

Congress, and I transmit herewith copies of the several opinions of the principal officers of the Executive Departments, together with other correspondence and pertinent information on the same subject.

The United States, who led the way in the overthrow of the feudal doctrine of perpetual allegiance, are among the last to indicate how their own citizens may elect another nationality. The papers submitted herewith indicate what is necessary to place us on a par with other leading nations in liberality of legislation on this international question. We have already in our treaties assented to the principles which would need to be embodied in laws intended to accomplish such results. We have agreed that citizens of the United States may cease to be citizens and may voluntarily render allegiance to other powers. We have agreed that residence in a foreign land, without intent to return, shall of itself work expatriation. We have agreed in some instances upon the length of time necessary for such continued residence to work a presumption of such intent. I invite Congress now to mark out and define when and how expatriation can be accomplished; to regulate by law the condition of American women marrying foreigners; to fix the status of children born in a foreign country of American parents residing more or less permanently abroad, and to make rules for determining such other kindred points as may seem best to Congress.

In compliance with the request of Congress, I transmitted to the American minister at Madrid, with instructions to present it to the Spanish Government, the joint resolution approved on the 3d of March last, tendering to the people of Spain, in the name and on the behalf of the American people, the congratulations of Congress upon the efforts to consolidate in Spain the principles of universal liberty in a republican form of government.

The existence of this new Republic was inaugurated by striking the fetters from the slaves in Porto Rico. This beneficent measure was followed by the release of several thousand persons illegally held as slaves in Cuba. Next, the Captain-General of that colony was deprived of the power to set aside the orders of his superiors at Madrid, which had pertained to the office since 1825. The sequestered estates of American citizens, which had been the cause of long and fruitless correspondence, were ordered to be restored to their owners. All these liberal steps were taken in the face of a violent opposition directed by the reactionary slaveholders of Havana, who are vainly striving to stay the march of ideas which has terminated slavery in Christendom, Cuba only excepted. Unhappily, however, this baneful influence has thus far succeeded in defeating the efforts of all liberal-minded men in Spain to abolish slavery in Cuba, and in preventing the promised reform in that island. The struggle for political supremacy continues there.

The proslavery and aristocratic party in Cuba is gradually arraiguing itself in more and more open hostility and defiance of the home govern-

ment, while it still maintains a political connection with the Republic in the peninsula; and although usurping and defying the authority of the home government whenever such usurpation or defiance tends in the direction of oppression or of the maintenance of abuses, it is still a power in Madrid, and is recognized by the Government. Thus an element more dangerous to continued colonial relations between Cuba and Spain than that which inspired the insurrection at Yara—an element opposed to granting any relief from misrule and abuse, with no aspirations after freedom, commanding no sympathies in generous breasts, aiming to rivet still stronger the shackles of slavery and oppression—has seized many of the emblems of power in Cuba, and, under professions of loyalty to the mother country, is exhausting the resources of the island, and is doing acts which are at variance with those principles of justice, of liberality, and of right which give nobility of character to a republic. In the interests of humanity, of civilization, and of progress, it is to be hoped that this evil influence may be soon averted.

The steamer *Virginus* was on the 26th day of September, 1870, duly registered at the port of New York as a part of the commercial marine of the United States. On the 4th of October, 1870, having received the certificate of her register in the usual legal form, she sailed from the port of New York and has not since been within the territorial jurisdiction of the United States. On the 31st day of October last, while sailing under the flag of the United States on the high seas, she was forcibly seized by the Spanish gunboat *Tornado*, and was carried into the port of Santiago de Cuba, where fifty-three of her passengers and crew were inhumanly, and, so far at least as relates to those who were citizens of the United States, without due process of law, put to death.

It is a well-established principle, asserted by the United States from the beginning of their national independence, recognized by Great Britain and other maritime powers, and stated by the Senate in a resolution passed unanimously on the 16th of June, 1858, that—

American vessels on the high seas in time of peace, bearing the American flag, remain under the jurisdiction of the country to which they belong, and therefore any visitation, molestation, or detention of such vessel by force, or by the exhibition of force, on the part of a foreign power is in derogation of the sovereignty of the United States.

