

a policy is adopted—with legislation to carry it out—looking to a return to a specie basis. It is easy to conceive that the debtor and speculative classes may think it of value to them to make so-called money abundant until they can throw a portion of their burdens upon others. But even these, I believe, would be disappointed in the result if a course should be pursued which will keep in doubt the value of the legal-tender medium of exchange. A revival of productive industry is needed by all classes; by none more than the holders of property, of whatever sort, with debts to liquidate from realization upon its sale. But admitting that these two classes of citizens are to be benefited by expansion, would it be honest to give it? Would not the general loss be too great to justify such relief? Would it not be just as honest and prudent to authorize each debtor to issue his own legal-tenders to the extent of his liabilities? Than to do this, would it not be safer, for fear of overissues by unscrupulous creditors, to say that all debt obligations are obliterated in the United States, and now we commence anew, each possessing all he has at the time free from incumbrance? These propositions are too absurd to be entertained for a moment by thinking or honest people. Yet every delay in preparation for final resumption partakes of this dishonesty, and is only less in degree as the hope is held out that a convenient season will at last arrive for the good work of redeeming our pledges to commence. It will never come, in my opinion, except by positive action by Congress, or by national disasters which will destroy, for a time at least, the credit of the individual and the State at large. A sound currency might be reached by total bankruptcy and discredit of the integrity of the nation and of individuals. I believe it is in the power of Congress at this session to devise such legislation as will renew confidence, revive all the industries, start us on a career of prosperity to last for many years and to save the credit of the nation and of the people. Steps toward the return to a specie basis are the great requisites to this devoutly to be sought for end. There are others which I may touch upon hereafter.

A nation dealing in a currency below that of specie in value labors under two great disadvantages: First, having no use for the world's acknowledged medium of exchange, gold and silver, these are driven out of the country because there is no need for their use; second, the medium of exchange in use being of a fluctuating value—for, after all, it is only worth just what it will purchase of gold and silver, metals having an intrinsic value just in proportion to the honest labor it takes to produce them—a larger margin must be allowed for profit by the manufacturer and producer. It is months from the date of production to the date of realization. Interest upon capital must be charged, and risk of fluctuation in the value of that which is to be received in payment added. Hence high prices, acting as a protection to the foreign producer, who receives nothing in exchange for the products of his skill and labor except a currency good, at a stable value, the world over. It seems to me

that nothing is clearer than that the greater part of the burden of existing prostration, for the want of a sound financial system, falls upon the working man, who must after all produce the wealth, and the salaried man, who superintends and conducts business. The burden falls upon them in two ways—by the deprivation of employment and by the decreased purchasing power of their salaries. It is the duty of Congress to devise the method of correcting the evils which are acknowledged to exist, and not mine. But I will venture to suggest two or three things which seem to me as absolutely necessary to a return to specie payments, the first great requisite in a return to prosperity. The legal-tender clause to the law authorizing the issue of currency by the National Government should be repealed, to take effect as to all contracts entered into after a day fixed in the repealing act—not to apply, however, to payments of salaries by Government, or for other expenditures now provided by law to be paid in currency, in the interval pending between repeal and final resumption. Provision should be made by which the Secretary of the Treasury can obtain gold as it may become necessary from time to time from the date when specie redemption commences. To this might and should be added a revenue sufficiently in excess of expenses to insure an accumulation of gold in the Treasury to sustain permanent redemption.

I commend this subject to your careful consideration, believing that a favorable solution is attainable, and if reached by this Congress that the present and future generations will ever gratefully remember it as their deliverer from a thralldom of evil and disgrace.

With resumption, free banking may be authorized with safety, giving the same full protection to bill holders which they have under existing laws. Indeed, I would regard free banking as essential. It would give proper elasticity to the currency. As more currency should be required for the transaction of legitimate business, new banks would be started, and in turn banks would wind up their business when it was found that there was a superabundance of currency. The experience and judgment of the people can best decide just how much currency is required for the transaction of the business of the country. It is unsafe to leave the settlement of this question to Congress, the Secretary of the Treasury, or the Executive. Congress should make the regulation under which banks may exist, but should not make banking a monopoly by limiting the amount of redeemable paper currency that shall be authorized. Such importance do I attach to this subject, and so earnestly do I commend it to your attention, that I give it prominence by introducing it at the beginning of this message.

During the past year nothing has occurred to disturb the general friendly and cordial relations of the United States with other powers.

