

EXECUTIVE MANSION,
Washington, February 25, 1881.

To the Senate of the United States:

I transmit herewith to the Senate, for its consideration with a view to ratification in due course, a convention supplementary to the consular convention of May 8, 1878, between the United States of America and His Majesty the King of Italy, concluded in the city of Washington on the 24th of February, 1881.

R. B. HAYES.

EXECUTIVE MANSION, February 28, 1881.

To the Senate of the United States:

I transmit herewith a copy of proclamation* for the convening of an extra session of the Senate of the United States at the Capitol, in the city of Washington, on the 4th day of March next, at noon.

R. B. HAYES.

EXECUTIVE MANSION, February 28, 1881.

To the Senate and House of Representatives:

I transmit herewith a copy of a letter addressed to the chairman of the Civil Service Commission on the 3d of December last, requesting to be furnished with a report upon the result in the post-office and custom-house in the city of New York of the application of the civil-service rules requiring open competitive examinations for appointments and promotions, together with the report of Hon. Dorman B. Eaton, the chairman of the Commission, in response.

The report presents a very gratifying statement of the results of the application of the rules referred to in the two largest and most important local offices in the civil service of the Government. The subject is one of great importance to the people of the whole country. I would commend the suggestions and recommendation of the chairman of the Commission to the careful consideration of Congress.

R. B. HAYES.

EXECUTIVE MANSION,
Washington, February 28, 1881.

To the Senate of the United States:

I transmit herewith, in answer to the resolution of the Senate of the 20th ultimo, a report from the Secretary of State, with accompanying papers.†

R. B. HAYES.

*See pp. 639-640.

†Correspondence relative to the sending to the United States by foreign governments of criminals, paupers, and insane persons.

EXECUTIVE MANSION, March 3, 1881.

To the Senate of the United States:

I have the honor to inform the Senate that Hon. Benjamin Harrison, Senator elect from the State of Indiana, has resigned his office as a member of the Commission for the Improvement of the Mississippi River, and the same has been accepted to take effect March 3, 1881.

R. B. HAYES.

EXECUTIVE MANSION, March 3, 1881.

To the Senate of the United States:

I have the honor to inform the Senate that Hon. John Sherman, Senator elect from the State of Ohio, has resigned the position of Secretary of the Treasury, and that said resignation has been accepted to take effect at the close of the present day.

R. B. HAYES.

VETO MESSAGE.

EXECUTIVE MANSION, March 3, 1881.

To the House of Representatives:

Having considered the bill entitled "An act to facilitate the refunding of the national debt," I am constrained to return it to the House of Representatives, in which it originated, with the following statement of my objections to its passage:

The imperative necessity for prompt action and the pressure of public duties in this closing week of my term of office compel me to refrain from any attempt to make a full and satisfactory presentation of the objections to the bill.

The importance of the passage at the present session of Congress of a suitable measure for the refunding of the national debt which is about to mature is generally recognized. It has been urged upon the attention of Congress by the Secretary of the Treasury and in my last annual message. If successfully accomplished, it will secure a large decrease in the annual interest payment of the nation, and I earnestly recommend, if the bill before me shall fail, that another measure for this purpose be adopted before the present Congress adjourns.

While, in my opinion, it would be unwise to authorize the Secretary of the Treasury, in his discretion, to offer to the public bonds bearing 3½ per cent interest in aid of refunding, I should not deem it my duty to interpose my constitutional objection to the passage of the present bill if it did not contain, in its fifth section, provisions which, in my judgment, seriously impair the value and tend to the destruction of the present national banking system of the country. This system has now been in

operation almost twenty years. No safer or more beneficial banking system was ever established. Its advantages as a business are free to all who have the necessary capital. It furnishes a currency to the public which for convenience and security of the bill holder has probably never been equaled by that of any other banking system. Its notes are secured by the deposit with the Government of the interest-bearing bonds of the United States.

