

necessary for preventing the introduction of contagious or infectious diseases from foreign countries into the United States, or from one State into another. The execution of the rules and regulations prepared by the Board and approved by my predecessor, has done much to arrest the progress of epidemic disease and has thus rendered substantial service to the nation.

The international sanitary conference to which I have reference, adopted a form of bill of health to be used by all vessels seeking to enter the ports of the countries whose representatives participated in its deliberations. This form has since been prescribed by the national board of health, and incorporated with its rules and regulations which have been approved by me in pursuance of law. The health of the people is of supreme importance and all measures looking to their protection against the spread of contagious disease, and the increase of sanitary knowledge for such purposes deserve the attention of Congress.

#### FINANCE.

The report of the Secretary of the Treasury represents in detail, a highly satisfactory exhibit of the state of our finances and the condition of various branches of the public service administered by that department. The ordinary resources from all sources for the fiscal year ending June 30, 1881, were: From customs, \$198,159,676.02; from internal revenue, \$185,284,395.51; from public lands, \$2,221,863.17; from tax on circulation and deposits of national banks, \$8,116,113.72; from redemption of interest by Pacific railway companies, \$810,833.80; from sinking fund for Pacific railroad companies, \$805,180.54; from customs fees, fines, penalties, etc., \$1,225,514.88; from fees, consular letters patent and lands, \$2,244,984.99; from proceeds of sales of government property, \$2,621,740; from profits on coinage, \$3,468,485.61; from revenue of the District of Columbia, \$2,016,199.23; from miscellaneous sources, \$6,206,880.13; total ordinary receipts, \$360,782,297. The ordinary expenditures for the same period were: For civil expense, \$17,941,177.19; for foreign intercourse, \$10,939,540.02; for Indians, \$6,514,161.09; for pensions, \$5,050,279.62; for the military establishment including river and harbor improvements and arsenals \$40,466,460.57; for the naval establishment including vessels, machinery and improvement at the navy yards, \$15,686,671.66; for miscellaneous expenditures including public buildings, light houses and collecting the revenue, \$41,837,280.51; for the expenditures of accounts of the District of Columbia, \$3,553,932.03; for interest on the public debt, \$92,508,741.18; for premium on bonds purchased, \$1,062,248.78. Total of ordinary expenditures, \$260,712,887.59, leaving a surplus revenue of \$100,069,409.88, which was applied as follows: to the redemption of bonds for the sinking fund, \$74,371,200; fractional currency for the sinking fund, \$1,090,010.05; loan of February, 1861, \$7,418,000; ten-forties of 1864, \$201,615,000; five-twenties of 1865, \$373,000; consols of 1865, \$143,150,000; consols of 1867, \$95,915,000; consols of 1868, \$33,740,000; loan indemnity stock, \$1,000,000; old demand, compound interest and other notes, \$1,833,000, and to the increase of cash in the Treasury, \$14,637,023.93. Total \$1,000,694,498. The requirements of the sinking fund for the year amounted to \$9,078,606.402, which sum includes a balance of \$4,981,712,878 not provided for during the previous fiscal year. The sum of \$74,480,201.05 was applied to this fund, which left a deficit of \$16,305,873.47. The increase of the revenues for 1881 over those of the previous year was \$29,352,901.10. It is estimated that the receipts during the present fiscal year will reach \$400,000,000, and the expenditures \$270,000,000, leaving a surplus of \$130,000,000 to appropriate to the sinking fund and the redemption of the public debt. I approve the recommendations of the Secretary of the Treasury, that provisions be made for the early retirement of silver certificates, and that the act requiring their issue be repealed. They were issued in pursuance of the policy of the government to maintain silver near the gold standard, and were accordingly made receivable for all customs, taxes and public dues. About sixty-six millions of them are now outstanding. They formed an unnecessary addition to the paper currency, a sufficient amount of which may be readily supplied by the na-

tional banks. In accordance with the act of February 28th, 1878, the Treasury department has monthly caused at least two millions in value of silver bullion to be coined into standard silver dollars. One hundred and two millions of these dollars have already been coined, while only about 34,000,000 are in circulation. For the reasons which he specifies, I concur in the Secretary's recommendation, that the provisions for the coinage of a fixed amount or each be repealed, and that hereafter only so much be coined as shall be necessary to supply the demand. The Secretary advises that the issue of gold certificates should not for the present be resumed, and suggests that the national banks may properly be forbidden by law to retire their currency except upon reasonable notice of their intention so to do. Such legislation would seem to be justified by the recent action of the banks on the occasion referred to in the Secretary's report. Of the \$15,000,000 of fractional currency still outstanding, only about \$50,000 has been redeemed in the past year. The suggestion that this amount may properly be dropped from future statements of the public debt, seems worthy of approval; so also does the suggestion of the Secretary as to the advisability of relieving the calendar of the United States courts in the southern district of New York, by the transfer to another tribunal of the numerous suits there pending against collectors.

