

ELEVENTH YEAR.

CHESTER'S CHARGE.

To the Wisdom of the Country in Congress Assembled.

The Relations the United States Sustains Towards Foreign Governments.

The Splendid Financial Exhibit Made by the Treasury Department.

Repeal Recommended of the Law Regulating the Coinage of Silver Money.

He Also Recommends the Abolition of Certain Internal Revenue Taxation.

And Advises Increase of the Army to a Maximum of Thirty Thousand.

Attention Paid to the Necessity for Increased and Effective Naval Power.

Exhaustive Review of the Indian Problem and a Remedy Suggested.

A Measure Proposed Whereby the Mormon Iniquity May be Run to Earth.

The Problem of Civil Service Reform the Subject of Lengthy Review.

The Electoral Vote and Presidential "Incapacity."

INTRODUCTORY.

WASHINGTON, December 7.—To the senate and house of representatives of the United States: An appalling calamity has befallen the American people since their chosen representatives last met in the halls where you are now assembled. We might also recall with unaltered content the continued prosperity with which throughout the year the nation has been blessed. Its harvests have been plentiful; its various industries have thriven; the health of its people has been preserved; it has maintained with foreign governments the undisturbed relations of amity and peace. For these manifestations of His favor we owe to Him who holds our destiny in His hands the tribute of our grateful devotions.

DEPARTMENT OF STATE.

THE FORTUNE BAY AWARD. Save for the correspondence to which I shall hereafter refer to in relation to the proposed canal across the Isthmus of Panama, little has occurred worth mention in the diplomatic relations of the country. Early in the year the Fortune Bay claims were satisfactorily settled by the British government paying in the sum of £15,000, most of which has already been distributed. As the terms of the settlement, including compensation for injuries suffered by our fishermen at Aspen Bay, there was retained from the cross award a sum which is deemed adequate for those claims.

THE AUSTRALIAN EXHIBITIONS.

The participation of Americans in the exhibitions at Melbourne and Sydney will be approximately mentioned in the reports of the two exhibitions soon to be presented to Congress. They will disclose the readiness of our countrymen to make a successful competition in those fields of enterprise.

INTERNATIONAL COPYRIGHT.

Negotiations for an international copyright convention are in hopeful progress.

THE DOMINION BORDER.

The surrender of Sitting Bull and his forces upon the Canada frontier has allayed all apprehensions, although bodies of hostile Indians still cross the border in quest of sustenance. Upon this subject a correspondence has been opened which promises an adequate understanding. Our troops have orders to avoid, whenever possible, collisions with alien Indians.

THE YORKTOWN VISITORS.

The presence at the Yorktown celebration of representatives of the French republic and descendants of Lafayette and of his gallant compatriots who were our allies in the revolution, has served to strengthen in the spirit of good will which has always existed between the two nations. You will be furnished with the proceedings of the conference.

THE BI-METALLIC CONFERENCE.

held during the summer at the city of Paris. No accord was reached, but a valuable interchange of views was had, and the conference will next year be renewed.

THE ELECTRICAL CONGRESS.

At the electrical exhibition and congress also held at Paris, this country was creditably represented by eminent specialists, who in the absence of an appropriation generally lent their efficient aid at the instance of the state department. While our exhibition in this aim at distinctively American field of achievements have won several awards, I recommend that congress provide for the repayment of the personal expenses incurred in the public interest by the honorary commissioners and delegates.

AMERICAN CITIZENS ABROAD.

No new questions respecting the status of our naturalized citizens in

Germany have arisen during the year, but the causes of complaint, especially in Alsace and Lorraine, have practically ceased through the liberal action of the imperial government in accepting our often expressed views on the subject. The application of the treaty of 1868 to the lately acquired Rheinisch provinces has received very earnest attention, and definite and lasting agreement on this point is confidently expected. The participation of the descendants of Baron Von Stouelen in the Yorktown festivities and their subsequent reception by their American kinsmen strikingly evinced the ties of the good will which unite the German people and our own.

SPAIN AND AMERICAN SHIPPING.

