peace footing, comprehending fifty thousand troops of the line, 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 eight hundred thousand troops, and the Government is now endeavoring to hasten the work of further reduction. The cost of the army is reduced from \$516,240,131 to \$33,814,461, which amount, in the opinion of the Department, is ade-

quate 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 military 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 complete statement of the receipts and disbursements of the last fiscal year, of the first quarter of the present 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 reference to that report, in which you will find the most important information upon which 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 nation is not only its wealth, its power, 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 banded itself with a determination to uphold its annuals. Yet as it is amount it fades away into nothing when the revenue of the country is exhausted. It is a power 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 continue itself to the end of time. It is of the utmost importance. 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 shall bring oppressive and ruinous measures immediately to an end. We must reduce the debt, and, if persisted in, discharge it fully within a definitely fixed number of years.

It is our duty to prepare in earnest for our recovery from the ever-increasing evils of an irredeemable currency, without delay, revolution, and bloodshed, and in the most judicious and prudent manner, and with the least procrastination, so that end we must, each of us in our respective position, prepare the way. I hold it the duty of the Executive to insist upon frugality in the expenditures; and a spare 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 must require that the laws which govern the issue of the notes be the laws 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 paper currency, and, by conducting business as nearly as possible on a system of cash payments, to avoid the temptation to resort to paper currency 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 it has increased to more than a billion, 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 be devised to avert the 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 doubly secure—first in the actual wealth and still greater undeveloped resources of the country; and next in the character of our institutions, which are not likely to be overthrown. 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 arising from our form of government, is that 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 burden. In the midst of our political and social agitation, the men of the great body of the people, without regard to their own comparative want of wealth, thronged to our armies and filled our cities of war, and held themselves ready to offer their lives for the public good. Now, in their turn, the property holders of the country are ready to bear their proportion of the burden of taxation, while in our import 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 and extravagance. The Government, therefore, in 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, not as a burden, but as a contribution to the country, 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 expenditure for the fiscal year ending the 30th of June, 1866, will exceed the receipts \$112,000,000. It is gratifying, however, to state that it is also estimated that the receipts for the year ending the 30th of June, 1867, will exceed the expenditures in the sum of \$111,628,818. 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 \$2,740,854,750. Every reduction will diminish the total amount of interest to be paid, and so enlarge the means for the redemption of the principal. The principal should be liquidated; and this, as will be seen from the estimates of the Secretary of the Treasury, 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 we have enacted laws for the suppression of a civil war which, though it is to be regretted, is under 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 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 been thus fully on our domestic affairs because of their importance. Indeed, under any circumstances, our great exertions to afford a 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 protect us against the influence of any 'angling alliances,' while at the present moment we are in the enjoyment of peace, money, and the strength that comes from harmony. We will be our best security against 'nations who feel power and foreign right.' For myself, it has been and it will be my constant aim to promote peace and unity with all foreign nations and Powers; and I have always believed that they all, without exception, are animated by the same feelings. Our relations with the Emperor of China, and 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 the progress of our trade, and reposes just confidence in the fairness of which, mark we, the Emperor is the benefactor, among between the United States and the Empire of Russia is receiving a new support from an enterprise designed to carry telegraphic lines across the continent of Asia, through his dominions, and so to connect us with all Europe by a new channel of intercourse. Our commerce with South America is also receiving encouragement by a direct line of mail steamships, and the rising Empire of Brazil, a distinguished party of our countrymen 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 and the civilization and improvement of all the rich and fertile regions of the globe.

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 brave citizens.

It is worthy of the generous assurances of good will which the Powers in that quarter have so graciously afforded, that it is worthy of note that a special envoy has brought to our shores expressions of condolence on the death of our late Chief Minister, 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 maritime Powers. The formal accordance of belligerent rights to the insurgent States was unreservedly acknowledged, and was fully justified by the issue. But in the systems of neutral trade, the United States 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 subjects, and British ships, were employed in conveying British arms and munitions of war to Great Britain to make war on 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 conduct of the United States was 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 shipping out of the sea, and to transfer much of our shipping into the hands of the British, 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 case 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 that they cannot be left to an impartial decision. I regret to inform you that Great Britain has refused arbitration, 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. Under this arrangement, a very unsatisfactory form has been decided.

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 the primary object of the United States 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 course which I have pursued is, I think, justified, 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 see any present or future 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 crisscrossed by republicans and monarchists, by advocates of democracy and monarchy; but through all those 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 been so stupid as to attempt to export it. 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 been to respect the independence of nations. Twice, indeed, rumors of the invasion of some parts of America, in the interest of monarchy have prevailed; twice my predecessors have had occasion to announce the view of this nation in respect to such interference. The independence 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 propaganda was the best for the world. Since then, however, sometimes 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 is just as necessary to a calm and a clear vision. 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 challenge the American people, as it were, to the defense of republican government against monarchy. We cannot foresee and are unwilling to consider what opportunities 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 acted in the past, to respect the independence of nations, 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, for a good result, 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.

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 Union, are deeply, perhaps as finally staked on the experiment intrusted to the American people." And the House of Representatives answered Washington, by the voice of Madison: "We adore the spirit which has animated the American Republic, through so many difficulties, to cherish a conscious responsibility for the destiny of republican liberty." More than seventy-six years have glided away since these words were spoken; the United States have passed through severer trials than were foreseen; and now this great country, the American Republic, with its Union purified by sorrows, and strengthened by conflict, and established by the virtue of the people, the greatness of the occasion invites us once more to repeat, with solemnity, the pledges of our fathers to hold ourselves answerable before the eyes of the American people, in the republican form of government. Experience has proved its efficiency in peace and in war; it has vindicated its authority through dangers, and afflictions, and sudden and terrible emergencies, which would have crushed any system that had been less firmly based in the hearts of the American people. The United States, Washington the foreign relations of the country were few, and its trade was repressed by hostile relations; now all the civilized nations of the globe welcome our commerce, and their Governments are anxious to extend our trade. The Union has felt its way hesitatingly along an untrodden path, with States so little bound together by rapid means of communication as to be hardly known to one another, and with historic traditions extending over very few years; now intercourse between the States is swift and easy, and the ties of friendship and commerce have been crowded into a few generations, and has created an intense, indestructible nationality. Then our jurisdiction did not reach beyond the inconvenient boundaries of the territory which had acceded to independence; now, through vessels of the United States coasted by France, the country has acquired a more complex character, and has for its natural limits the chain of Lakes, the Gulf of Mexico, and on the east and the west the two great oceans. Other nations were wasted by civil wars for ages before this country was united; and the necessary degree of unity; the latent conviction that our form of government is the best ever known to the world, has enabled us to emerge from civil war within four years, with a complete vindication of the constitutional authority of the General Government, and the least of our States with institutions unimpaired. The throngs of emigrants that crowd to our shores are witnesses of the confidence of all peoples in our permanence. Here is the great lane of free labor, where industry is blessed with unexampled rewards and the bread of the working-