

\$265,408,137.54; leaving a surplus revenue of \$132,879,444.41, which, with an amount drawn from the cash balance in the treasury of \$1,599,312.55 making \$134,478,756.96 was applied to the redemption of bonds; for sinking fund, \$44,850,700; of fractional currency for sinking fund, \$48,556.98; of funded loan of 1881, continued at three and one half per cent., \$65,380,230; of loan July and August, 1881, continued at three and one half per cent., \$20,594,600; of funded loan of 1867, \$1,418,850; of funded loan of 1881, \$719,150; of loan of July and August, 1881, \$266,600; of loan of March, 1863, \$118,850; of loan of July, 1882, \$47,650; of five-twentieths of 1862, \$10,300; of 1864 \$70,50; of five-twentieths of 1865, \$9,800; of ten-forties of 1865, \$133,55; of consols of 1865, \$40,800; of consols of 1867, \$235,700; of consols of 1868, \$154,650; of Oregon war debt, \$5,450; of refunding certificates, \$109,150; of old demand, compound interest and other notes, \$13,300; total, \$134,478,756.96.

The revenue for the present fiscal year, actual and estimated, is as follows:

	Source of actual revenue for quarter ending Sept. 30, 1883.	Estimated for three quarters of a year.
From Customs.....	\$ 57,402,975 67	\$137,597,024 31
Internal revenue.....	236,820,786 40	90,387,721 40
From sales of public lands.....	2,932,635 27	506,736,483 00
From tax on circulation and deposit in national banks.....	155,780,088	194,219,912 00
From repayment of interest and sinking fund of Pacific R. R.....	52,105,951 00	147,894,047 00
From customs, fees, dues, etc.....	29,869,678 00	90,130,322 00
From fees, consular dues, letters patent and lands.....	86,320,980 00	243,679,028 60
From proceeds of sales of government property.....	112,563 23	167,437 77
From profits on coinage, etc.....	950,229 46	3,149,780 54
From deposits for surveying lands.....	17,246,131 00	32,753,869 00
From revenue of District of Columbia.....	25,601,799 00	124,397,201 00
From miscellaneous.....	123,718,963 00	238,281,137 00
Total Receipts.....	\$95,966,917 03	\$247,023,082 97

The actual and estimated expenses for the same period are:

	Actual, Sept. 30, 1883.	For remaining three months of year, Estimated.
For civil and miscellaneous including public buildings, light-houses and collecting the revenue.....	\$ 15,385,799 42	\$51,114,200 58
For Indians, For pensions For Military establishments, including fortifications, river and harbor improvements and arsenals.....	263,390 54 16,285,261 98	4,126,609 46 93,714,738 02
For Naval establishments, including vessels and machinery and improvements at Navy Yards.....	13,512,284 33	26,487,795 67
For expenditures on account of District of Columbia.....	41,992,996 92	12,300,700 31
For interest on public debt.....	1,133,836 41	2,611,183 59
Total ordinary expenditure.....	14,797,287 96	39,702,702 04
Total receipts, actual and estimated.....	67,942,000 33	19,057,909 67
Total expenditures, actual and estimated.....	843,000,000 00	258,000,000 00
Total.....	85,000,000 00	
Estimated amount due sinking fund.....	45,616,741 07	
Leaving a balance of.....	39,133,258 93	

If the revenue for the fiscal year, which will end on June 30th, 1885, be estimated upon the basis of existing laws, the Secretary is of the opinion that for that year the receipts will exceed sixty millions. The ordinary expenditure, including the amount devoted to the sinking fund, hitherto the surplus, as rapidly as it has accumulated has been devoted to the reduction of the national debt. As a result the only

