

certain citizens of the United States will be in this manner determined.

The long pending claims of the two citizens of the United States Pelletier and Lazare have been disposed of by arbitration, and an award in favor of each claimant has been made which by the terms of the engagement is final. It remains for Congress to provide for the payment of the stipulated moiety of the expenses.

A question arose with Hayti during the past year, by reason of the exceptional treatment of an American citizen, Mr. Van Bokkelen, a resident of Port au Prince, who, on suit by creditors residing in the United States, was sentenced to imprisonment, and under the operation of the Haytian statute was denied the relief secured to a native Haytian. This government asserted his treaty right to equal the treatment with the natives of Hayti in all suits at law. Our contention was denied by the Haytian government, which, however, while still professing to maintain the ground taken against Mr. Van Bokkelen's right, terminated the controversy by setting him at liberty without explanation.

An international conference to consider the means of arresting the spread of cholera and other epidemic diseases was held at Rome in May last, and adjourned to meet again on further notice. An expert delegate on behalf of the United States has attended and will submit his report.

OUR RELATIONS WITH MEXICO

continue to be most cordial as befits those of neighbors from whom the strongest ties of friendship and commercial intimacy exist as the natural and growing consequences of our similarity of institutions and geographical proximity. The relocation of the boundary line between the United States and Mexico, eastward of the Rio Grande, under the Convention of July 29, 1882, has been unavoidably delayed, but I apprehend no difficulty in securing a prolongation of the period for its accomplishment. The lately concluded commercial treaty with Mexico still awaits the stipulated legislation to carry its provisions into effect, for which one year's additional time has been secured by a supplementary article signed in February last and since ratified on both sides. As this convention, so important to the commercial welfare of the two adjoining countries has been constitutionally confirmed by the treaty making branch, I express the hope that legislation to make it effective may not be long delayed. The large influx of capital and enterprise to Mexico from the United States continues to aid in the development of the resources and in augmenting the material well-being of our sister Republic. Lines of railway, penetrating to the heart and capital of the country, bringing the two peoples into mutually beneficial intercourse, and enlarged facilities of transit, add to profitable commerce, create new markets, and furnish avenues to otherwise isolated communities.

I have already adverted to the suggested construction of a ship railway across the narrow formation of the territory of Mexico at Tehuantepec. With the gradual recovery of Peru from the effects of the late disastrous conflict with Chili, and with the restoration of civil authority in that distracted country, it is hoped that the pending war claims of our citizens will be adjusted. In conformity with the notification given by the Government of Peru, the existing treaties of commerce and extradition between the United States and that country will terminate March 31st, 1886.

Our good relationship with

RUSSIA

continues. An officer of the navy detailed for the purpose, is now on his way to Siberia bearing the testimonials voted by Congress to those who generously succored the survivors of the unfortunate *Jeannette* expedition.

It is gratifying to advert to the cordiality of our intercourse with

SPAIN.

The long pending claim of the owners of the ship *Masonic* for loss suffered through the admitted dereliction of the Spanish authorities in the Philippine Islands, has been adjusted by arbitration and an indemnity awarded. The principle of arbitration in such cases, to which the United States have long and consistently adhered, thus receives a fresh and gratifying confirmation. Other questions with Spain have been disposed of or are under diplomatic consideration with a view to just and honorable settlement. The operation of the commercial agreement with Spain of January 2nd and February 13th, 1884, has been found inadequate to the commercial needs of the United States and the Spanish Antilles, and the terms of the agreement are subjected to conflicting interpretations in those islands. Negotiations have been instituted at Madrid for a full treaty not open to objections, and in the line of the general policy touching the neighborly intercourse of proximate communities, to which I elsewhere advert, aiming moreover at the removal of existing burdens and annoying restrictions, and although a satisfactory termination is promised, I am compelled to delay its announcement.

An international copyright conference was held at Berne, in September, on invitation of the

SWISS GOVERNMENT.

The envoy of the United States attended as a delegate, but refrained from committing the government to the results, even by signing the recom-

mandatory protocol adopted. The interesting and important subject of

INTERNATIONAL COPYRIGHT

has been before you for several years. Action is certainly desirable to effect the object in view, and while there may be a question as to the relative advantage of treating it by legislation or by specific treaty, the matured views of the Berne conference cannot fail to aid your consideration of the subject.