Our intercourse with Spain has been friendly. An agreement, concluded in February last, fixes a term for the labor for the Spanish and American claims commission. The Spanish government has been requested to pay the late awards of the commission, and will, it is believed, accede to the request as promptly and courteously as on former occasions. By recent legislation onerous fines have been imposed upon American shipping in Spanish and colonial ports for slight irregularities in manifests. One case of hardship is especially worthy of attention. The bark Mastic, bound for Japan, entered Manila in distress and is there sought to be confiscated under the Spanish revenue laws for an alleged shortage in her trans-shipped cargo. Though efforts for her relief have thus far proved unavailing, it is expected that the whole will be adjusted in a friendly spirit.

RUSSIAN RELATIONS.

The senate resolution of condolence on the assassination of Czar Alexander II. was appropriately communicated to the Russian government, which in turn has expressed its sympathy in our late national bereavement. It is desirable that our cordial relations with Russia should be strengthened by proper engagements, assuring to peaceable Americans who visit the empire the consideration which is due to them as citizens of a friendly state. This is especially needful with respect to American railroads whose classification with the native Hebrews has evoked energetic remonstrances from this government.

ITALIAN CONSULAR SERVICE.

Consular agreement with Italy has been sanctioned and proclaimed, which puts at rest conflicts of jurisdiction in the case of crime on ship-board. Several important international conferences have been held in Italy during the year. At the geographical congress of Venice, the Bouface congress of Milan, and the Nice congress of Turin, this country was represented by delegates from branches of the public service or by private citizens specially accredited in an honorary capacity. It is hoped that congress will give such prominence to the results of their patriotic action as they may seem to deserve.

THE DUTCH COLONIES.

The abolition of all discriminating duties against the Dutch colonial productions of the Dutch East Indies, as are imported hither from the Netherlands, have been already considered by congress. I trust that at the present session the matter may be favorably concluded.

MISSIONARIES IN TURKEY.

The destruction of life and property in many parts of Turkey has given rise to correspondence with the porting, looking particularly to the better protection of American missionaries in the empire. The condemned murderer of the eminent missionary, Dr. Justin W. Parsons, has not yet been executed, although this government has repeatedly demanded it.

SWISS CRIMINAL EMIGRATION.

The Swiss government has solicited the good offices of our diplomatic and consular agents for the protection of its citizens in countries where it itself is not represented. This request has, within proper limits, been granted. Our agents have been instructed to protest against the conduct of the authorities of certain countries in permitting the emigration to this country of criminals and other objectionable persons. Several such persons, through the cooperation of the commissioner of emigration at New York, have been sent back on the steamers which brought them. A continuation of this course may prove a more effective remedy than diplomatic remonstrance.

ROMANIA AND SERBIA.

Treaties of commerce and navigation for the regulation of consular intercourse, and from the opening of the rich interior of Mexico to railway enterprise. I deem it important that means be provided to restrain the lawlessness unfortunately so common on the frontier, and to suppress the forays of the reservation Indians on either side of the Rio Grande.

CENTRAL AMERICAN STATES.

The neighboring states of Central America have preserved internal peace and their outward relations toward us have been those of intimate friendship. There are encouraging signs of their growing disposition to subordinate their local interests to those which are common to them by reason of their geographical relations. Guatemala and Mexico has afforded this government an opportunity to exercise its good offices for preventing a rupture between these states and for procuring a peaceful solution of the question. I cherish a strong hope that in

view of our relations of amity with both countries our friendly counsel will prevail.

The Costa Rican government lately formed an engagement with Columbia for settling by arbitration the boundary question between those countries, providing that the post of arbitrator should be offered successively to the king of the Belgians, king of Spain and the president of the Argentine Confederation. The king of the Belgians has declined to act, but I am not yet advised of the action of the king of Spain. As we have certain interests in the disputed territory which are protected by our treaty engagement with one of the parties, it is important that the arbitration should not without our consent affect our rights, and this government has accordingly thought proper to make its views known to the parties to the agreement as well as to intimate them to the Belgian government.

THE PANAMA CANAL.