In accordance with this principle, the restoration of the *Virginus* and the surrender of the survivors of her passengers and crew, and a due reparation to the flag, and the punishment of the authorities who had been guilty of the illegal acts of violence, were demanded. The Spanish Government has recognized the justice of the demand, and has arranged for the immediate delivery of the vessel, and for the surrender of the survivors of the passengers and crew, and for a salute to the flag, and for proceedings looking to the punishment of those who may be proved to have been guilty of illegal acts of violence toward citizens of the United States,

and also toward indemnifying those who may be shown to be entitled to indemnity. A copy of a protocol of a conference between the Secretary of State and the Spanish minister, in which the terms of this arrangement were agreed to, is transmitted herewith.

The correspondence on this subject with the legation of the United States in Madrid was conducted in cipher and by cable, and needs the verification of the actual text of the correspondence. It has seemed to me to be due to the importance of the case not to submit this correspondence until the accurate text can be received by mail. It is expected shortly, and will be submitted when received.

In taking leave of this subject for the present I wish to renew the expression of my conviction that the existence of African slavery in Cuba is a principal cause of the lamentable condition of the island. I do not doubt that Congress shares with me the hope that it will soon be made to disappear, and that peace and prosperity may follow its abolition.

The embargoing of American estates in Cuba, cruelty to American citizens detected in no act of hostility to the Spanish Government, the murdering of prisoners taken with arms in their hands, and, finally, the capture upon the high seas of a vessel sailing under the United States flag and bearing a United States registry have culminated in an outburst of indignation that has seemed for a time to threaten war. Pending negotiations between the United States and the Government of Spain on the subject of this capture, I have authorized the Secretary of the Navy to put our Navy on a war footing, to the extent, at least, of the entire annual appropriation for that branch of the service, trusting to Congress and the public opinion of the American people to justify my action.

Assuming from the action of the last Congress in appointing a Committee on Privileges and Elections to prepare and report to this Congress a constitutional amendment to provide a better method of electing the President and Vice-President of the United States, and also from the necessity of such an amendment, that there will be submitted to the State legislatures for ratification such an improvement in our Constitution, I suggest two others for your consideration:

First. To authorize the Executive to approve of so much of any measure passing the two Houses of Congress as his judgment may dictate, without approving the whole, the disapproved portion or portions to be subjected to the same rules as now, to wit, to be referred back to the House in which the measure or measures originated, and, if passed by a two-thirds vote of the two Houses, then to become a law without the approval of the President. I would add to this a provision that there should be no legislation by Congress during the last twenty-four hours of its sitting, except upon vetoes, in order to give the Executive an opportunity to examine and approve or disapprove bills understandingly.

Second. To provide by amendment that when an extra session of

Congress is convened by Executive proclamation legislation during the continuance of such extra session shall be confined to such subjects as the Executive may bring before it from time to time in writing.

The advantages to be gained by these two amendments are too obvious for me to comment upon them. One session in each year is provided for by the Constitution, in which there are no restrictions as to the subjects of legislation by Congress. If more are required, it is always in the power of Congress, during their term of office, to provide for sessions at any time. The first of these amendments would protect the public against the many abuses and waste of public moneys which creep into appropriation bills and other important measures passing during the expiring hours of Congress, to which otherwise due consideration can not be given.

TREASURY DEPARTMENT.

The receipts of the Government from all sources for the last fiscal year were \$333,738,204, and expenditures on all accounts \$290,345,245, thus showing an excess of receipts over expenditures of \$43,392,959. But it is not probable that this favorable exhibit will be shown for the present fiscal year. Indeed, it is very doubtful whether, except with great economy on the part of Congress in making appropriations and the same economy in administering the various Departments of Government, the revenues will not fall short of meeting actual expenses, including interest on the public debt.

I commend to Congress such economy, and point out two sources where it seems to me it might commence, to wit, in the appropriations for public buildings in the many cities where work has not yet been commenced; in the appropriations for river and harbor improvement in those localities where the improvements are of but little benefit to general commerce, and for fortifications.

There is a still more fruitful source of expenditure, which I will point out later in this message. I refer to the easy method of manufacturing claims for losses incurred in suppressing the late rebellion.

I would not be understood here as opposing the erection of good, substantial, and even ornamental buildings by the Government wherever such buildings are needed. In fact, I approve of the Government owning its own buildings in all sections of the country, and hope the day is not far distant when it will not only possess them, but will erect in the capital suitable residences for all persons who now receive commutation for quarters or rent at Government expense, and for the Cabinet, thus setting an example to the States which may induce them to erect buildings for their Senators. But I would have this work conducted at a time when the revenues of the country would abundantly justify it.

