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PRESIDENT'S MESSAGE.

Commencement of the First Session of the Thirty-ninth Congress.

[Concluded.]

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 Homestead Act, under the provisions of which 1,160,533 acres of the public lands were entered during the 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 payments in cash to the extent of from forty to fifty per cent. will be made by settlers, who may thus at any time acquire title before the expiration of the period at which 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 creates wealth and contributes to the public resources, are worth more to the United States than if they had been reserved 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 last, the total number of pensioners was 85,966, requiring for their annual pay, exclusive of expenses, the sum of \$8,023,445. 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 measures 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 exceeded 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 \$3,533,845. The revenues of the last fiscal year amounted to \$14,566,158, and the expenditures to \$13,604,728, leaving a surplus of receipts over expenditures of \$961,430. 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 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 3,000 guns and manned by 54,000 men, the number of vessels at present in commission is 117, with 850 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 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 similar service previous to the rebellion. The suggestion for the enlargement of the navy-yards, and especially for the establishment for one in fresh water for ironclad 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 operations 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 \$33,814,461, 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 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 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 is 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 follow 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 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 position, prepare the way. I hold it the duty of the Executive to insist upon frugality in the expenditures; and a sparing economy in 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 or 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 impulses of patriotism, 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 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 necessities 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 expenditure for the fiscal year ending the 30th of June, 1866, 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 \$2,740,854,750. 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 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, 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 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 Commissioners.

I have dwelt thus fully on our domestic affairs because of their transcendent importance. Under any circumstances, our great extent of territory and variety of climate, producing almost every thing 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 every temptation to "entangling 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 power and forget 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 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 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 maritime Powers. The formal accordance of belligerent 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 on American commerce, under the shelter of a commission from the insurgent States. These ships, having once escaped from British ports