

the President deem it proper to make such an appointment.

In compliance with these enactments I have appointed a commissioner, who has proceeded to Paraguay, with full powers and instructions to settle these differences in an amicable and peaceful manner, if this be practicable. His experience and discretion justify the hope that he may prove successful in convincing the Paraguayan government that it is due both to honor and justice that they should voluntarily and promptly make atonement for the wrongs which they have committed against the United States and indemnify our injured citizens whom they have forcibly despoiled of their property.

Should our commissioner prove unsuccessful after a sincere and earnest effort to accomplish the object of his mission, then no alternative will remain but the employment of force to obtain "just satisfaction" from Paraguay. In view of this contingency, the Secretary of the Navy, under my direction, has fitted out and dispatched a naval force to rendezvous near Buenos Ayres, which, it is believed, will prove sufficient for the occasion. It is my earnest desire, however, that it may not be found necessary to resort to this last alternative.

THE LATE REVULSION.

When Congress met in December last, the business of the country had just been crushed by one of those periodical revulsions which are the inevitable consequence of our unsound and extravagant system of bank credits and inflated currency. With all the elements of national wealth in abundance, our manufactures were suspended, our useful public and private enterprises were arrested and thousands of laborers were deprived of employment and reduced to want. Universal distress prevailed among the commercial, manufacturing and mechanical classes.

This revulsion was felt the more severely in the United States, because similar causes had produced the like deplorable effects throughout the commercial nations of Europe. All were experiencing sad reverses at the same moment. Our manufacturers everywhere suffered severely, not because of the recent reduction in the tariff of duties on imports, but because there was no demand at any price for their productions. The people were obliged to restrict themselves in their purchases to articles of prime necessity. In the general prostration of business the iron manufacturers in different States probably suffered more than any other class, and much destitution was the inevitable consequence among the great number of workmen who had been employed in this useful branch of industry. There could be no supply where there was no demand.

To present an example, there could be no demand for railroad iron, after our magnificent system of railroads, extending its benefits to every portion of the Union, had been brought to a dead pause. The same consequences have resulted from similar causes to many other branches of useful manufactures. It is self-evident that where there is no ability to purchase manufactured articles, these cannot be sold and consequently must cease to be produced.

No government, and especially a government of such limited powers as that of the United States, could have prevented the late revulsion. The whole commercial world seemed for years to have been rushing to this catastrophe. The same ruinous consequences would have followed in the United States, whether the duties upon foreign imports had remained as they were under the tariff of 1846 or had been raised to a much higher standard. The tariff of 1857 had no agency in the result. The general causes existing throughout the world could not have been controlled by the legislation of any particular country.

A BANKRUPT LAW RECOMMENDED.

The periodical revulsions which have existed in our past history must continue to return at intervals, so long as our present unbounded system of bank credits shall prevail. They will, however, probably, be the less severe in future, because it is not to be expected, at least for many years to come, that the commercial nations of Europe, with whose interests our own are so materially involved, will expose themselves to similar calamities. But this subject was treated so much at large in my last annual message that I shall not now pursue it further. Still I respectfully renew the recommendation in favor of the passage of a uniform bankrupt law, applicable to banking institutions. This is all the direct power over the subject which, I believe, the federal government possesses. Such a law would mitigate, though it might not prevent the evil. The instinct of self-preservation might produce a wholesome restraint upon their banking business if they knew in advance that a suspension of specie payments would inevitably produce their civil death.

But the effects of the revulsion are now slowly but surely passing away. The energy and enterprise of our citizens, with our unbounded resources, will, within the period of another year, restore a state of wholesome industry and trade. Capital has again accumulated in our large cities. The rate of interest is there very low. Confidence is gradually reviving and, so soon as it is discovered that this capital can be profitably employed in commercial and manufacturing enterprises and in the construction of railroads and other works of public and private improvement, prosperity will again smile throughout the land. It is vain, however, to disguise the fact from ourselves that a speculative inflation of our currency, without a corresponding inflation in other countries whose manufactures come into competition with our own, must ever produce disastrous results to our domestic manufactures. No tariff short of absolute prohibition can prevent these evil consequences.

In connection with this subject it is proper to refer to our financial condition. The same causes which have produced pecuniary distress throughout the country have so reduced the amount of

imports from foreign countries that the revenue has proved inadequate to meet the necessary expenses of the government. To supply the deficiency, Congress, by the act of December 23, 1857, authorized the issue of \$20,000,000 of Treasury notes; and this proving inadequate, they authorized, by the act of June 14, 1858, a loan of \$20,000,000 "to be applied to the payment of appropriations made by law."