The questions growing out of the proposed interoceanic water-way across the Isthmus of Panama are of grave national importance. This government has not been unmindful of the solemn obligation assumed by it by its compact of 1846 with Columbia as the independent and sovereign mistress of the territory crossed by the proposed canal, and has sought to render them effective by fresh engagements with the Columbian republic looking to their practical execution. The negotiations to this end, after they had reached what was regarded as a mutually satisfactory solution here, were met in Columbia by a disavowal of the powers which its envoy had assumed and by a proposal for renewed negotiations on a fortified basis. Meanwhile this government learned that Columbia had proposed to the European powers to join in a guarantee of the neutrality of the proposed Panama canal, a guarantee which would be in direct contravention of the obligations assumed by it as the guarantor of the integrity of Columbia territory and of the neutrality of the canal itself. My lamented predecessor felt it his duty to place before the European powers the reasons which made the prior guarantee of the United States indispensable and for which the interjection of any foreign guarantee might be regarded as a mutually satisfactory and friendly act. Foreseeing the probable reliance of the British government on the provisions of the Clayton-Bulwer treaty of 1850, as affording room for a share in the guarantee which the United States contemplated with Columbia four years before, I have not hesitated to supplement the action of my predecessor by proposing to her majesty's government the modification of that instrument and the abrogation of such clauses thereof as do not comport with the obligations of the United States toward Columbia, or with the vital needs of the two friendly parties to the compact.

THE SOUTH AMERICAN DIFFICULTY.

The government sees with great concern the continuance of the hostile relations between Chili, Bolivia and Peru. An early peace between these republics is much to be desired, not only that they may be spared further misery and bloodshed, but because their continued antagonism threatens consequences which are, in my opinion, dangerous to the interests of republican government on this continent, and calculated to destroy the best elements of our free and peaceful civilization. As in the present excited condition of popular feeling in these countries, there have been serious misapprehensions of the position of the United States, and as separate diplomatic intercourse with each through independent ministers is sometimes subject (owing to the want of prompt reciprocal communication) to temporary misunderstandings, I have deemed it judicious at the present time to send a special agent, accredited to all and each of them and furnished with explicit instructions, which will, I trust, enable him to bring these powers into friendly relations.

THE VENEZUELA DEBT.

The government of Venezuela maintains its attitude of warm friendship, and continues with great regularity its payment of the monthly quota of the diplomatic debt. Without suggesting the direction in which congress should act, I ask attention to the pending questions affecting the distribution of the same thus far received. The relations between Venezuela and France, growing out of the same debt, have been, for some time past, in an unsatisfactory state, and this government, as the neighbor and that of the largest of creditors of Venezuela, has interposed itself with the French government with the view of producing a friendly and honorable adjustment of the same.

BRAZILIAN INTERESTS.

I regret that the commercial interests between the United States and Brazil, from which great advantages were hoped a year ago, have suffered from the withdrawal of the American lines of communication between Brazilian ports and our own. Though the efforts of our minister resident at Buenos Ayres and the United States minister at Santiago, a treaty has been concluded between the Argentine Republic and Chili, disposing of the long-pending Patagonian boundary question. It is a matter of congratulation that our government has been offered the opportunity of successfully exerting its good influences for the prevention of disagreements between the republics of the American continent.

THE ASIATIC TREATIES.

The clauses of the treaties which forbid the participation of citizens or vessels of the United States in the opium trade will doubtless receive your approval, as they will attest the sincere interest which our people and government manifest in the commendable efforts of the Chinese government to put a stop to this demoralizing and destructive traffic. In relation, both to China and Japan, some changes are desirable in our present system of

consular jurisdiction. I hope at some future time to lay before you a scheme for its improvement in the entire east.

CHINESE IMMIGRATION.

I am glad to inform you that the treaties lately negotiated with China have been duly ratified on both sides and the exchange made at Peking. Legislation is necessary to carry its provision into effect. The prompt spirit with which the Chinese government, at the request of the United States, conceded the modification of existing treaties, should secure careful regard for the interest and responsibilities of that government in the enactment of any laws relating to Chinese immigration.

JAPAN.

The intimacy between our country and Japan, the most advanced of the eastern nations, has continued to be cordial. I am advised that the emperor contemplates the establishment of a constitutional government, and that he has already summoned a parliamentary congress for the purpose of effecting the change. Such a remarkable step toward complete assimilation with the western system cannot fail to bring Japan into closer and more beneficial relationship with ourselves.

CONSULAR JURISDICTION.