bonds now outstanding which are redeemable at the pleasure of the government are the 3 per cents, amounting to about \$305,000,000; 4 per cents amounting to \$250,000,000, and the \$737,000,000 4 per cents are not payable until 1891 and 1907, respectively. If the surplus shall hereafter be as large as the Treasury estimates now indicate, the 3 per cent. bonds may all be redeemed at least four years before any of the 4 per cents can be called in. The latter, at the same rate of accumulation of surplus, can be paid at maturity and the moneys requisite for the redemption of the 4 per cents will be in the treasury many years before those obligations become payable. There are cogent reasons, however, that national indebtedness should not be thus rapidly extinguished. There is a belief that only by excessive taxation is this rapidly attainable. In a communication to Congress at its last session I recommended that all excise taxation be abolished except those relating to distilled spirits, and that substantial reductions also be made on the revenues from customs. A statute has since been enacted by which the annual tax and tariff receipts of the government have been cut down to the extent of at least 50 or 60 millions of dollars, while I have no doubt further reductions may be wisely made. I do not advise the adoption, at this session, of any measure for a large diminution of the national revenues. The results of the legislation of the last session of Congress have not as yet become sufficiently apparent to justify any radical revision or sweeping modification of existing law. In the interval which must elapse before the effects of the act of March 3d, 1883, can be definitely ascertained, a portion at least of the surplus revenues may be wisely applied to the long-neglected duty of rehabilitating our navy and providing coast defenses for the protection of our borders. This is a matter to which I shall again advert.

#### NATIONAL CURRENCY.

Immediately associated with the financial subject just discussed is the importance of the question as to what legislation is needed regarding the national currency. The aggregate amount of bonds now on deposit in the Treasury to support the national bank circulation is about \$330,000,000. Nearly two hundred millions of this amount consists of 3 per cents, which, as already stated, are payable at the pleasure of the government and are likely to be called in within less than four years unless, in the mean time, the surplus revenues shall be diminished. The probable effect of such an extensive retirement of the securities which are the basis of the national bank circulation, would be such a contraction of the volume of the currency as to produce grave commercial embarrassments. How can the danger be obviated? The most effectual plan, and one whose adoption at the earliest opportunity I shall heartily approve, has already been indicated. If the revenues of the next four years shall be substantially commensurate with the expenses, the volume of circulation will not be likely to suffer any material disturbance, but if, on the other hand, there shall be great delay in reducing taxation, it will become necessary either to substitute some of the other forms of currency in place of the national bank notes or to make important changes in the laws by which their circulation is now controlled. In my judgment the latter course is far preferable. I commend to your attention the very interesting and thoughtful suggestions on this subject which appear in the Secretary's report. The objections which he urges against the acceptance of any other securities than the obligations of the government itself as a foundation for national bank circulation, seem to me insuperable for averting the threatened contractions. Two courses have been suggested either of which is probably feasible. One is the issuance of new bonds having many years to run, bearing a low rate of interest, and exchangeable upon specified terms of those now outstanding. The other course, which commends itself to my own judgment as the better, is the enactment of a law repealing the tax on circulation and permitting the banks to issue notes for an amount equal to 90 per cent. of the market value, instead of, as now, the face of the value of that deposited. I agree with the Secretary in the belief that the adoption of this plan will afford the necessary relief.

#### THE TRADE DOLLAR.

The trade dollar was coined for the purpose of traffic in countries where silver passed at its value as contained by its weight and fineness. It never had a legal tender equality. Large numbers of these coins entered, however, into the volume of our currency, and by common consent their circulation in domestic trade. They have become a disturbing element, and should not be longer permitted to embarrass our currency system. I recommend that a provision for their reception by the treasury and mints as bullion at a small per centage above the current market price of silver of like fineness.

#### INTERNAL REVENUE.

The Secretary of the Treasury advises a consolidation of certain of the customs districts of the country, and suggests that the President be vested with such power in relation thereto, as is now given him in a regard to collectors of internal revenue, by Section 3141, of the Revised Statutes. The statistics of this subject, which are continued in his report furnish, of themselves, an argument in defense of his views. At the adjournment of Congress the number of internal revenue collection districts was 128. By Executive order issued June 25th, 1883, I directed that certain of these districts be consolidated. The result has been a reduction of one third of that number which is at present but 83.

#### INDIAN AFFAIRS—ARMY AND NAVY.

From the report of the Secretary of War it will be seen that in only a single instance has there been a disturbance of the quiet condition of our Indian tribes. A raid from Mexico into Arizona by a small party of Indians, which was pursued by General Crook into the mountain region from which it had come. It is confidently hoped that serious outbreaks will not occur again and that the Indian tribes which have for so many years disturbed the West will hereafter remain in peaceable submission.