A REVENUE TARIFF RECOMMENDED.

No statesman would advise that we should go on increasing the national debt to meet the ordinary expenses of the government. This would be a most ruinous policy. In case of war our credit must be our chief resource, at least for the first year, and this would be greatly impaired by having contracted a large debt in time of peace. It is our true policy to increase our revenue so as to equal our expenditures. It would be ruinous to continue to borrow. Besides, it may be proper to observe, that the incidental protection thus afforded by a revenue tariff would at the present moment to some extent increase the confidence of the manufacturing interests and give a fresh impulse to our reviving business. To this surely no person will object.

In regard to the mode of assessing and collecting duties under a strictly revenue tariff I have long entertained and often expressed the opinion that sound policy requires this should be done by specific duties, in cases to which these can be properly applied. They are well adapted to commodities which are usually sold by weight or by measure and which, from their nature, are of equal or of nearly equal value. Such, for example, are the articles of iron of different classes, raw sugar and foreign wines and spirits.

SPECIFIC DUTIES.

In my deliberate judgment, specific duties are the best, if not the only means, of securing the revenue against false and fraudulent invoices, and such has been the practice adopted for this purpose by other commercial nations. Besides, specific duties would afford to the American manufacturer the incidental advantages to which he is fairly entitled under a revenue tariff. The present system is a sliding scale to his disadvantage. Under it, when prices are high and business prosperous, the duties rise in amount when he least requires their aid. On the contrary, when prices fall and he is struggling against adversity, the duties are diminished in the same proportion, greatly to his injury.

Neither would there be danger that a higher rate of duty than that intended by Congress could be levied in the form of specific duties. It would be easy to ascertain the average value of any imported article for a series of years; and, instead of subjecting it to an *ad valorem* duty at a certain rate per centum, to substitute in its place an equivalent specific duty.

By such an arrangement the consumer would not be injured. It is true, he might have to pay a little more duty on a given article in one year; but if so, he would pay a little less in another and, in a series of years, these would counter-balance each other and amount to the same thing so far as his interest is concerned. This inconvenience would be trifling when contrasted with the additional security thus afforded against frauds upon the revenue, in which every consumer is directly interested.

I have thrown out these suggestions as the fruit of my own observation, to which Congress, in their better judgment, will give such weight as they may justly deserve.

RECEIPTS AND EXPENSES.

The report of the Secretary of the Treasury will explain in detail the operations of that department of the government. The receipts into the treasury from all sources during the fiscal year ending June 30, 1858, including the treasury notes authorized by the act of December 23, 1857, were seventy million two hundred and seventy-three thousand eight hundred and sixty-nine dollars and fifty-nine cents (\$70,273,869 59), which amount, with the balance of seventeen million seven hundred and ten thousand one hundred and fourteen dollars and twenty-seven cents (\$17,710,114 27) remaining in the treasury at the commencement of the year, made an aggregate for the service of the year of eighty-seven million nine hundred and eighty-three thousand nine hundred and eighty-three dollars and eighty-six cents (\$87,983,983 86).

The public expenditures during the fiscal year ending June 30, 1858, amounted to eighty-one million five hundred and eighty-five thousand six hundred and sixty-seven dollars and seventy-six cents (\$81,585,667 76), of which nine million six hundred and eighty-four thousand five hundred and thirty-seven dollars and ninety-nine cents (\$9,684,537 99) were applied to the payment of the public debt and the redemption of treasury notes with the interest thereon, leaving in the treasury on July 1, 1858, being the commencement of the present fiscal year, six million three hundred and ninety-eight thousand three hundred and sixteen dollars and ten cents (\$6,398,316 10).

The receipts into the treasury during the first quarter of the present fiscal year, commencing the 1st of July, 1858, including one-half of the loan of twenty million dollars, with the premium upon it, authorized by the act of June 14, 1858, were twenty-five million two hundred and thirty thousand eight hundred and seventy-nine dollars and forty-six cents (\$25,230,879 46), and the estimated receipts for the remaining three quarters to the 30th of June, 1859, from ordinary sources, are thirty-eight million five hundred thousand dollars (\$38,500,000), making with the balance before stated an aggregate of seventy million one hundred and twenty-nine thousand one hundred and ninety-five dollars and fifty-six cents (\$70,129,195 56).

The expenditures, during the first quarter of the present fiscal year, were twenty-one million, seven hundred and eight thousand, one hundred and ninety-eight dollars and fifty-one

cents, (\$21,708,198 51) of which one million and ten thousand one hundred and forty-two dollars and thirty-seven cents (\$1,010,142 37) were applied to the payment of the public debt and the redemption of treasury notes and the interest thereon.