The termination of the commercial treaty of 1862 between the United States and

TURKEY

has been sought by that government. While there is a question as to the sufficiency of the notice of termination given, yet as the commercial rights of our citizens come under the favored national guarantees of the prior treaty of 1830, and as equal treatment is admitted by the Porte, no inconvenience can result from the assent of this government to the revision of the Ottoman tariffs on which the treaty powers have been invited to join. Questions concerning our citizens in Turkey may be affected by the Porte's non-acquiescence in the right of expatriation and by the imposition of religious tests as a condition of evidence in which this government cannot concur. The United States must hold, in their intercourse with every power, that the status of their citizens is to be respected and full civil privileges allowed to them without regard to creed and affected by no consideration save those growing out of domiciliary return to the land of original allegiance, or of unfulfilled personal obligations which may survive such voluntary return.

VENEZUELA.

The negotiations with Venezuela relating to the re-hearing of the awards of the mixed commission constituted under the treaty of 1866 was resumed, in view of the recent acquiescence of the Venezuelans in the principal point advanced by this government, that the effects of the old treaty could only be set aside by the operation of a new convention as a result in substantial accord with the advisory suggestions contained in the joint resolution of March 3, 1883, has been agreed upon and will shortly be submitted to the Senate for ratification.

TRUST FUNDS.

Under Section 3659 of the Revised Statutes, all funds held in trust by the United States, and the annual interest accruing thereon, when not otherwise required by treaty, are to be invested in stocks of the United States, bearing a rate of interest not less than 5 per centum per annum. There being now no procurable stocks paying so high a rate of interest, the letter of the statute is at present inapplicable but its spirit is subserved by continuing to make investments of this nature in current stocks bearing the highest interest now paid.

The statute, however, makes no provision for the disposal of such accretions, it being contrary to the general rule of this government to allow interest on claims. I recommend the repeal of the provision in question and the disposition under a uniform rule of the present accumulations from the investment of trust funds.

CITIZENSHIP AND NATURALIZATION.

The inadequacy of existing legislation touching citizenship and naturalization, demands your consideration. While recognizing the right of expatriation, no statutory provisions exist providing means for renouncing citizenship by an American citizen, native born or naturalized, nor for terminating and vacating improved acquisition of citizenship. Even a fraudulent decree of naturalization cannot now be cancelled.

The privilege and franchise of American citizenship should be granted with care, and extended to those only who intend in good faith to assume its duty and responsibility when attaining its privilege. It should be withheld from those who, merely through the forms of naturalization, with the object of escaping duties of their original allegiance, without taking upon themselves those of their new status, or who may acquire the rights of American citizenship for no other than a hostile purpose towards their original government. These evils have had many flagrant illustrations.

I regard with favor the suggestion of one of my predecessors that provision may be made for a central bureau of record of the decrees of naturalization granted by the various courts throughout the United States, now invested with that power. The rights which spring from domicile in the United States, especially when coupled with a declaration of intention to become a citizen, are worthy of definition by statute. The stranger coming hither with intent to remain; establishing his residence in our midst; contributing to the general welfare, and by his voluntary act declaring his purpose to assume the responsibility of citizenship, thereby gains an inchoate status which legislation may properly define.

The laws of certain States and Territories admit a domiciled alien to the local franchise, conferring on him the rights of citizenship to a degree which places him in the anomalous position of being a citizen of a State and yet not of the United States, within the purview of Federal and international laws. It is important within the scope of national legislation to define this right of alien domicile as distinguished from Federal naturalization.

COMMERCIAL TREATIES.

The commercial relations of the

United States with their immediate neighbors and with important areas of traffic near our shores, suggest especially liberal intercourse between them and the United States.

Following the treaty of 1883, with Mexico, which resulted on the basis of reciprocal exemption from customs duties, other similar treaties were invited by my predecessors.

Recognizing the need of less obstructed traffic with Cuba and Porto Rico, and met by the desire of Spain to succor her languishing interests in the Antilles, steps were taken to attain those ends by a treaty of commerce. A similar treaty was afterward signed by the Dominican Republic. Subsequently overtures were made by Her Britannic Majesty's government for a like mutual extension of commercial intercourse with the British West Indian and South American dependencies, but without result. On taking office I withdrew for re-exaction the treaties signed with Spain and San Domingo, then pending before the Senate. The result has been to satisfy me of the inexpediency of entering into engagements of this character not covering the entire traffic.

These treaties contemplated the surrender by the United States of large revenues for inadequate considerations. Upon sugar alone duties were surrendered to an amount far exceeding all the advantages offered in exchange. Even were it intended to relieve our consumers, it was evident that so long as the exemption but partially covered our importation, such relief would be illusory. To relinquish a revenue so essential seemed highly improvident at a time when new and large drains upon the treasury were contemplated. Moreover, embarrassing questions would have arisen under the favored-nation clauses of treaties with other nations.

As a further objection to this, it is evident that tariff regulation by treaty diminishes that independent control over its own revenues, which is essential for the safety and welfare of any government. Emergency, calling for an increase of taxation, may at any time arise, and no engagement with a foreign power should exist to hamper the action of the government.