The correspondence submitted herewith between this Government and its diplomatic representatives, as also with the representatives of other countries, shows a satisfactory condition of all questions between the

United States and the most of those countries, and with few exceptions, to which reference is hereafter made, the absence of any points of difference to be adjusted.

The notice directed by the resolution of Congress of June 17, 1874, to be given to terminate the convention of July 17, 1858, between the United States and Belgium has been given, and the treaty will accordingly terminate on the 1st day of July, 1875. This convention secured to certain Belgian vessels entering the ports of the United States exceptional privileges which are not accorded to our own vessels. Other features of the convention have proved satisfactory, and have tended to the cultivation of mutually beneficial commercial intercourse and friendly relations between the two countries. I hope that negotiations which have been invited will result in the celebration of another treaty which may tend to the interests of both countries.

Our relations with China continue to be friendly. During the past year the fear of hostilities between China and Japan, growing out of the landing of an armed force upon the island of Formosa by the latter, has occasioned uneasiness. It is earnestly hoped, however, that the difficulties arising from this cause will be adjusted, and that the advance of civilization in these Empires may not be retarded by a state of war. In consequence of the part taken by certain citizens of the United States in this expedition, our representatives in those countries have been instructed to impress upon the Governments of China and Japan the firm intention of this country to maintain strict neutrality in the event of hostilities, and to carefully prevent any infraction of law on the part of our citizens.

In connection with this subject I call the attention of Congress to a generally conceded fact—that the great proportion of the Chinese immigrants who come to our shores do not come voluntarily, to make their homes with us and their labor productive of general prosperity, but come under contracts with headmen, who own them almost absolutely. In a worse form does this apply to Chinese women. Hardly a perceptible percentage of them perform any honorable labor, but they are brought for shameful purposes, to the disgrace of the communities where settled and to the great demoralization of the youth of those localities. If this evil practice can be legislated against, it will be my pleasure as well as duty to enforce any regulation to secure so desirable an end.

It is hoped that negotiations between the Government of Japan and the treaty powers, looking to the further opening of the Empire and to the removal of various restrictions upon trade and travel, may soon produce the results desired, which can not fail to inure to the benefit of all the parties. Having on previous occasions submitted to the consideration of Congress the propriety of the release of the Japanese Government from the further payment of the indemnity under the convention of October 22, 1864, and as no action had been taken thereon, it became my duty to

regard the obligations of the convention as in force; and as the other powers interested had received their portion of the indemnity in full, the minister of the United States in Japan has, in behalf of this Government, received the remainder of the amount due to the United States under the convention of Simonosaki. I submit the propriety of applying the income of a part, if not of the whole, of this fund to the education in the Japanese language of a number of young men to be under obligations to serve the Government for a specified time as interpreters at the legation and the consulates in Japan. A limited number of Japanese youths might at the same time be educated in our own vernacular, and mutual benefits would result to both Governments. The importance of having our own citizens, competent and familiar with the language of Japan, to act as interpreters and in other capacities connected with the legation and the consulates in that country can not readily be overestimated.

The amount awarded to the Government of Great Britain by the mixed commission organized under the provisions of the treaty of Washington in settlement of the claims of British subjects arising from acts committed between April 13, 1861, and April 9, 1865, became payable, under the terms of the treaty, within the past year, and was paid upon the 21st day of September, 1874. In this connection I renew my recommendation, made at the opening of the last session of Congress, that a special court be created to hear and determine all claims of aliens against the United States arising from acts committed against their persons or property during the insurrection. It appears equitable that opportunity should be offered to citizens of other states to present their claims, as well as to those British subjects whose claims were not admissible under the late commission, to the early decision of some competent tribunal. To this end I recommend the necessary legislation to organize a court to dispose of all claims of aliens of the nature referred to in an equitable and satisfactory manner, and to relieve Congress and the Departments from the consideration of these questions.

The legislation necessary to extend to the colony of Newfoundland certain articles of the treaty of Washington of the 8th day of May, 1871, having been had, a protocol to that effect was signed in behalf of the United States and of Great Britain on the 28th day of May last, and was duly proclaimed on the following day. A copy of the proclamation\* is submitted herewith.

A copy of the report of the commissioner appointed under the act of March 19, 1872, for surveying and marking the boundary between the United States and the British possessions from the Lake of the Woods to the summit of the Rocky Mountains is herewith transmitted. I am happy to announce that the field work of the commission has been completed, and the entire line from the northwest corner of the Lake of the Woods to the summit of the Rocky Mountains has been run and marked

\* See pp. 273-276.

upon the surface of the earth. It is believed that the amount remaining unexpended of the appropriation made at the last session of Congress will be sufficient to complete the office work. I recommend that the authority of Congress be given to the use of the unexpended balance of the appropriation in the completion of the work of the commission in making its report and preparing the necessary maps.