The estimated expenditures, during the remaining three quarters to June 30, 1859, are fifty-two millions three hundred and fifty-seven thousand six hundred and ninety-eight dollars and forty-eight cents (\$52,357,698 48), making an aggregate of seventy-four million sixty-five thousand eight hundred and ninety-six dollars and ninety-nine cents (\$74,065,896 99), being an excess of expenditure beyond the estimated receipts into the Treasury from ordinary sources during the fiscal year to the 30th of June, 1859, of three million nine hundred and thirty-six thousand seven hundred and one dollar and forty-three cents (\$3,936,701 43). Extraordinary means are placed by law within the command of the Secretary of the Treasury, by the re-issue of Treasury notes redeemed and by negotiating the balance of the loan authorized by the act of June 14, 1858, to the extent of eleven millions of dollars, which, if realized during the present fiscal year, will leave a balance in the treasury, on the first day of July, 1859, of seven million sixty-three thousand two hundred and ninety-eight dollars and fifty-seven cents (\$7,063,298 57).

The estimated receipts during the next fiscal year ending June 30, 1860, are sixty-two millions of dollars (\$62,000,000), which, with the above estimated balance of seven million sixty-three thousand two hundred and ninety-eight dollars and fifty-seven cents (\$7,063,298 57), make an aggregate for the service of the next fiscal year of sixty-nine million sixty-three thousand two hundred and ninety-eight dollars and fifty-seven cents (\$69,063,298 57). The estimated expenditures during the next fiscal year ending June 30, 1860, are seventy-three million one hundred and thirty-nine thousand one hundred and forty-seven dollars and forty-six cents (\$73,139,147 46), which leave a deficit of estimated means compared with the estimated expenditures for that year, commencing on July 1, 1859, of four million seventy-five thousand eight hundred and forty-eight dollars and eighty-nine cents (\$4,075,848 89).

In addition to this sum, the Postmaster General will require from the treasury, for the service of the Post Office Department, three million eight hundred and thirty-eight thousand seven hundred and twenty-eight dollars (\$3,838,728), as explained in the report of the Secretary of the Treasury, which will increase the estimated deficit on June 30, 1860, to seven million nine hundred and fourteen thousand five hundred and seventy-six dollars and eighty-nine cents (\$7,914,576 89). To provide for the payment of this estimated deficiency, which will be increased by such appropriations as may be made by Congress, not estimated for in the report of the Treasury Department, as well as to provide for the gradual redemption, from year to year, of the outstanding treasury notes, the Secretary of the Treasury recommends such a revision of the present tariff as will raise the required amount. After what I have already said, I need scarcely add that I concur in the opinion expressed in the report—that the public debt should not be increased by an additional loan—and would therefore strongly urge upon Congress the duty of making, at their present session, the necessary provision for meeting these liabilities.

AMOUNT OF THE PUBLIC DEBT.

The public debt on July 1, 1858, the commencement of the present fiscal year, was \$25,155,977 66.

During the first quarter of the present year the sum of \$10,000,000 has been negotiated of the loan authorized by the act of June 14, 1858—making the present outstanding public debt, exclusive of treasury notes, \$35,155,977 66. There was on the 1st of July, 1858, of treasury notes issued by authority of the act of December 23, 1857, unredeemed, the sum of \$19,754,800—making the amount of actual indebtedness, at that date, \$54,910,777 66. To this will be added \$10,000,000 during the present fiscal year—this being the remaining half of the loan of \$20,000,000 not yet negotiated.

The rapid increase of the public debt and the necessity which exists for a modification of the tariff, to meet even the ordinary expenses of the government, ought to admonish us all, in our respective spheres of duty, to the practice of rigid economy. The objects of expenditure should be limited in number, as far as this may be practicable, and the appropriations necessary to carry them into effect ought to be disbursed under the strictest accountability. Enlightened economy does not consist in the refusal to appropriate money for constitutional purposes essential to the defence, progress and prosperity of the republic, but in taking care that none of this money shall be wasted by mismanagement in its application to the objects designated by law.