The revenues have materially fallen off for the first five months of the present fiscal year from what they were expected to produce, owing to

the general panic now prevailing, which commenced about the middle of September last. The full effect of this disaster, if it should not prove a "blessing in disguise," is yet to be demonstrated. In either event it is your duty to heed the lesson and to provide by wise and well-considered legislation, as far as it lies in your power, against its recurrence, and to take advantage of all benefits that may have accrued.

My own judgment is that, however much individuals may have suffered, one long step has been taken toward specie payments; that we can never have permanent prosperity until a specie basis is reached; and that a specie basis can not be reached and maintained until our exports, exclusive of gold, pay for our imports, interest due abroad, and other specie obligations, or so nearly so as to leave an appreciable accumulation of the precious metals in the country from the products of our mines.

The development of the mines of precious metals during the past year and the prospective development of them for years to come are gratifying in their results. Could but one-half of the gold extracted from the mines be retained at home, our advance toward specie payments would be rapid.

To increase our exports sufficient currency is required to keep all the industries of the country employed. Without this national as well as individual bankruptcy must ensue. Undue inflation, on the other hand, while it might give temporary relief, would only lead to inflation of prices, the impossibility of competing in our own markets for the products of home skill and labor, and repeated renewals of present experiences. Elasticity to our circulating medium, therefore, and just enough of it to transact the legitimate business of the country and to keep all industries employed, is what is most to be desired. The exact medium is specie, the recognized medium of exchange the world over. That obtained, we shall have a currency of an exact degree of elasticity. If there be too much of it for the legitimate purposes of trade and commerce, it will flow out of the country. If too little, the reverse will result. To hold what we have and to appreciate our currency to that standard is the problem deserving of the most serious consideration of Congress.

The experience of the present panic has proven that the currency of the country, based, as it is, upon the credit of the country, is the best that has ever been devised. Usually in times of such trials currency has become worthless, or so much depreciated in value as to inflate the values of all the necessaries of life as compared with the currency. Everyone holding it has been anxious to dispose of it on any terms. Now we witness the reverse. Holders of currency hoard it as they did gold in former experiences of a like nature.

It is patent to the most casual observer that much more currency, or money, is required to transact the legitimate trade of the country during the fall and winter months, when the vast crops are being removed, than

during the balance of the year. With our present system the amount in the country remains the same throughout the entire year, resulting in an accumulation of all the surplus capital of the country in a few centers when not employed in the moving of crops, tempted there by the offer of interest on call loans. Interest being paid, this surplus capital must earn this interest paid with a profit. Being subject to "call," it can not be loaned, only in part at best, to the merchant or manufacturer for a fixed term. Hence, no matter how much currency there might be in the country, it would be absorbed, prices keeping pace with the volume, and panics, stringency, and disasters would ever be recurring with the autumn. Elasticity in our monetary system, therefore, is the object to be attained first, and next to that, as far as possible, a prevention of the use of other people's money in stock and other species of speculation. To prevent the latter it seems to me that one great step would be taken by prohibiting the national banks from paying interest on deposits, by requiring them to hold their reserves in their own vaults, and by forcing them into resumption, though it would only be in legal-tender notes. For this purpose I would suggest the establishment of clearing houses for your consideration.

To secure the former many plans have been suggested, most, if not all, of which look to me more like inflation on the one hand, or compelling the Government, on the other, to pay interest, without corresponding benefits, upon the surplus funds of the country during the seasons when otherwise unemployed.

I submit for your consideration whether this difficulty might not be overcome by authorizing the Secretary of the Treasury to issue at any time to national banks of issue any amount of their own notes below a fixed percentage of their issue (say 40 per cent), upon the banks' depositing with the Treasurer of the United States an amount of Government bonds equal to the amount of notes demanded, the banks to forfeit to the Government, say, 4 per cent of the interest accruing on the bonds so pledged during the time they remain with the Treasurer as security for the increased circulation, the bonds so pledged to be redeemable by the banks at their pleasure, either in whole or in part, by returning their own bills for cancellation to an amount equal to the face of the bonds withdrawn. I would further suggest for your consideration the propriety of authorizing national banks to diminish their standing issue at pleasure, by returning for cancellation their own bills and withdrawing so many United States bonds as are pledged for the bills returned.