The court known as the Court of Commissioners of Alabama Claims, created by an act of Congress of the last session, has organized and commenced its work, and it is to be hoped that the claims admissible under the provisions of the act may be speedily ascertained and paid.

It has been deemed advisable to exercise the discretion conferred upon the Executive at the last session by accepting the conditions required by the Government of Turkey for the privilege of allowing citizens of the United States to hold real estate in the former country, and by assenting to a certain change in the jurisdiction of courts in the latter. A copy of the proclamation \* upon these subjects is herewith communicated.

There has been no material change in our relations with the independent States of this hemisphere which were formerly under the dominion of Spain. Marauding on the frontiers between Mexico and Texas still frequently takes place, despite the vigilance of the civil and military authorities in that quarter. The difficulty of checking such trespasses along the course of a river of such length as the Rio Grande, and so often fordable, is obvious. It is hoped that the efforts of this Government will be seconded by those of Mexico to the effectual suppression of these acts of wrong.

From a report upon the condition of the business before the American and Mexican Joint Claims Commission, made by the agent on the part of the United States, and dated October 28, 1874, it appears that of the 1,017 claims filed on the part of citizens of the United States, 483 had been finally decided and 75 were in the hands of the umpire, leaving 462 to be disposed of; and of the 998 claims filed against the United States, 726 had been finally decided, 1 was before the umpire, and 271 remained to be disposed of. Since the date of such report other claims have been disposed of, reducing somewhat the number still pending; and others have been passed upon by the arbitrators. It has become apparent, in view of these figures and of the fact that the work devolving on the umpire is particularly laborious, that the commission will be unable to dispose of the entire number of claims pending prior to the 1st day of February, 1875—the date fixed for its expiration. Negotiations are pending looking to the securing of the results of the decisions which have been reached and to a further extension of the commission for a limited time, which it is confidently hoped will suffice to bring all the business now before it to a final close.

The strife in the Argentine Republic is to be deplored, both on account

\* See pp. 277-281.

of the parties thereto and from the probable effects on the interests of those engaged in the trade to that quarter, of whom the United States are among the principal. As yet, so far as I am aware, there has been no violation of our neutrality rights, which, as well as our duties in that respect, it shall be my endeavor to maintain and observe.

It is with regret I announce that no further payment has been received from the Government of Venezuela on account of awards in favor of citizens of the United States. Hopes have been entertained that if that Republic could escape both foreign and civil war for a few years its great natural resources would enable it to honor its obligations. Though it is now understood to be at peace with other countries, a serious insurrection is reported to be in progress in an important region of that Republic. This may be taken advantage of as another reason to delay the payment of the dues of our citizens.

The deplorable strife in Cuba continues without any marked change in the relative advantages of the contending forces. The insurrection continues, but Spain has gained no superiority. Six years of strife give to the insurrection a significance which can not be denied. Its duration and the tenacity of its adherence, together with the absence of manifested power of suppression on the part of Spain, can not be controverted, and may make some positive steps on the part of other powers a matter of self-necessity. I had confidently hoped at this time to be able to announce the arrangement of some of the important questions between this Government and that of Spain, but the negotiations have been protracted. The unhappy intestine dissensions of Spain command our profound sympathy, and must be accepted as perhaps a cause of some delay. An early settlement, in part at least, of the questions between the Governments is hoped. In the meantime, awaiting the results of immediately pending negotiations, I defer a further and fuller communication on the subject of the relations of this country and Spain.

I have again to call the attention of Congress to the unsatisfactory condition of the existing laws with reference to expatriation and the election of nationality. Formerly, amid conflicting opinions and decisions, it was difficult to exactly determine how far the doctrine of perpetual allegiance was applicable to citizens of the United States. Congress by the act of the 27th of July, 1868, asserted the abstract right of expatriation as a fundamental principle of this Government. Notwithstanding such assertion and the necessity of frequent application of the principle, no legislation has been had defining what acts or formalities shall work expatriation or when a citizen shall be deemed to have renounced or to have lost his citizenship. The importance of such definition is obvious. The representatives of the United States in foreign countries are continually called upon to lend their aid and the protection of the United States to persons concerning the good faith or the reality of whose citizenship there is at least great question. In some cases the provisions of

the treaties furnish some guide; in others it seems left to the person claiming the benefits of citizenship, while living in a foreign country, contributing in no manner to the performance of the duties of a citizen of the United States, and without intention at any time to return and undertake those duties, to use the claims to citizenship of the United States simply as a shield from the performance of the obligations of a citizen elsewhere.