TONNAGE DUES.

By the 14th section of the shipping act, approved June 26th, 1884, certain reductions and contingent exemptions from tonnage dues were made on vessels entering ports of the United States from any foreign port in North and Central America, the West India Islands, the Bahamas and Bermudas, Mexico and the Isthmus as far as Aspinwall and Panama, the governments of Belgium, Denmark, Germany, Portugal and Sweden and Norway have asserted, under the favored-nation clause in their treaties with the United States, a claim to like treatment in respect to vessels coming to the United States from their home ports. This government, however, holds that the privileges granted by the acts are purely geographical, incurring to any vessel of any foreign power that may choose to engage in traffic between this country and any port within the defined zone, and no warrant exists under the most favored nation clause, for the extension of the privileges in question to vessels sailing to this country from ports outside of the limitation of the act.

Undoubtedly the relations of commerce with our neighbors whose territories form so long a frontier line, difficult to be guarded, and who find in our country, and equally offer to us, natural markets, demand special and considerate treatment.

It rests with Congress to consider what legislative action may increase facilities of intercourse which contingently make natural and desirable.

DIPLOMATIC AND CONSULAR SERVICE. I earnestly urge that Congress recast the appropriations for the maintenance of the diplomatic and consular service on a footing commensurate with the importance of our national interests. At every post where a representative is necessary the salary should be graded so as to permit him to live with comfort. With the arrangement of adequate salaries, the so-called notarial extra-official fees, which our officers abroad are now permitted to treat as personal perquisites, should be done away with.

Every act requiring the certification and seal of the office should be taxable at schedule rates and the fee therefor returned to the treasury. By restoring these revenues to the public use the consular service would be self-supporting even with a liberal increase of the present low salaries.

In further prevention of abuses a system of consular inspection should be instituted. The appointment of a limited number of secretaries of legations at large, to be assigned to duty wherever necessary, and in particular for temporary service at missions which for any cause may be without a head, should also be authorized. I favor also authorization for the details of officers of the regular service as military or naval attaches at legations. Some foreign governments do not recognize the union of consular with diplomatic functions. Italy and Venezuela will only receive the appointee in one of his two capacities, but this does not prevent the requirement of a bond and submission to the responsibilities of an officer whose duties he cannot discharge. The superadded title of Consul General should be abandoned at all missions.

I deem it expedient that a well devised measure for the reorganization of the extra territorial to replace the

present system which labors under the disadvantage of combining judicial and executive functions in the same office. In several oriental countries generous offers have been made of promises for housing the legation of the United States. A grant of land for that purpose was made some years since by Japan, and has been referred to in the annual messages of my predecessors. The Siamese government has made a gift to the United States of commodious quarters in Bangkok.

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

THE WORLD'S INDUSTRIAL EXPOSITION

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

Past congresses have had under consideration the advisability of abolishing the discrimination made by the

TARIFF LAWS

in favor of the works of American artists. The odium of the policy which subjects to a high rate of duty the paintings of foreign artists and exempts the production of American artists residing abroad and who receive gratuitously advantages and instruction, is visited upon our citizens engaged in art culture in Europe, and have caused them, with practical unanimity, to favor the abolition of such an ungracious distinction, and in their interest, and for other obvious reasons, I strongly recommend it.

PUBLIC FINANCES.

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

The ordinary receipts from all sources for the fiscal year ended June 30, 1885, were \$322,690,706.38; of this sum, \$181,471,939.34 was received from customs, and \$141,218,767.04 from internal revenue. The total receipts, as given above, were \$24,829,163.54 less those for the year ending June 30, 1884. This diminution embraces a falling off of \$13,595,550.42 in the receipts from customs, and \$9,687,347.97 in the receipts from internal revenues.

The total ordinary expenditures of the Government for the fiscal year were \$260,226,935.50, leaving a surplus in the treasury at the close of the year of \$63,463,771.27. This is \$40,929,854.32 less than the surplus reported. The expenditures are classified as follows: For civil expenses, \$23,826,942.11; for foreign intercourse, \$3,439,609.11; for Indians, \$6,562,494.63; for pensions, \$55,102,267.49; for the military, including rents and harbor improvement and arsenals, \$42,670,578.47; for the navy, including vessels, machinery and improvements of navy yards, \$16,021,079.69; for interest of the public debt, \$51,386,256.41; for the District of Columbia, \$3,490,650.95; for miscellaneous expenditures, including public revenue, \$54,728,054.21.