#### COAST DEFENSE.

I again call attention to the present condition of our extended seacoast upon which are so many large cities, whose wealth and importance to the country would in time of war invite attack from modern armed ships against which our existing defensive works could give no adequate protection. Those works were built before the introduction of German heavy rifle guns into maritime warfare, and if they are not put in efficient condition we may be subjected to humiliation by a hostile power greatly inferior to ourselves. As germane to this subject, I call your attention to the importance of the perfection of submarine torpedo defenses. The board, authorized by the last Congress to report on the method which should be adopted for the manufacture of heavy ordnance adapted to general warfare, has been assisted by the principal iron and steel works in the country and Europe, and it is hoped that its report will be soon made and that Congress will thereupon be disposed to provide suitable facilities and plans for the manufacture of such guns as are now imperatively needed. On several occasions during the past year officers of the army have at the request of the State authorities visited their military encampments for the inspection of the troops. From the reports of these officers I am induced to believe that the encouragement of the State military organization by the national government would be followed by very gratifying results, and would afford in sudden emergencies the aid of a large body of volunteers, educated in the performance of military duties. The Secretary of the Navy reports that under the authority of the acts of August 5th, 1882, and March 3, 1883, the work of strengthening our navy by the construction of modern vessels has been auspiciously begun. Three cruisers are in process of construction, the *Chicago* of 4,500 tons displacement, and the *Boston* and *Atlanta* each of 2,500 tons. They are to be built of steel with the textile strength and ductility prescribed by law, and in combination of speed, endurance and armament are expected to compare favorably with the best armed war vessels of other nations. A fourth vessel, the *Dolphin*, is to be constructed of similar material. It is intended to serve as a fleet dispatch boat. The double turreted monitors *Puritan*, *Amphitrite* and *Terror*, have been launched on the

Delaware River, and a contract has been made for the supply of their machinery. A similar monitor, the *Monadnock*, has been launched in California. The naval advisory board and the Secretary recommended the completion of the monitors, the construction of four gun boats, and also of three additional steel vessels like the *Chicago*, *Boston* and *Dolphin*. As an important measure material to defense, the Secretary urges also the immediate creation of an interior fast line of water ways across the peninsula of Florida along the coast, from Florida to Hampton Roads, between the Chesapeake Bay and Delaware River through Cape Cod.

I feel bound to impress upon the attention of Congress the necessity of continual progress in the reconstruction of the navy. The condition of the public treasury, as I have already intimated, makes the present time an auspicious one for putting this branch of the service in a state of efficiency. It is no part of our policy to create and maintain a navy able to cope with those of the other great powers of the world. We have no wish for foreign conquest, and the peace which we have so long enjoyed is in no seeming danger of interruption, but that our naval strength should be more adequate for the defense of our harbors, the protection of our commercial interests and the maintenance of our national honor, is a proposition from which no patriotic citizen can withhold his assent.

#### POSTAL.

The report of the Postmaster General contains a gratifying exhibit of the condition and prospects of the interesting branch of the public service committed to his care. It appears that on June 30th, 1883, the whole number of post offices was 47,863, of which 1,632 were established during the last previous year. The number of offices operating under the system of free delivery, was 154. At the latter offices the postage on local matter amounted to \$41,952,305 22; a sum exceeding, by \$1,021,894.01, the entire cost of the carrier's service of the country. The rate of postage on drop letters passing through these offices is now fixed by law at two cents per half ounce or fraction thereof. In offices where the carrier system has not been established the rate is only half as large. It will be remembered that in 1863, when free delivery was first established by law, the uniform single rate postage upon local letters was one cent, and so it remained until 1882, when in those cities where carrier service was established it was increased to defray the expense of such service. It seems to me that the old rate may now with propriety be restored, and that too even at the risk of diminishing for a time at least the receipts from postage upon local letters. I can see no reason why that particular class of mail matter should be held double for the entire cost not only of its collection and delivery, but the collection and delivery of all other classes, and I am confident, after full consideration of the subject, that the reduction of rate would be followed by such a growing accession of business as to occasion but slight and temporary loss to the revenues of the postoffice.

