

The revenues of the Government during the fiscal year ending June 30, 1877, were \$269,000,586.62; the total expenditures for the same period were \$238,660,008.93, leaving a surplus revenue of \$30,340,577.69. This has substantially supplied the requirements of the sinking fund for that year. The estimated revenues of the current fiscal year are \$265,500,000, and the estimated expenditures for the same period are \$232,430,643.72. If these estimates prove to be correct, there will be a surplus revenue of \$33,069,356.28—an amount nearly sufficient for the sinking fund for that year. The estimated revenues for the next fiscal year are \$269,250,000. It appears from the report that during the last fiscal year the revenues of the Government, compared with the previous year, have largely decreased. This decrease, amounting to the sum of \$18,481,452.54, was mainly in customs duties, caused partly by a large falling off of the amount of imported dutiable goods and partly by the general fall of prices in the markets of production of such articles as pay *ad valorem* taxes.

While this is felt injuriously in the diminution of the revenue, it has been accompanied with a very large increase of exportations. The total exports during the last fiscal year, including coin, have been \$658,637,457, and the imports have been \$492,097,540, leaving a balance of trade in favor of the United States amounting to the sum of \$166,539,917, the beneficial effects of which extend to all branches of business.

The estimated revenue for the next fiscal year will impose upon Congress the duty of strictly limiting appropriations, including the requisite sum for the maintenance of the sinking fund, within the aggregate estimated receipts.

While the aggregate of taxes should not be increased, amendments might be made to the revenue laws that would, without diminishing the revenue, relieve the people from unnecessary burdens. A tax on tea and coffee is shown by the experience not only of our own country, but of other countries, to be easily collected, without loss by undervaluation or fraud, and largely borne in the country of production. A tax of 10 cents a pound on tea and 2 cents a pound on coffee would produce a revenue exceeding \$12,000,000, and thus enable Congress to repeal a multitude of annoying taxes yielding a revenue not exceeding that sum. The internal-revenue system grew out of the necessities of the war, and most of the legislation imposing taxes upon domestic products under this system has been repealed. By the substitution of a tax on tea and coffee all forms of internal taxation may be repealed, except that on whisky, spirits, tobacco, and beer. Attention is also called to the necessity of enacting more vigorous laws for the protection of the revenue and for the punishment of frauds and smuggling. This can best be done by judicious provisions that will induce the disclosure of attempted fraud by undervaluation and smuggling. All revenue laws should be simple in their provisions and easily understood. So far as practicable, the

rates of taxation should be in the form of specific duties, and not *ad valorem*, requiring the judgment of experienced men to ascertain values and exposing the revenue to the temptation of fraud.

My attention has been called during the recess of Congress to abuses existing in the collection of the customs, and strenuous efforts have been made for their correction by Executive orders. The recommendations submitted to the Secretary of the Treasury by a commission appointed to examine into the collection of customs duties at the port of New York contain many suggestions for the modification of the customs laws, to which the attention of Congress is invited.

It is matter of congratulation that notwithstanding the severe burdens caused by the war the public faith with all creditors has been preserved, and that as the result of this policy the public credit has continuously advanced and our public securities are regarded with the highest favor in the markets of the world. I trust that no act of the Government will cast a shadow upon its credit.

The progress of refunding the public debt has been rapid and satisfactory. Under the contract existing when I entered upon the discharge of the duties of my office, bonds bearing interest at the rate of 4½ per cent were being rapidly sold, and within three months the aggregate sales of these bonds had reached the sum of \$200,000,000. With my sanction the Secretary of the Treasury entered into a new contract for the sale of 4 per cent bonds, and within thirty days after the popular subscription for such bonds was opened subscriptions were had amounting to \$75,496,550, which were paid for within ninety days after the date of subscription. By this process, within but little more than one year, the annual interest on the public debt was reduced in the sum of \$3,775,000.

I recommended that suitable provision be made to enable the people to easily convert their savings into Government securities, as the best mode in which small savings may be well secured and yield a moderate interest. It is an object of public policy to retain among our own people the securities of the United States. In this way our country is guarded against their sudden return from foreign countries, caused by war or other disturbances beyond our limits.