The revenues from customs for the past fiscal year were \$191,596,760.02, an increase of \$11,637,611.42 over that of the preceding year. \$138,098,562.39 of this amount was collected at the port of New York, leaving \$50,251,113.63 as the amount collected at all the other ports of the country. Of this sum \$47,977,137.63 was collected on sugar, melado and molasses; \$27,285,624.78 on wool and its manufactures; \$21,472,534.34 on iron and steel and manufactures thereof; \$19,038,665.81 on manufactures of silk; \$10,825,115.21 on manufactures of cotton and \$6,469,643 on wines and spirits; making a total revenue from these sources of \$133,058,720.81. The expenses of collection for the past year were \$6,419,345.20, an increase over the preceding year of \$387,410. Notwithstanding the increase in revenue from customs over the preceding year, the gross value of imports, including free goods, decreased over twenty-five millions of dollars. The marked decrease was in the value of unmanufactured wool \$14,023,682, and in that of scrap and pig iron \$12,810,671. The value of imports of sugar on the other hand, showed, an increase of \$7,457,474; of steel rails, \$4,345,521; of barley, \$2,154,204, and of steel in bars, ingots, etc., \$62,046. Contrasted with the imports, they were as follows: Domestic merchandise, \$90,839,259.47; foreign merchandise, \$18,451,399; total, \$9,023,779.46. Imports of merchandise, \$6,428,646.28. Excess of exports over imports of merchandise, \$59,712,718. Aggregate of exports and imports, \$15,450,419.74. Compared with the previous year, there was an increase of \$66,738,688 in the value of exports of merchandise and a decrease of \$25,290,118 in the value of imports. The annual average of increase of imports of merchandise over two parts thereof for ten years previous to June 30, 1873, was \$104,806,922, but for the last six years there has been an excess of exports over imports of merchandise amounting to \$1,180,661,103, an annual average of \$186,778,017. The specie value of exports of domestic merchandise was \$376,616,478 in 1870, and \$383,925,947 in 1881, an increase of \$307,309,474, or one and three-fifths per cent. The value of imports was \$43,595,808 in 1870, and \$612,664,628 in 1881, an increase of \$20,678,220, or 47 per cent during each year. From 1862 to 1879 inclusive, the exports of specie exceeded the imports. The largest excess of such exports over imports was reached during the year 1864, when it amounted to \$92,204,929, but during the year ending June 30, 1880, the imports of coin and bullion exceeded the exports by \$75,891,391, and during the last fiscal year the excess of imports over exports was \$91,168,650. In the last annual report of the Secretary of the Treasury, the attention of Congress was called to the fact that \$469,651,050 in 5 per cent. bonds, and \$203,572,750 in 6 per cent. bonds would become redeemable during the year, and Congress was asked to authorize the refunding of these bonds at a lower rate of interest. The bill for such refunding having failed

to become a law, the Secretary of the Treasury, in April last, notified the holders of the \$195,690,400 six per cent bonds then out, making it clear that the bond could be paid at par on the 1st day of July following, or that they might be "continued" at the pleasure of the government to bear interest at the rate of 3½ per centum per annum. Under this notice \$178,055,155 of the 6 per cent. bonds were continued at the lower rate, \$17,635,250 were redeemed. In the month of May, a like notice was given respecting the redemption or continuance of \$439,841,350 of five per centum bonds then due and outstanding and of these \$401,504,900 were continued at 3½ per cent. per annum, and \$38,336,450 redeemed. The six per cent bonds of the loan of February 8th, 1861, and of the Oregon war debt, amounting together to \$14,125,800 having matured during the year, the treasurer gave notice of his intention to redeem the same and such as have been presented have been paid from the surplus issue. There have also been redeemed at par \$16,179,100 of the three and a half per cent. continued bonds, making a total of bonds redeemed or which have ceased to bear interest, estimated during the year, of \$123,969,650. The reduction of the annual interest on the public debt through these transactions is as follows: By reduction of interest to three and one half per cent., \$1,047,395,227. By redemption of bonds, \$635,234,000; total, \$1,682,629,225. The three and one half per cent. bonds being payable at the pleasure of the government are available for the investment of surplus revenue without the payment of premium.