#### GOVERNMENT AND THE TELEGRAPH.

The Postmaster General devotes much of his report to the consideration in its various aspects of the relation of the government to the telegraph. Such reflection, as I have been able to give this subject since my last annual message, has not led me to change the view which I then expressed, dissenting from the recommendation of the Postmaster General, that the government assume the same control over the telegraph which it has always exercised over the mail. Admitting that its authority in the premises is as ample as has ever been claimed for it, it would not in my judgment be a wise use of that authority to purchase or assume the control of existing telegraph lines, or to construct others with a view of entering into general competition with private enterprises. The objections which may be justly urged against either of these projects, and indeed against any system which would require an enormous increase in the civil service list, do not, however, apply to some of the plans which have lately provoked public comment and discussion. It has been claimed, for example, that Congress might wisely authorize the Postmaster General to contract with

some private person or corporation for the transmission of messages at specified rates and under government supervision. Various such schemes of the same general nature, but widely differing in their special characteristics, have been suggested in the public prints, and the arguments by which they have been supported and opposed have doubtless attracted your attention. It is likely that the whole subject will be considered by you at this present session. In the nature of things it invests so many questions of detail that your deliberations would probably be aided slightly, if at all, by any particular suggestions which I might now submit. I avow my belief, however, that the government should be authorized by law to exercise some sort of supervision over inter-state telegraph communication. And I express the hope that, for attaining that end, some measure may be devised which will receive your approbation.

#### FEES OF JURORS, ETC.

The Attorney General criticizes in his report the provisions of existing law fixing the fees of jurors and witnesses in the Federal courts. The provisions are chiefly contained in the act of February 26th, 1853, though some of them were introduced into that act from statutes which had been passed many years previous. It is manifest that such compensations as might when these laws were enacted, have been just and reasonable, would, in many instances, be justly regarded, at the present day, as inadequate. I concur with the Attorney General in the belief that the statutes should be revised, by which these are regulated. So should the laws which regulate the compensation of district Attorneys and Marshals. They should be paid wholly by salaries instead of in part by fees, as is now the case. The change would prove to be a measure of economy and would discourage the institution of ruthless and oppressive legal proceedings, which it is to be feared have in some instances been conducted for the mere sake of personal gain.

#### INTERIOR AFFAIRS.

Much interesting and information is contained in the report of the Secretary of the Interior. I particularly call your attention to his presentation of certain phases of the Indian question. It contains to you a recommendation for the repeal of the pre-emption and timber culture acts and for more stringent legislation to prevent frauds under pension laws. The statutes which preserve the definitions and punishments of crimes relating to pensions could doubtless be made more effective by certain amendments and additions.

In the Secretary's report previously referred to the alarming state of illiteracy in certain parts of our country is shown, and I again submit for the consideration of Congress whether some federal aid should be extended to public primary education, where adequate provision therefor has not already been made.

#### UTAH AND POLYGAMY.

The Utah Commission has submitted to the Secretary of the Interior its second annual report. It gives full details of its labors in supervising the recent election in that Territory, pursuant to the act of March 22nd, 1882. It appears that persons by that act were disqualified to the number of about 12,000. They were excluded from the polls. This fact, however, affords little cause for congratulation, and I fear that it is far from indicating any real and substantial progress toward the extirpation of polygamy. All of the members of the legislature are Mormons. There is grave reason to believe that they are in sympathy with the practices this government is seeking to suppress, and that its efforts in that regard will be no more likely to encounter their opposition than receive their encouragement and support. Even if this view should happily be erroneous the law under which the commissioners have been acting, should be made more effective by the incorporation of some such stringent measures as they recommend, and as were included in bill No. 2238, on the call of the Senate at its last session. I am convinced, however, that polygamy has become so strongly entrenched in the Territory of Utah, that it is profitless to attack it with any but the stoutest weapons which constitutional legislation can make. I favor, therefore, the repeal

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