The commerce of the United States with foreign nations, and especially the export of domestic productions, has of late years largely increased; but the greater portion of this trade is conducted in foreign vessels. The importance of enlarging our foreign trade, and especially by direct and speedy interchange with countries on this continent, can not be overestimated; and it is a matter of great moment that our own shipping interest should receive, to the utmost practical extent, the benefit of our commerce with other lands. These considerations are forcibly urged by all the large commercial cities of the country, and public attention is generally and wisely attracted to the solution of the problems

they present. It is not doubted that Congress will take them up in the broadest spirit of liberality and respond to the public demand by practical legislation upon this important subject.

The report of the Secretary of War shows that the Army has been actively employed during the year, and has rendered very important service in suppressing hostilities in the Indian country and in preserving peace and protecting life and property in the interior as well as along the Mexican border. A long and arduous campaign has been prosecuted, with final complete success, against a portion of the Nez Percé tribe of Indians. A full account of this campaign will be found in the report of the General of the Army. It will be seen that in its course several severe battles were fought, in which a number of gallant officers and men lost their lives. I join with the Secretary of War and the General of the Army in awarding to the officers and men employed in the long and toilsome pursuit and in the final capture of these Indians the honor and praise which are so justly their due.

The very serious riots which occurred in several of the States in July last rendered necessary the employment of a considerable portion of the Army to preserve the peace and maintain order. In the States of West Virginia, Maryland, Pennsylvania, and Illinois these disturbances were so formidable as to defy the local and State authorities, and the National Executive was called upon, in the mode provided by the Constitution and laws, to furnish military aid. I am gratified to be able to state that the troops sent in response to these calls for aid in the suppression of domestic violence were able, by the influence of their presence in the disturbed regions, to preserve the peace and restore order without the use of force. In the discharge of this delicate and important duty both officers and men acted with great prudence and courage, and for their services deserve the thanks of the country.

Disturbances along the Rio Grande in Texas, to which I have already referred, have rendered necessary the constant employment of a military force in that vicinity. A full report of all recent military operations in that quarter has been transmitted to the House of Representatives in answer to a resolution of that body, and it will therefore not be necessary to enter into details. I regret to say that these lawless incursions into our territory by armed bands from the Mexican side of the line, for the purpose of robbery, have been of frequent occurrence, and in spite of the most vigilant efforts of the commander of our forces the marauders have generally succeeded in escaping into Mexico with their plunder. In May last I gave orders for the exercise of the utmost vigilance on the part of our troops for the suppression of these raids and the punishment of the guilty parties, as well as the recapture of property stolen by them. General Ord, commanding in Texas, was directed to invite the cooperation of the Mexican authorities in efforts to this end, and to assure them that I was anxious to avoid giving the least offense to Mexico. At the

same time, he was directed to give notice of my determination to put an end to the invasion of our territory by lawless bands intent upon the plunder of our peaceful citizens, even if the effectual punishment of the outlaws should make the crossing of the border by our troops in their pursuit necessary. It is believed that this policy has had the effect to check somewhat these depredations, and that with a considerable increase of our force upon that frontier and the establishment of several additional military posts along the Rio Grande, so as more effectually to guard that extensive border, peace may be preserved and the lives and property of our citizens in Texas fully protected.

Prior to the 1st day of July last the Army was, in accordance with law, reduced to the maximum of 25,000 enlisted men, being a reduction of 2,500 below the force previously authorized. This reduction was made, as required by law, entirely from the infantry and artillery branches of the service, without any reduction of the cavalry. Under the law as it now stands it is necessary that the cavalry regiments be recruited to 100 men in each company for service on the Mexican and Indian frontiers. The necessary effect of this legislation is to reduce the infantry and artillery arms of the service below the number required for efficiency, and I concur with the Secretary of War in recommending that authority be given to recruit all companies of infantry to at least 50 men and all batteries of artillery to at least 75 men, with the power, in case of emergency, to increase the former to 100 and the latter to 122 men each.

I invite your special attention to the following recommendations of the Secretary of War:

First. That provision be made for supplying to the Army a more abundant and better supply of reading matter.

Second. That early action be taken by Congress looking to a complete revision and republication of the Army Regulations.

Third. That section 1258 of the Revised Statutes, limiting the number of officers on the retired list, be repealed.

Fourth. That the claims arising under the act of July 4, 1864, for supplies taken by the Army during the war, be taken from the offices of the Quartermaster and Commissary Generals and transferred to the Southern Claims Commission, or some other tribunal having more time and better facilities for their prompt investigation and decision than are possessed by these officers.