As the chief Pacific power, a question has arisen in relation to the exercise in that country of the judicial functions conferred upon our ministers and consuls. The indictment, trial and conviction in the consular court at Yokohama of John Ross, a merchant seaman on board an American vessel, have made it necessary for the government to institute a careful examination into the nature and methods of this jurisdiction. It appeared that Ross was regularly shipped under the flag of the United States but was by birth a British subject. My predecessor felt it his duty to maintain the position, that during his service as a regularly seaman on board an American merchant vessel, Ross was subject to the laws of that service, and to the jurisdiction of the United States consul.

THE OLD INDEMNITY FUND.

I renew the recommendation which has heretofore been urged by the executive, after the deduction of such amount (as may be found due to American citizens, the balance of the indemnity funds heretofore obtained from China and Japan, and which are now in the hands of the state department, be returned to the governments of those countries.

THE SANDWICH ISLANDS.

The king of the Hawaii, in the course of his homeward return, after a journey around the world, has lately visited this country. While our relations with that kingdom are friendly, this government has viewed with concern the efforts to seek replenishment of the diminishing population of the island from outlawed sources to a degree which may impair the native sovereignty and independence, in which the United States, as among the first to testify a lively interest.

MISCELLANEOUS FOREIGN RELATIONS.

Relations of unimpeached amity have been maintained throughout the year with the respective governments of Austria, Hungary, Belgium, Denmark, Hayti, Paraguay and Uruguay, Portugal, Sweden and Norway, and this may also be said of Greece and Ecuador, although our relations with these states have for some years been severed by the withdrawal of appropriations for diplomatic representatives at Athens and Quito. It seems expedient to restore these missions, even on a reduced scale, and I decidedly recommend such a course with respect to Ecuador, which is likely, within the near future, to play an important part among the nations of the South Pacific.

THE GENOVA CONVENTION.

At the last extra session attention was called to the text of the Geneva convention for the relief of the wounded in war. I trust this action fore-shadows such interest in the subject as will result in the adhesion of the United States to that humane and commendable engagement.

REGULATIONS FOR OCEAN TRAVEL.

I invite your attention to the propriety of adopting the new code of international rules for the prevention of collisions on the high seas and of conforming domestic legislation of the United States thereto, so that no confusion may arise from the application of conflicting vessels of different nationalities meeting in tidal waters. These international rules differ but slightly from our own. They have been adopted by the navy department for the government of the war ships of the United States on the high seas and in foreign waters, and through the courtesy of the state department in disseminating the rules and in acquainting the shipmasters in the opinion of conforming to them without the jurisdictional waters of the United States. They are now very generally known and obeyed.

FOREIGN LABOR AND TRADE STATISTICS.

The state department still continues to publish to the country the trade and manufacturing reports received from its officers abroad. The success of this course warrants its continuance, and such appropriation as may be required to meet the rapidly increasing demand for these publications. With special reference to the Atlanta cotton exposition, the October number of the reports was devoted to a valuable collection of papers on the cotton goods trade of the world.

THE INTERNATIONAL SANITARY CONFERENCE.

for which in 1879 congress made provision, assembled in this city early in January last, and its sessions were prolonged until March. Although it reached no specific conclusion affecting the future action of the participant powers, the interchange of views proved to be most valuable. The full protocols of the session have already been presented to the state. As pertinent to this general subject, I call your attention to the operations of the national board of health established

by act of congress, approved March 3d, 1879. Its sphere of duty was enlarged by the act of June 21 in the same year. By the last named act the board was required to institute such measures as might be deemed 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 board was approved by my predecessor and has done much to arrest the progress of epidemic diseases and has thus rendered substantial service to the nation. The international sanitary conference to which I have referred adopted a form of a bill of health to be used by all vessels seeking to enter the ports of the countries participating 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 the law. The health of the people is of supreme importance. All measures looking to their protection against the spread of contagious diseases and the increase of our sanitary knowledge for such purposes, deserve the attention of congress.

TREASURY DEPARTMENT.

FINANCIAL EXHIBIT.