The status of children born of American parents residing in a foreign country, of American women who have married aliens, of American citizens residing abroad where such question is not regulated by treaty, are all sources of frequent difficulty and discussion. Legislation on these and similar questions, and particularly defining when and under what circumstances expatriation can be accomplished or is to be presumed, is especially needed. In this connection I earnestly call the attention of Congress to the difficulties arising from fraudulent naturalization. The United States wisely, freely, and liberally offers its citizenship to all who may come in good faith to reside within its limits on their complying with certain prescribed reasonable and simple formalities and conditions. Among the highest duties of the Government is that to afford firm, sufficient, and equal protection to all its citizens, whether native born or naturalized. Care should be taken that a right carrying with it such support from the Government should not be fraudulently obtained, and should be bestowed only upon full proof of a compliance with the law; and yet frequent instances are brought to the attention of the Government of illegal and fraudulent naturalization and of the unauthorized use of certificates thus improperly obtained. In some cases the fraudulent character of the naturalization has appeared upon the face of the certificate itself; in others examination discloses that the holder had not complied with the law, and in others certificates have been obtained where the persons holding them not only were not entitled to be naturalized, but had not even been within the United States at the time of the pretended naturalization. Instances of each of these classes of fraud are discovered at our legations, where the certificates of naturalization are presented either for the purpose of obtaining passports or in demanding the protection of the legation. When the fraud is apparent on the face of such certificates, they are taken up by the representatives of the Government and forwarded to the Department of State. But even then the record of the court in which the fraudulent naturalization occurred remains, and duplicate certificates are readily obtainable. Upon the presentation of these for the issue of passports or in demanding protection of the Government, the fraud sometimes escapes notice, and such certificates are not infrequently used in transactions of business to the deception and injury of innocent parties. Without placing any additional obstacles in the way of the obtainment of citizenship by the worthy and well-intentioned foreigner who comes in good faith to cast his lot with ours, I earnestly

recommend further legislation to punish fraudulent naturalization and to secure the ready cancellation of the record of every naturalization made in fraud.

Since my last annual message the exchange has been made of the ratification of treaties of extradition with Belgium, Ecuador, Peru, and Salvador; also of a treaty of commerce and navigation with Peru, and one of commerce and consular privileges with Salvador; all of which have been duly proclaimed, as has also a declaration with Russia with reference to trade-marks.

The report of the Secretary of the Treasury, which by law is made directly to Congress, and forms no part of this message, will show the receipts and expenditures of the Government for the last fiscal year, the amount received from each source of revenue, and the amount paid out for each of the Departments of Government. It will be observed from this report that the amount of receipts over expenditures has been but \$2,344,882.30 for the fiscal year ending June 30, 1874, and that for the current fiscal year the estimated receipts over expenditures will not much exceed \$9,000,000. In view of the large national debt existing and the obligation to add 1 per cent per annum to the sinking fund, a sum amounting now to over \$34,000,000 per annum, I submit whether revenues should not be increased or expenditures diminished to reach this amount of surplus. Not to provide for the sinking fund is a partial failure to comply with the contracts and obligations of the Government. At the last session of Congress a very considerable reduction was made in rates of taxation and in the number of articles submitted to taxation; the question may well be asked, whether or not, in some instances, unwisely. In connection with this subject, too, I venture the opinion that the means of collecting the revenue, especially from imports, have been so embarrassed by legislation as to make it questionable whether or not large amounts are not lost by failure to collect, to the direct loss of the Treasury and to the prejudice of the interests of honest importers and taxpayers.

The Secretary of the Treasury in his report favors legislation looking to an early return to specie payments, thus supporting views previously expressed in this message. He also recommends economy in appropriations; calls attention to the loss of revenue from repealing the tax on tea and coffee, without benefit to the consumer; recommends an increase of 10 cents a gallon on whisky, and, further, that no modification be made in the banking and currency bill passed at the last session of Congress, unless modification should become necessary by reason of the adoption of measures for returning to specie payments. In these recommendations I cordially join.