Fifth. That Congress provide for an annuity fund for the families of deceased soldiers, as recommended by the Paymaster-General of the Army.

The report of the Secretary of the Navy shows that we have six squadrons now engaged in the protection of our foreign commerce and other duties pertaining to the naval service. The condition and operations of the Department are also shown. The total expenditures for the fiscal year ending June 30, 1877, were \$16,077,974.54. There are unpaid

claims against the Department chargeable to the last year, which are presented to the consideration of Congress by the report of the Secretary. The estimates for the fiscal year commencing July 1, 1878, are \$16,233,234.40, exclusive of the sum of \$2,314,231 submitted for new buildings, repairs, and improvements at the several navy-yards. The appropriations for the present fiscal year, commencing July 1, 1877, are \$13,592,932.90. The amount drawn from the Treasury from July 1 to November 1, 1877, is \$5,343,037.40, of which there is estimated to be yet available \$1,029,528.30, showing the amount of actual expenditure during the first four months of the present fiscal year to have been \$4,313,509.10.

The report of the Postmaster-General contains a full and clear statement of the operations and condition of the Post-Office Department. The ordinary revenues of the Department for the fiscal year ending June 30, 1877, including receipts from the money-order business and from official stamps and stamped envelopes, amounted to the sum of \$27,531,585.26. The additional sum of \$7,013,000 was realized from appropriations from the general Treasury for various purposes, making the receipts from all sources \$34,544,885.26. The total expenditures during the fiscal year amounted to \$33,486,322.44, leaving an excess of total receipts over total expenditures of \$1,058,562.82, and an excess of total expenditures over ordinary receipts of \$5,954,737.18. Deducting from the total receipts the sum of \$63,261.84, received from international money orders of the preceding fiscal year, and deducting from the total expenditures the sum of \$1,163,818.20, paid on liabilities incurred in previous fiscal years, the expenditures and receipts appertaining to the business of the last fiscal year were as follows:

Expenditures.....	\$32,322,504.24
Receipts (ordinary, from money-order business and from official postage stamps).....	27,468,323.42
Excess of expenditures	4,854,180.82

The ordinary revenues of the Post-Office Department for the year ending June 30, 1879, are estimated at an increase of 3 per cent over those of 1877, making \$29,034,098.28, and the expenditures for the same year are estimated at \$36,427,771, leaving an estimated deficiency for the year 1879 of \$7,393,672.72. The additional legislation recommended by the Postmaster-General for improvements of the mail service and to protect the postal revenues from the abuses practiced under existing laws is respectfully commended to the careful consideration of Congress.

The report of the Attorney-General contains several suggestions as to the administration of justice, to which I invite your attention. The pressure of business in the Supreme Court and in certain circuit courts of the United States is now such that serious delays, to the great injury, and even oppression, of suitors, occur, and a remedy should be sought for this condition of affairs. Whether it will be found in the plan briefly

sketched in the report, of increasing the number of judges of the circuit courts, and, by means of this addition to the judicial force, of creating an intermediate court of errors and appeals, or whether some other mode can be devised for obviating the difficulties which now exist, I leave to your mature consideration.

The present condition of the Indian tribes in the territory of the United States and our relations with them are fully set forth in the reports of the Secretary of the Interior and the Commissioner of Indian Affairs. After a series of most deplorable conflicts—the successful termination of which, while reflecting honor upon the brave soldiers who accomplished it, can not lessen our regret at their occurrence—we are now at peace with all the Indian tribes within our borders. To preserve that peace by a just and humane policy will be the object of my earnest endeavors. Whatever may be said of their character and savage propensities, of the difficulties of introducing among them the habits of civilized life, and of the obstacles they have offered to the progress of settlement and enterprise in certain parts of the country, the Indians are certainly entitled to our sympathy and to a conscientious respect on our part for their claims upon our sense of justice. They were the aboriginal occupants of the land we now possess. They have been driven from place to place. The purchase money paid to them in some cases for what they called their own has still left them poor. In many instances, when they had settled down upon land assigned to them by compact and begun to support themselves by their own labor, they were rudely jostled off and thrust into the wilderness again. Many, if not most, of our Indian wars have had their origin in broken promises and acts of injustice upon our part, and the advance of the Indians in civilization has been slow because the treatment they received did not permit it to be faster and more general. We can not expect them to improve and to follow our guidance unless we keep faith with them in respecting the rights they possess, and unless, instead of depriving them of their opportunities, we lend them a helping hand.