The report of the secretary of the treasury represents in detail a highly satisfactory exhibit of the state of the finances and the condition of the various branches of the public revenue administered by that department. The ordinary resources from all sources for the fiscal year ending June 30, 1881, were as follows:

Table with 2 columns: Description and Amount. Includes items like 'From customs', 'From internal revenue', 'From public lands', etc.

TOTAL ORDINARY RECEIPTS.

Table with 2 columns: Description and Amount. Includes 'Total ordinary receipts', 'Ordinary expenditures', 'Excess of receipts over expenditures', etc.

TOTAL EXPENDITURES.

Table with 2 columns: Description and Amount. Includes 'Total expenditures', 'Surplus of revenue', 'Surplus of revenue over expenditures', etc.

THE REFUNDING OPERATIONS.

In the last annual report of the secretary of the treasury, it was called to the fact that \$469,651,050 in 5 per centum bonds and \$203,573,500 in 6 per centum 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 of 6 per centum bonds then outstanding that the bonds would 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 3 1/2 per centum per annum. Under this notice \$178,055,150 of the 6 per centum bonds were continued at the rate of 3 1/2 per centum, and \$17,635,250 were redeemed. In the month of May, a like notice was given respecting the redemption or continuance of the \$439,841,350 of 5 per centum bonds then outstanding, and of these \$401,504,900 were continued at 3 1/2 per centum per annum and \$38,336,450 redeemed.

BOND REDEMPTION.

The 6 per centum bonds of the loan of February 8, 1861, and of the Oregon war debt, amounting together to \$14,125,800, having matured during the year, the secretary of the treasury gave notice of his intention to redeem the same and such as have been presented have been paid from the surplus revenue. There have also been redeemed at par \$16,179,100 of the 3 1/2 per centum "continued" bonds, making a total of bonds redeemed, or which have ceased to bear interest during the year of \$123,969,650. The reduction of the annual interest on the public debt through these operations is as follows: By reduction of interest to 3 1/2 per cent., \$10,473,952.27; by redemption of bonds, \$6,352,340.00; total, \$16,826,292.27. The 3 1/2 per centum bonds, being payable at the pleasure of the government, are available for the investment of surplus revenue without the payment of premium. Unless these 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 may year by year increase, on account of the reduction of the public debt and its burden of interest, and of the rapid 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 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.

INTERNAL REVENUE TAXATION.

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 afforded. I therefore concur with the secretary in recommending the abolition of all internal revenue taxes except those upon tobacco in its various forms and upon distilled and fermented liquors, and except also the special tax upon the manufacturers of, and dealers in such articles. The intention of the latter tax is 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 machines, proprietary articles, playing cards, checks and drafts, my law also by which banks and bankers are assessed upon the 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 required by the necessities of war, and was never exacted, I believe, even in its greatest exigencies.

NATIONAL BANK CIRCULATION.

Banks are required to secure their circulation by pledging with the treasurer of the United States bonds of the general government. The interest upon these bonds, which at the time when the tax was imposed was 9 per cent, is now in most instances 3 1/2 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 favored grantees the government might very properly exact a tax on circulation, but for years the system has been regulated by the public demand. The retention of this tax has been suggested as a means of reimbursing the government for the expense of printing and furnishing the 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.

NO REDUCTION ON TOBACCO OR LIQUOR.

It is, perhaps, doubtful whether the immoderate reduction of the rate of taxation upon 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 amount of taxes collected under the varying rules of taxation which have at different times prevailed, suggests the intimation that some reduction may soon be made without material diminution of the revenue.

THE TARIFF LAWS.

also need revision, but that a duty reduction 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 a proved by the senate, and is now recommended by the secretary of the treasury, would doubtless lighten the labors of congress whenever this subject shall be brought to its consideration.

WAR DEPARTMENT.

INCREASE THE ARMY.

The accompanying report of the secretary of war will make known the operations of the department for the 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 make 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 settlements, to protect settlers and their property against Indians, and Indians against the encroachments of intruders, and to enable peaceful immigrants 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.

FRONTIER WORK.

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 reservations; that Sitting Bull and his adherents are now prisoners at Fort Haudan; that the Arizans have been moved to their new reservation in Utah; that during the recent outbreak of the Apaches it was necessary to reinforce garrisons in Arizona by troops withdrawn from New Mexico, and that some Apaches are now held prisoners for trial while