Unless the bonds can be funded at a much lower rate of interest than they now bear, I agree with the Secretary of the Treasury that no legislation respecting them is desirable. It is a matter of congratulation that the business of the country has been so prosperous during the past year as to yield by taxation a large surplus of income to the government. If the revenue laws remain unchanged, this surplus must year by year increase on account of the reduction of public debt and its burden of interest, and because of the great increase of population. In 1860, just prior to the institution of our internal revenue system, our population but slightly exceeded 30,000,000. By the census of 1880, it is found to exceed 50,000,000. It is estimated that even if the annual receipts and expenditures should continue as at present, the entire debt would be paid in ten years. In view, however, of the heavy load of taxation which our people have already borne, we may well consider whether it is not the part of wisdom to reduce the revenues even if we delay a little the payment of the debt.

#### REDUCTION OF TAXES.

It seems to me that the time has arrived when the people may justly demand some relief from their present enormous burden, and that by due economy in the various branches of the public service this may readily be effected. I hereby concur with the Secretary in recommending the abolition of all internal revenue rates except those upon tobacco in its various forms and upon distilled and fermented liquors, and except also the special tax upon manufacturers of and dealers in such articles. The intention of the latter tax was desirable as affording the officers of the government a proper supervision of these articles for the prevention of fraud. I agree with the Secretary of the Treasury that the law imposing a stamp tax on matches and proprietary articles, placing these goods by checks and drafts may with propriety be recalled and the law also which banks and bankers are deposited upon their capital and deposits. There seems to be a general sentiment in favor of this course in the present condition of our revenues. The tax upon deposits is especially unjust, it was never imposed in this country until it was deemed necessary by the necessities of war and it was never exacted I believe when its greatest exigencies were past. Bankers are required to secure their circulation by pledging with the treasurer of the United States the bonds of the general government. The interest upon these bonds, which, at the time when the tax was imposed was six per cent., is now in most instances 3½ per cent., and besides, the entire circulation was originally limited by law, and no increase was allowable. When the existing banks had

practically a monopoly of the business, there was force in the suggestion that for the franchise to the favoring guarantees, the Government might very properly exact a tax on their circulation, but for years the system has been free and the amount of circulation has been large. Circulation is regulated by the public demand. The extension of the tax has been suggested as a means of reimbursing the government for the expense of printing and furnishing circulating notes. If the tax should be repealed it would certainly seem proper to require the national banks to pay the amount of such expense to the comptroller of the currency. It is perhaps doubtful whether the immediate reduction of the scale of taxation on liquors and tobacco is advisable, especially in view of the drain upon the treasury which must attend the payment of arrears of pensions. A comparison, however, of the amounts of taxes collected under the various rates of taxation which have at different times prevailed, suggested the intimation that some reduction may soon be made without material diminution of the revenue. The tariff law also needs revision, but that due regard may be paid to the conflicting interests of our citizens, important changes should be made with caution. If a careful revision cannot be made at this session, a commission such as was lately approved by the Senate and is now recommended by the Secretary of the Treasury, would doubtless lighten the labors of Congress whenever the subject shall be brought to its consideration.

#### WAR DEPARTMENT.

The accompanying report of the secretary of war will make known the operations of the department for the past year. He suggests measures for promoting the efficiency of the army, without adding to the number of its officers, and recommends the legislation necessary to increase the number of enlisted men to 30,000, the maximum allowed by law. This he deems necessary to maintain quietness on our ever-shifting frontier, to preserve peace and suppress disorder, and marauding in new settlement, to protect settlers and their property, against Indians, and Indians against the encroachment of intruders and to enable peaceable emigrants to establish homes in the most remote parts of our country. The army is now necessarily scattered over such a vast extent of territory that whenever an outbreak occurs, reinforcements must be hurried from many quarters over great distances and always at heavy cost for transportation of men, horses, wagons, and supplies. I concur in the recommendation of the secretary for increasing the army to the strength of 30,000 enlisted men. It appears by the secretary's report that in the absence of disturbances on the frontier, the troops have been actively employed in collecting Indians hitherto hostile, and locating them on their proper reservation; that Sitting Bull and his adherents are now prisoners at Fort Randall, that the Utes have been moved to their new reservation in Utah; that during the recent outbreak of the Apaches it was necessary to reinforce the garrisons in Arizona, by troops withdrawn from New Mexico, and that some Apaches are now held prisoners for trial, while some have escaped; and the majority of the tribe are now on their reservation. There is need of legislation to prevent intrusion on the lands set apart for the Indians. A large military force at great expense is now required to patrol the boundary line between Kansas and the Indian territory. The only punishment that can at present be inflicted is the forcible removal of the intruders and the imposition of a pecuniary fine, which in most cases it is impossible to collect. There should be a penalty by imprisonment in such cases.