I cordially approve the policy regarding the management of Indian affairs outlined in the reports of the Secretary of the Interior and of the Commissioner of Indian Affairs. The faithful performance of our promises is the first condition of a good understanding with the Indians. I can not too urgently recommend to Congress that prompt and liberal provision be made for the conscientious fulfillment of all engagements entered into by the Government with the Indian tribes. To withhold the means necessary for the performance of a promise is always false economy, and is apt to prove disastrous in its consequences. Especial care is recommended to provide for Indians settled on their reservations cattle and agricultural implements, to aid them in whatever efforts they may make to support themselves, and by the establishment and maintenance of schools to bring them under the control of civilized influences.

I see no reason why Indians who can give satisfactory proof of having by their own labor supported their families for a number of years, and who are willing to detach themselves from their tribal relations, should not be admitted to the benefit of the homestead act and the privileges of citizenship, and I recommend the passage of a law to that effect. It will be an act of justice as well as a measure of encouragement. Earnest efforts are being made to purify the Indian service, so that every dollar appropriated by Congress shall redound to the benefit of the Indians, as intended. Those efforts will have my firm support. With an improved service and every possible encouragement held out to the Indians to better their condition and to elevate themselves in the scale of civilization, we may hope to accomplish at the same time a good work for them and for ourselves.

I invite the attention of Congress to the importance of the statements and suggestions made by the Secretary of the Interior concerning the depredations committed on the timber lands of the United States and the necessity for the preservation of forests. It is believed that the measures taken in pursuance of existing laws to arrest those depredations will be entirely successful if Congress, by an appropriation for that purpose, renders their continued enforcement possible. The experience of other nations teaches us that a country can not be stripped of its forests with impunity, and we shall expose ourselves to the gravest consequences unless the wasteful and improvident manner in which the forests in the United States are destroyed be effectually checked. I earnestly recommend that the measures suggested by the Secretary of the Interior for the suppression of depredations on the public timber lands of the United States, for the selling of timber from the public lands, and for the preservation of forests be embodied in a law, and that, considering the urgent necessity of enabling the people of certain States and Territories to purchase timber from the public lands in a legal manner, which at present they can not do, such a law be passed without unavoidable delay. I would also call the attention of Congress to the statements made by the Secretary of the Interior concerning the disposition that might be made of the desert lands, not irrigable, west of the one hundredth meridian. These lands are practically unsalable under existing laws, and the suggestion is worthy of consideration that a system of leasehold tenure would make them a source of profit to the United States, while at the same time legalizing the business of cattle raising which is at present carried on upon them.

The report of the Commissioner of Agriculture contains the gratifying announcement of the extraordinary success which has rewarded the agricultural industry of the country for the past year. With the fair prices which obtain for the products of the soil, especially for the surplus which our people have to export, we may confidently turn to this as the most important of all our resources for the revival of the depressed industries

of the country. The report shows our agricultural progress during the year, and contains a statement of the work done by this Department for the advancement of agricultural industry, upon which the prosperity of our people so largely depends. Matters of information are included of great interest to all who seek, by the experience of others, to improve their own methods of cultivation. The efforts of the Department to increase the production of important articles of consumption will, it is hoped, improve the demand for labor and advance the business of the country, and eventually result in saving some of the many millions that are now annually paid to foreign nations for sugar and other staple products which habitual use has made necessary in our domestic everyday life.

The board on behalf of the United States Executive Departments at the International Exhibition of 1876 has concluded its labors. The final report of the board was transmitted to Congress by the President near the close of the last session. As these papers are understood to contain interesting and valuable information, and will constitute the only report emanating from the Government on the subject of the exhibition, I invite attention to the matter and recommend that the report be published for general information.