Comparisons between the annual expenditure at the present time and what it was ten or twenty years ago are altogether fallacious. The rapid increase of our country in extent and population renders a corresponding increase of expenditure, to some extent, unavoidable. This is constantly creating new objects of expenditure and augmenting the amount required for the old. The true questions, then, are, have these objects been unnecessarily multiplied?—or has the amount expended upon any or all of them been larger than comports with due economy? In accordance with these principles, the heads of the different Executive departments of the government have been instructed to reduce their estimates for the next fiscal year to the lowest standard consistent with the efficiency of the service, and this duty they have performed in a spirit of just economy. The estimates of the Treasury, War, Navy and Interior Departments have each been in some de-

gree reduced; and unless a sudden and unforeseen emergency should arise, it is not anticipated that a deficiency will exist in either within the present or the next fiscal year. The Post Office Department is placed in a peculiar position, different from the other departments, and to this I shall hereafter refer.

I invite Congress to institute a rigid scrutiny to ascertain whether the expenses in all the departments cannot be still further reduced, and I promise them all the aid in my power in pursuing the investigation.

I transmit herewith the reports made to me by the Secretaries of War, of the Navy, of the Interior, and of the Postmaster General. They each contain valuable information and important recommendations, to which I invite the attention of Congress.

INCREASE OF THE NAVY.

In my last annual message I took occasion to recommend the immediate construction of ten small steamers, of light draught, for the purpose of increasing the efficiency of the navy. Congress responded to the recommendation by authorizing the construction of eight of them. The progress which has been made in executing this authority is stated in the report of the Secretary of the Navy. I concur with him in the opinion, that a greater number of this class of vessels is necessary for the purpose of protecting, in a more efficient manner, the persons and property of American citizens on the high seas and in foreign countries, as well as in guarding more effectually our own coasts. I accordingly recommend the passage of an act for this purpose.

The suggestions contained in the report of the Secretary of the Interior, especially those in regard to the disposition of the public domain, the pension and bounty land system, the policy toward the Indians, and the amendment of our patent laws, are worthy of the serious consideration of Congress.

DEFICIT IN THE POST OFFICE DEPARTMENT.

The Post Office Department occupies a position very different from that of the other departments. For many years it was the policy of the government to render this a self-sustaining department; and if this cannot now be accomplished, in the present condition of the country, we ought to make as near an approach to it as may be practicable.

The Postmaster General is placed in a most embarrassing position by the existing laws. He is obliged to carry these into effect. He has no other alternative. He finds, however, that this cannot be done without heavy demands upon the treasury over and above what is received for postage; and these have been progressively increasing from year to year until they amounted for the last fiscal year ending on the 30th of June, 1858, to more than four millions and a half of dollars; whilst it is estimated that for the present fiscal year they will amount to \$6,290,000. These sums are exclusive of the annual appropriation of \$700,000 for "compensation for the mail service performed for the two houses of Congress and the other departments and officers of the government in the transmission of free matter."

The cause of these large deficits is mainly attributable to the increased expense of transporting the mails. In 1852 the sum paid for this service was but a fraction above four millions and a quarter. Since that year it has annually increased until in 1858 it has reached more than eight millions and a quarter; and for the service of 1859 it is estimated that it will amount to more than ten millions of dollars.

The receipts of the Post Office Department can be made to approach or to equal its expenditure only by means of the legislation of Congress. In applying any remedy, care should be taken that the people shall not be deprived of the advantages which they are fairly entitled to enjoy from the Post Office Department. The principal remedies recommended to the consideration of Congress by the Postmaster General are to restore the former rate of postage upon single letters to five cents; to substitute for the franking privilege the delivery to those now entitled to enjoy it, of post office stamps for their correspondence and to direct the department, in making contracts for the transportation of the mail, to confine itself to the payment of the sum necessary for this single purpose, without requiring it to be transported in post coaches or carriages of any particular description. Under the present system, the expense to the government is greatly increased by requiring that the mail shall be carried in such vehicles as will accommodate passengers. This will be done, without pay from the department, over all roads where the travel will remunerate the contractors.

These recommendations deserve the grave consideration of Congress.

A PACIFIC RAILROAD RECOMMENDED.

I would again call your attention to the construction of a Pacific railroad. Time and reflection have but served to confirm me in the truth and justice of the observations which I made on this subject in my last annual message, to which I beg leave respectfully to refer.

It is freely admitted that it would be inexpedient for this government to exercise the power of constructing the Pacific railroad by its own immediate agents. Such a policy would increase the patronage of the Executive to a dangerous extent and introduce a system of jobbing and corruption which no vigilance on the part of federal officials could either prevent or detect. This can only be done by the keen eye and active and careful supervision of individual and private interest. The construction of this road ought, therefore, to be committed to companies incorporated by the States, or other agencies whose pecuniary interests would be directly involved. Congress might then assist them in the work by grants of land or of money, or both,