I would suggest to Congress the propriety of readjusting the tariff so as to increase the revenue, and at the same time decrease the number of articles upon which duties are levied. Those articles which enter into

our manufactures and are not produced at home, it seems to me, should be entered free. Those articles of manufacture which we produce a constituent part of, but do not produce the whole, that part which we do not produce should enter free also. I will instance fine wool, dyes, etc. These articles must be imported to form a part of the manufacture of the higher grades of woolen goods. Chemicals used as dyes, compounded in medicines, and used in various ways in manufactures come under this class. The introduction free of duty of such wools as we do not produce would stimulate the manufacture of goods requiring the use of those we do produce, and therefore would be a benefit to home production. There are many articles entering into "home manufactures" which we do not produce ourselves the tariff upon which increases the cost of producing the manufactured article. All corrections in this regard are in the direction of bringing labor and capital in harmony with each other and of supplying one of the elements of prosperity so much needed.

The report of the Secretary of War herewith attached, and forming a part of this message, gives all the information concerning the operations, wants, and necessities of the Army, and contains many suggestions and recommendations which I commend to your special attention.

There is no class of Government employees who are harder worked than the Army—officers and men; none who perform their tasks more cheerfully and efficiently and under circumstances of greater privations and hardships.

Legislation is desirable to render more efficient this branch of the public service. All the recommendations of the Secretary of War I regard as judicious, and I especially commend to your attention the following: The consolidation of Government arsenals; the restoration of mileage to officers traveling under orders; the exemption of money received from the sale of subsistence stores from being covered into the Treasury; the use of appropriations for the purchase of subsistence stores without waiting for the beginning of the fiscal year for which the appropriation is made; for additional appropriations for the collection of torpedo material; for increased appropriations for the manufacture of arms; for relieving the various States from indebtedness for arms charged to them during the rebellion; for dropping officers from the rolls of the Army without trial for the offense of drawing pay more than once for the same period; for the discouragement of the plan to pay soldiers by check, and for the establishment of a professorship of rhetoric and English literature at West Point. The reasons for these recommendations are obvious, and are set forth sufficiently in the reports attached. I also recommend that the status of the staff corps of the Army be fixed, where this has not already been done, so that promotions may be made and vacancies filled as they occur in each grade when reduced below the number to be fixed by law. The necessity for such legislation is specially felt now in the Pay Department. The number of officers in that department is below

the number adequate to the performance of the duties required of them by law.

The efficiency of the Navy has been largely increased during the last year. Under the impulse of the foreign complications which threatened us at the commencement of the last session of Congress, most of our efficient wooden ships were put in condition for immediate service, and the repairs of our ironclad fleet were pushed with the utmost vigor. The result is that most of these are now in an effective state and need only to be manned and put in commission to go at once into service.

Some of the new sloops authorized by Congress are already in commission, and most of the remainder are launched and wait only the completion of their machinery to enable them to take their places as part of our effective force.

Two iron torpedo ships have been completed during the last year, and four of our large double-turreted ironclads are now undergoing repairs. When these are finished, everything that is useful of our Navy, as now authorized, will be in condition for service, and with the advance in the science of torpedo warfare the American Navy, comparatively small as it is, will be found at any time powerful for the purposes of a peaceful nation.

Much has been accomplished during the year in aid of science and to increase the sum of general knowledge and further the interests of commerce and civilization. Extensive and much-needed soundings have been made for hydrographic purposes and to fix the proper routes of ocean telegraphs. Further surveys of the great Isthmus have been undertaken and completed, and two vessels of the Navy are now employed, in conjunction with those of England, France, Germany, and Russia, in observations connected with the transit of Venus, so useful and interesting to the scientific world.

The estimates for this branch of the public service do not differ materially from those of last year, those for the general support of the service being somewhat less and those for permanent improvements at the various stations rather larger than the corresponding estimate made a year ago. The regular maintenance and a steady increase in the efficiency of this most important arm in proportion to the growth of our maritime intercourse and interests is recommended to the attention of Congress.

The use of the Navy in time of peace might be further utilized by a direct authorization of the employment of naval vessels in explorations and surveys of the supposed navigable waters of other nationalities on this continent, especially the tributaries of the two great rivers of South America, the Orinoco and the Amazon. Nothing prevents, under existing laws, such exploration, except that expenditures must be made in such expeditions beyond those usually provided for in the appropriations. The field designated is unquestionably one of interest and one capable of large development of commercial interests—advantageous to the peoples reached and to those who may establish relations with them.