Congress is empowered by the Constitution with the authority of exclusive legislation over the District of Columbia, in which the seat of Government of the nation is located. The interests of the District, having no direct representation in Congress, are entitled to especial consideration and care at the hands of the General Government. The capital of the United States belongs to the nation, and it is natural that the American people should take pride in the seat of their National Government and desire it to be an ornament to the country. Much has been done to render it healthful, convenient, and attractive, but much remains to be done, which its permanent inhabitants are not able and ought not to be expected to do. To impose upon them a large proportion of the cost required for public improvements, which are in a great measure planned and executed for the convenience of the Government and of the many thousands of visitors from all parts of the country who temporarily reside at the capital of the nation, is an evident injustice. Special attention is asked by the Commissioners of the District in their report, which is herewith transmitted, to the importance of a permanent adjustment by Congress of the financial relations between the United States and the District, involving the regular annual contribution by the United States of its just proportion of the expenses of the District government and of the outlay for all needed public improvements, and such measure of relief from the burden of taxation now resting upon the people of the District as in the wisdom of Congress may be deemed just.

The report of the Commissioners shows that the affairs of the District are in a condition as satisfactory as could be expected in view of the

heavy burden of debt resting upon it and its very limited means for necessary expenses.

The debt of the District is as follows:

Old funded debt	\$8, 379, 691. 96
3.65 bonds, guaranteed by the United States	13, 743, 250. 00
Total bonded debt	22, 122, 941. 96
To which should be added certain outstanding claims, as explained in the report of the Commissioners	1, 187, 204. 52
Making the total debt of the District	23, 310, 146. 48

The Commissioners also ask attention to the importance of the improvement of the Potomac River and the reclamation of the marshes bordering the city of Washington, and their views upon this subject are concurred in by the members of the board of health, whose report is also herewith transmitted. Both the commercial and sanitary interests of the District will be greatly promoted, I doubt not, by this improvement.

Your attention is invited to the suggestion of the Commissioners and of the board of health for the organization of a board of charities, to have supervision and control of the disbursement of all moneys for charitable purposes from the District treasury. I desire also to ask your especial attention to the need of adding to the efficiency of the public schools of the District by supplemental aid from the National Treasury. This is especially just, since so large a number of those attending these schools are children of employees of the Government. I earnestly commend to your care the interests of the people of the District, who are so intimately associated with the Government establishments, and to whose enterprise the good order and attractiveness of the capital are largely due; and I ask your attention to the request of the Commissioners for legislation in behalf of the interests intrusted to their care. The appropriations asked for the care of the reservations belonging to the Government within the city, by the Commissioner of Public Buildings and Grounds, are also commended to your favorable consideration.

The report of the joint commission created by the act approved 2d of August, 1876, entitled "An act providing for the completion of the Washington Monument," is also herewith transmitted, with accompanying documents. The board of engineer officers detailed to examine the monument, in compliance with the second section of the act, have reported that the foundation is insufficient. No authority exists for making the expenditure necessary to secure its stability. I therefore recommend that the commission be authorized to expend such portion of the sum appropriated by the act as may be necessary for the purpose. The present unfinished condition of the monument, begun so long ago, is a reproach to the nation. It can not be doubted that the patriotic sense of the country will warmly respond to such prompt provision as may be made for its completion at an early day, and I urge

upon Congress the propriety and necessity of immediate legislation for this purpose.

The wisdom of legislation upon the part of Congress, in aid of the States, for the education of the whole people in those branches of study which are taught in the common schools of the country is no longer a question. The intelligent judgment of the country goes still further, regarding it as also both constitutional and expedient for the General Government to extend to technical and higher education such aid as is deemed essential to the general welfare and to our due prominence among the enlightened and cultured nations of the world. The ultimate settlement of all questions of the future, whether of administration or finance or of true nationality of sentiment, depends upon the virtue and intelligence of the people. It is vain to hope for the success of a free government without the means of insuring the intelligence of those who are the source of power. No less than one-seventh of the entire voting population of our country are yet unable to read and write.

It is encouraging to observe, in connection with the growth of fraternal feeling in those States in which slavery formerly existed, evidences of increasing interest in universal education, and I shall be glad to give my approval to any appropriate measures which may be enacted by Congress for the purpose of supplementing with national aid the local systems of education in those States and in all the States; and, having already invited your attention to the needs of the District of Columbia with respect to its public-school system, I here add that I believe it desirable, not so much with reference to the local wants of the District, but to the great and lasting benefit of the entire country, that this system should be crowned with a university in all respects in keeping with the national capital, and thereby realize the cherished hopes of Washington on this subject.