In view of the great actual contraction that has taken place in the currency and the comparative contraction continuously going on, due to the increase of population, increase of manufactories and all the industries, I do not believe there is too much of it now for the dullest period of the year. Indeed, if clearing houses should be established, thus forcing redemption, it is a question for your consideration whether banking

should not be made free, retaining all the safeguards now required to secure bill holders. In any modification of the present laws regulating national banks, as a further step toward preparing for resumption of specie payments, I invite your attention to a consideration of the propriety of exacting from them the retention as a part of their reserve either the whole or a part of the gold interest accruing upon the bonds pledged as security for their issue. I have not reflected enough on the bearing this might have in producing a scarcity of coin with which to pay duties on imports to give it my positive recommendation. But your attention is invited to the subject.

During the last four years the currency has been contracted, directly, by the withdrawal of 3 per cent certificates, compound-interest notes, and "seven-thirty" bonds outstanding on the 4th of March, 1869, all of which took the place of legal-tenders in the bank reserves to the extent of \$63,000,000.

During the same period there has been a much larger comparative contraction of the currency. The population of the country has largely increased. More than 25,000 miles of railroad have been built, requiring the active use of capital to operate them. Millions of acres of land have been opened to cultivation, requiring capital to move the products. Manufactories have multiplied beyond all precedent in the same period of time, requiring capital weekly for the payment of wages and for the purchase of material; and probably the largest of all comparative contraction arises from the organizing of free labor in the South. Now every laborer there receives his wages, and, for want of savings banks, the greater part of such wages is carried in the pocket or hoarded until required for use.

These suggestions are thrown out for your consideration, without any recommendation that they shall be adopted literally, but hoping that the best method may be arrived at to secure such an elasticity of the currency as will keep employed all the industries of the country and prevent such an inflation as will put off indefinitely the resumption of specie payments, an object so devoutly to be wished for by all, and by none more earnestly than the class of people most directly interested—those who "earn their bread by the sweat of their brow." The decisions of Congress on this subject will have the hearty support of the Executive.

In previous messages I have called attention to the decline in American shipbuilding and recommended such legislation as would secure to us our proportion of the carrying trade. Stimulated by high rates and abundance of freight, the progress for the last year in shipbuilding has been very satisfactory. There has been an increase of about 3 per cent in the amount transported in American vessels over the amount of last year. With the reduced cost of material which has taken place, it may reasonably be hoped that this progress will be maintained, and even increased. However, as we pay about \$80,000,000 per annum to foreign

vessels for the transportation to a market of our surplus products, thus increasing the balance of trade against us to this amount, the subject is one worthy of your serious consideration.

"Cheap transportation" is a subject that has attracted the attention of both producers and consumers for the past few years, and has contributed to, if it has not been the direct cause of, the recent panic and stringency.

As Congress, at its last session, appointed a special committee to investigate this whole subject during the vacation and report at this session, I have nothing to recommend until their report is read.

There is one work, however, of a national character, in which the greater portion of the East and the West, the North and the South, are equally interested, to which I will invite your attention.

The State of New York has a canal connecting Lake Erie with tide water on the Hudson River. The State of Illinois has a similar work connecting Lake Michigan with navigable water on the Illinois River, thus making water communication inland between the East and the West and South. These great artificial water courses are the property of the States through which they pass, and pay toll to those States. Would it not be wise statesmanship to pledge these States that if they will open these canals for the passage of large vessels the General Government will look after and keep in navigable condition the great public highways with which they connect, to wit, the Overslaugh on the Hudson, the St. Clair Flats, and the Illinois and Mississippi rivers? This would be a national work; one of great value to the producers of the West and South in giving them cheap transportation for their produce to the seaboard and a market, and to the consumers in the East in giving them cheaper food, particularly of those articles of food which do not find a foreign market, and the prices of which, therefore, are not regulated by foreign demands. The advantages of such a work are too obvious for argument. I submit the subject to you, therefore, without further comment.

In attempting to regain our lost commerce and carrying trade I have heretofore called attention to the States south of us offering a field where much might be accomplished. To further this object I suggest that a small appropriation be made, accompanied with authority for the Secretary of the Navy to fit out a naval vessel to ascend the Amazon River to the mouth of the Madeira; thence to explore that river and its tributaries into Bolivia, and to report to Congress at its next session, or as soon as practicable, the accessibility of the country by water, its resources, and the population so reached. Such an exploration would cost but little; it can do no harm, and may result in establishing a trade of value to both nations.