The amount paid on the public debt during the fiscal year ended June 30, 1885, was \$45,993,235.43, and there has been paid since that date and up to November 1st, 1885, the sum of \$369,823, leaving the amount of the debt, at the last named date, \$1,514,475,860.47. There was, however, at that time, in the treasury, applicable to the general purposes of the government, the sum of \$66,818,292.38.

The total receipts for the current fiscal year ending June 30, 1886, ascertained to Oct. 1, 1885, and estimated for the remainder of the year, are \$315,000,000. The expenditures ascertained and estimated for the same time are \$245,000,000, leaving a surplus at the close of the year, estimated at \$70,000,000.

OUR EXPORTATIONS.

The value of exports from the United States to foreign countries during the last fiscal year were as follows: Domestic merchandise, \$726,682,946; foreign merchandise, \$15,506,809; gold, \$3,479,892; silver, \$33,753,633; total, \$784,421,280.

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

Articles.	Value.	Per Ct.
Cotton and Cotton manufactures,	\$ 213,799,009	29.42
Manufactures, Bread-stuffs,	160,370,820	22.07
Provisions,	107,332,456	14.77
Oils, Mineral, Vegetable and animal,	54,326,202	7.48
Tobacco and its manufactures,	24,787,305	3.41
Wood and its manufactures,	21,464,322	2.95

OUR IMPORTS

during the year are as follows: Merchandise \$579,580,053.80; gold \$27,691,896; silver \$16,550,627; total \$622,822,576.80.

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

Articles.	Value.	Per Ct.
Sugar and Molasses,	\$76,738,713	13.29
Coffee,	46,723,318	8.09
Wool and its manufactures,	44,656,482	7.73
Silk and its manufactures,	40,393,002	6.99
Chemicals, dyes and medicines,	35,070,816	6.07
Iron and steel manufactures,	34,563,689	5.09
Flax, hemp, jute and their manufactures,	32,854,874	5.69
Cotton and its manufactures,	28,152,001	4.88
Hides and skins other than fur skins,	20,586,443	3.56

Of the entire amount of duties collected, 70 per cent. was collected from the following articles of import: Sugar and molasses, 29; wool and its manufactures, 15; silk and its manufactures, 8; iron and steel and their manufactures, 7; cotton manufactures, 6; flax, hemp and jute and their manufactures, 5.

The fact that our revenues are in excess of the actual needs of an economical administration of the government justifies a reduction in the amount exacted from the people for its support; our government is but the means established by the will of a free people by which certain principles are applied which they have adopted for their benefit and protection; and it is never better administered, and its true spirit is never better observed, than when the people's taxation for its support is scrupulously limited to the actual necessity of expenditure, and distributed according to a just and equitable plan.

The proposition with which we have to deal is the

REDUCTION OF THE REVENUE

received by the government, and indirectly paid by the people from customs duties. The question of free trade is not involved, nor is there now any occasion for the general discussion of the wisdom or expediency of a protective system. Justice and fairness dictates that in any modification of our present laws relating to revenue, the industries and interests which have been encouraged by such laws, and in which our citizens have large investments, should not be ruthlessly injured or destroyed. We should also deal with the subject in such a manner as to protect the interests of American labor, which is the capital of our working men. Its stability and proper remuneration furnish the most justifiable pretexts for a protective policy. Within these limitations, a certain reduction having been determined, the inquiry follows—where can it best be remitted and what articles can best be released from duty in the interest of our citizens?

I think the reduction should be made in the revenue derived from a tax upon the imported necessities of life. We thus directly lessen the cost of living in every family in the land and release to the public in every humble home a larger measure of the rewards of industry.

During the year ending Nov. 1, 1885, one hundred and forty-five

NATIONAL BANKS

were organized, with an aggregate capital of \$16,938,000, and circulating notes have been issued to them amounting to \$4,274,910. The whole number of these banks in existence on the day above mentioned was 2,727.

The very limited amount of circulating notes issued by our national banks, compared with the amount the law permits them to issue upon a deposit of bonds for their redemption, indicates that the volume of our circulating medium may be largely increased through this instrumentality. Nothing more important than the present condition of our

CURRENCY AND COINAGE

can claim your attention. Since February, 1878, the Government has, under the compulsory provisions of law purchased silver bullion and coined the same at the rate of more than \$2,000,000 every month. By this process, up to the present date 215,759,431 silver dollars have been coined.

A reasonable appropriation of a delegation of power to the general Government would limit its exercise without express restrictive words to the people's needs and the requirements of the public welfare. Upon this theory the authority to coin money as given, Congress by the Constitution, it permits the purchase by the Government of the bullion for coinage in any event, does not justify such purchase and coinage to an extent beyond the amount needed for a sufficient circulating medium. The desire to utilize the silver product of the country should not lead to a misuse or the perversion of this power.

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