I also earnestly commend the request of the Regents of the Smithsonian Institution that an adequate appropriation be made for the establishment and conduct of a national museum under their supervision.

The question of providing for the preservation and growth of the Library of Congress is also one of national importance. As the depository of all copyright publications and records, this library has outgrown the provisions for its accommodation; and the erection, on such site as the judgment of Congress may approve, of a fireproof library building, to preserve the treasures and enlarge the usefulness of this valuable collection, is recommended. I recommend also such legislation as will render available and efficient for the purposes of instruction, so far as is consistent with the public service, the cabinets or museums of invention, of surgery, of education, and of agriculture, and other collections the property of the National Government.

The capital of the nation should be something more than a mere political center. We should avail ourselves of all the opportunities which

Providence has here placed at our command to promote the general intelligence of the people and increase the conditions most favorable to the success and perpetuity of our institutions.

R. B. HAYES.

SPECIAL MESSAGES.

EXECUTIVE MANSION, *December 10, 1877.*

To the Senate and House of Representatives:

I transmit herewith, for the information of Congress, a copy of the report of the commission appointed by me on the 27th of September, 1877, to examine the several public buildings in this city and determine the nature and extent of their security against conflagrations and the measures to be taken to guard the buildings and their contents from destruction or damage by fire.

The records of the Government constitute a most valuable collection for the country, whether we consider their pecuniary value or their historical importance; and it becomes my duty to call your attention to the means suggested for securing these valuable archives, as well as the buildings in which they are stored. The commissioners have performed their duties intelligently and faithfully. Their recommendations are fully concurred in by me and commended to the favorable consideration of Congress.

R. B. HAYES.

EXECUTIVE MANSION, *December 10, 1877.*

To the Senate and House of Representatives:

I have the honor to transmit herewith an additional report (and an accompanying statement) addressed to me by the commissioners appointed under the act of Congress approved July 19, 1876, authorizing the repavement of that part of Pennsylvania avenue lying between the Treasury Department and the Capitol Grounds.

R. B. HAYES.

EXECUTIVE MANSION, *December 13, 1877.*

To the House of Representatives:

I transmit herewith a special report upon the subject of forestry by the Commissioner of Agriculture, with the accompanying documents.

R. B. HAYES.

[A similar message was sent to the Senate.]

WASHINGTON, *January 11, 1878.*

To the House of Representatives:

In answer to the resolution of the House of Representatives of the 3d ultimo, requesting to be furnished with the correspondence between the

Government of Venezuela and that of the United States had since the adjournment of the first session of the Forty-fourth Congress in relation to the Venezuela Mixed Claims Commission, I transmit the report of the Secretary of State, together with its accompanying documents.

R. B. HAYES.

EXECUTIVE MANSION,
Washington, January 14, 1878.

To the Senate of the United States:

I have received the following resolution of the Senate:

IN EXECUTIVE SESSION, SENATE OF THE UNITED STATES,
December 11, 1877.

Resolved, That the President be respectfully requested to inform the Senate, with the view to the transaction of its executive business, whether in any of the instances of nominations hitherto sent to the Senate stated to be for appointment in place of officers removed such removals had been made at the time of sending such nominations to the Senate.

In reply I would respectfully inform the Senate that in the instances referred to removals had not been made at the time the nominations were sent to the Senate. The form used for such nominations was one found to have been in existence and heretofore used in some of the Departments, and was intended to inform the Senate that if the nomination proposed were approved it would operate to remove an incumbent whose name was indicated.

R. B. HAYES.

EXECUTIVE MANSION, *January 17, 1878.*

To the Senate of the United States:

In response to the resolution of the Senate of the 13th November last, calling for information concerning the cause, numbers engaged, number of lives lost, and probable cost of the late so-called Nez Percé War, I have the honor to submit the accompanying communication from the General of the Army and an extract from the annual report of that officer. Upon the subject of the cost of the Nez Percé War, I submit reports from the Quartermaster-General and the Commissary-General of Subsistence.

R. B. HAYES.

WASHINGTON, *January 18, 1878.*

To the Senate of the United States:

I transmit to the Senate, for its consideration with a view to ratification, a treaty of friendship and commerce between the United States and the Government of the Samoan Islands, signed on the 17th instant.

R. B. HAYES.