The separate organization of the signal service is used by the secretary of war, and a full statement of the advantages of such permanent organization is presented in the report of the chief signal officer. A detail of the usual work performed by the signal corps and the weather bureau is also given in that report. I ask attention to the statements of the secretary of war regarding the requisition frequently made by the Indian bureau, on the subsistence department of the army, for the casual support of bands in tribes whose appropriations are exhausted. The war department should not be left by reason of inadequate provis-

ions for the Indian bureau to contribute for the maintenance of the Indians.

#### RIVERS AND HARBORS.

The report of the chief engineer furnishes a detailed account of the operations for the improvement of rivers and harbors. I recommend to your attention the suggestions contained in this report in regard to the condition of our fortifications, especially our coast defenses, and recommend an increase of the strength of the engineer battalion by which the efficiency of our torpedo system would be improved. I also call your attention to the remarks upon the improvement of the south pass of the Mississippi river, the proposed free bridge over the Potomac river, at Georgetown, the importance of completing at an early day the north wing of the department building, and other recommendations of the secretary of war, which appear in his report. The actual expenditures of this department, for the fiscal year ending June 30th, 1881, were \$42,122,201.39. The appropriations for the year 1882 were \$44,889,725.42. The estimates for 1883 are \$44,541,256.91.

#### THE NAVY.

The report of the secretary of the navy exhibits the condition of that branch of the service, and presents valuable suggestions for its improvement. I call your especial attention also to the appended report of the advisory board, which convened to devise suitable measures for increasing the efficiency of the navy and particularly to the report as to the character and number of the vessels necessary to place it upon a footing commensurate with the necessities of government. I cannot too strongly urge upon you my conviction that every consideration of national safety, economy and honor, imperatively demands a thorough rehabilitation of our navy, with a full appreciation of the facts that compliance with the suggestion of the head of the department, and of the advisory board must involve a large expenditure of public money. I earnestly recommend such appropriation as will accomplish it and which seems to be so desirable. Nothing can be more inconsistent with true public economy than the withholding of means necessary to accomplish the objects entrusted by the Constitution to the national legislature. One of these objects, and one which is of paramount importance, is declared by our fundamental law to be provision for "common defense." Surely nothing is more essential to the defense of the United States and of all our people than the efficiency of our navy. We have for many years maintained with foreign governments relations of honorable peace, and that such relations may be permanent is desired by every patriotic citizen of the republic. But if we read the teaching of history, we shall not forget that in the life of every nation emergencies may arise, when a resort to arms can only save it from dishonor. No danger from abroad threatens this people, nor have we any cause to distrust the friendly professions of other governments, but for avoiding as well as repelling dangers that may threaten in future we must be prepared to face any policy which we think wise to adopt. We must be ready to defend our harbors against aggression, to protect by the distribution of our ships of war over the highways of commerce, the various interests of our foreign trade, and the person and property of our citizens abroad, to maintain everywhere the honor of our flag.

#### POSTAL SERVICE.

The report of the postmaster general is a gratifying exhibit of the growth and efficiency of the postal service. The receipts from postal and other ordinary sources during the past fiscal year were \$36,489,816.58. The receipts from the money order business were \$295,581.39, making a total of \$36,785,397.97. The expenditures for the fiscal year were \$39,251,736.46. The deficit supplied out of the general treasury was \$2,481,129.35, or 6 per cent. of amount. The receipts were \$3,464,918.63 in excess of those of the previous year, and \$4,575,397.97 in excess of the estimate made two years ago, before the present period of business prosperity had fairly begun. The whole number of letters mailed in this country in the last fiscal year exceeded 1,000,000,000. The registry system is reported to be in excellent condition, having been remodeled during the past four years with good results. The

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