In further connection with the Treasury Department I would recommend a revision and codification of the tariff laws and the opening of

more mints for coining money, with authority to coin for such nations as may apply.

WAR DEPARTMENT.

The attention of Congress is invited to the recommendations contained in the report of the Secretary of War herewith accompanying.

The apparent great cost of supporting the Army is fully explained by this report, and I hope will receive your attention.

While inviting your general attention to all the recommendations made by the Secretary of War, there are two which I would especially invite you to consider: First, the importance of preparing for war in time of peace by providing proper armament for our seacoast defenses. Proper armament is of vastly more importance than fortifications. The latter can be supplied very speedily for temporary purposes when needed; the former can not. The second is the necessity of reopening promotion in the staff corps of the Army. Particularly is this necessity felt in the Medical, Pay, and Ordnance departments.

At this time it is necessary to employ "contract surgeons" to supply the necessary medical attendance required by the Army.

With the present force of the Pay Department it is now difficult to make the payments to troops provided for by law. Long delays in payments are productive of desertions and other demoralization, and the law prohibits the payment of troops by other than regular army paymasters.

There are now sixteen vacancies in the Ordnance Department, thus leaving that branch of the service without sufficient officers to conduct the business of the different arsenals on a large scale if ever required.

NAVY DEPARTMENT.

During the past year our Navy has been depleted by the sale of some vessels no longer fit for naval service and by the condemnation of others not yet disposed of. This, however, has been more than compensated for by the repair of six of the old wooden ships and by the building of eight new sloops of war, authorized by the last Congress. The building of these latter has occurred at a doubly fortunate time. They are about being completed at a time when they may possibly be much needed, and the work upon them has not only given direct employment to thousands of men, but has no doubt been the means of keeping open establishments for other work at a time of great financial distress.

Since the commencement of the last month, however, the distressing occurrences which have taken place in the waters of the Caribbean Sea, almost on our very seaboard, while they illustrate most forcibly the necessity always existing that a nation situated like ours should maintain in a state of possible efficiency a navy adequate to its responsibilities, has at the same time demanded that all the effective force we really have

shall be put in immediate readiness for warlike service. This has been and is being done promptly and effectively, and I am assured that all the available ships and every authorized man of the American Navy will be ready for whatever action is required for the safety of our citizens or the maintenance of our honor. This, of course, will require the expenditure in a short time of some of the appropriations which were calculated to extend through the fiscal year, but Congress will, I doubt not, understand and appreciate the emergency, and will provide adequately not only for the present preparation, but for the future maintenance of our naval force. The Secretary of the Navy has during the past year been quietly putting some of our most effective monitors in condition for service, and thus the exigency finds us in a much better condition for work than we could possibly have been without his action.

POST-OFFICE DEPARTMENT.

A complete exhibit is presented in the accompanying report of the Postmaster-General of the operations of the Post-Office Department during the year. The ordinary postal revenues for the fiscal year ended June 30, 1873, amounted to \$22,996,741.57, and the expenditures of all kinds to \$29,084,945.67. The increase of revenues over 1872 was \$1,081,315.20, and the increase of expenditures \$2,426,753.36.

Independent of the payments made from special appropriations for mail steamship lines, the amount drawn from the General Treasury to meet deficiencies was \$5,265,475. The constant and rapid extension of our postal service, particularly upon railways, and the improved facilities for the collection, transmission, distribution, and delivery of the mails which are constantly being provided account for the increased expenditures of this popular branch of the public service.

The total number of post-offices in operation on June 30, 1873, was 33,244, a net increase of 1,381 over the number reported the preceding year. The number of Presidential offices was 1,363, an increase of 163 during the year. The total length of railroad mail routes at the close of the year was 63,457 miles, an increase of 5,546 miles over the year 1872. Fifty-nine railway post-office lines were in operation June 30, 1873, extending over 14,866 miles of railroad routes and performing an aggregate service of 34,925 miles daily.

The number of letters exchanged with foreign countries was 27,459,185, an increase of 3,096,685 over the previous year, and the postage thereon amounted to \$2,021,310.86. The total weight of correspondence exchanged in the mails with European countries exceeded 912 tons, an increase of 92 tons over the previous year. The total cost of the United States ocean steamship service, including \$725,000 paid from special appropriations to subsidized lines of mail steamers, was \$1,047,271.35.

New or additional postal conventions have been concluded with Sweden, Norway, Belgium, Germany, Canada, Newfoundland, and Japan,