The section of the bill before me which relates to the national banking system, and to which objection is made, is not an essential part of a refunding measure. It is as follows:

SEC. 5. From and after the 1st day of July, 1881, the 3 per cent bonds authorized by the first section of this act shall be the only bonds receivable as security for national-bank circulation or as security for the safe-keeping and prompt payment of the public money deposited with such banks; but when any such bonds deposited for the purposes aforesaid shall be designated for purchase or redemption by the Secretary of the Treasury, the banking association depositing the same shall have the right to substitute other issues of the bonds of the United States in lieu thereof: *Provided*, That no bond upon which interest has ceased shall be accepted or shall be continued on deposit as security for circulation or for the safe-keeping of the public money; and in case bonds so deposited shall not be withdrawn, as provided by law, within thirty days after the interest has ceased thereon, the banking association depositing the same shall be subject to the liabilities and proceedings on the part of the Comptroller provided for in section 5234 of the Revised Statutes of the United States: *And provided further*, That section 4 of the act of June 20, 1874, entitled "An act fixing the amount of United States notes, providing for a redistribution of the national-bank currency, and for other purposes," be, and the same is hereby, repealed, and sections 5159 and 5160 of the Revised Statutes of the United States be, and the same are hereby, reenacted.

Under this section it is obvious that no additional banks will hereafter be organized, except possibly in a few cities or localities where the prevailing rates of interest in ordinary business are extremely low. No new banks can be organized and no increase of the capital of existing banks can be obtained except by the purchase and deposit of 3 per cent bonds. No other bonds of the United States can be used for the purpose. The one thousand millions of other bonds recently issued by the United States, and bearing a higher rate of interest than 3 per cent, and therefore a better security for the bill holder, can not after the 1st of July next be received as security for bank circulation. This is a radical change in the banking law. It takes from the banks the right they have heretofore had under the law to purchase and deposit as security for their circulation any of the bonds issued by the United States, and deprives the bill holder of the best security which the banks are able to give by requiring them to deposit bonds having the least value of any bonds issued by the Government.

The average rate of taxation of capital employed in banking is more than double the rate of taxation upon capital employed in other legitimate business. Under these circumstances, to amend the banking law so as to deprive the banks of the privilege of securing their notes by the most valuable bonds issued by the Government will, it is believed, in a

large part of the country, be a practical prohibition of the organization of new banks and prevent the existing banks from enlarging their capital. The national banking system, if continued at all, will be a monopoly in the hands of those already engaged in it, who may purchase the Government bonds bearing a more favorable rate of interest than the 3 per cent bonds prior to next July.

To prevent the further organization of banks is to put in jeopardy the whole system, by taking from it that feature which makes it, as it now is, a banking system free upon the same terms to all who wish to engage in it. Even the existing banks will be in danger of being driven from business by the additional disadvantages to which they will be subjected by this bill. In short, I can not but regard the fifth section of the bill as a step in the direction of the destruction of the national banking system.

Our country, after a long period of business depression, has just entered upon a career of unexampled prosperity.

The withdrawal of the currency from circulation of the national banks, and the enforced winding up of the banks in consequence, would inevitably bring serious embarrassment and disaster to the business of the country. Banks of issue are essential instruments of modern commerce. If the present efficient and admirable system of banking is broken down, it will inevitably be followed by a recurrence to other and inferior methods of banking. Any measure looking to such a result will be a disturbing element in our financial system. It will destroy confidence and surely check the growing prosperity of the country.

Believing that a measure for refunding the national debt is not necessarily connected with the national banking law, and that any refunding act would defeat its own object if it imperiled the national banking system or seriously impaired its usefulness, and convinced that section 5 of the bill before me would, if it should become a law, work great harm, I herewith return the bill to the House of Representatives for that further consideration which is provided for in the Constitution.

RUTHERFORD B. HAYES.

PROCLAMATION.

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA.

A PROCLAMATION.

Whereas objects of interest to the United States require that the Senate should be convened at 12 o'clock on the 4th of March next to receive and act upon such communications as may be made to it on the part of the Executive:

Now, therefore, I, Rutherford B. Hayes, President of the United States,

have considered it to be my duty to issue this my proclamation, declaring that an extraordinary occasion requires the Senate of the United States to convene for the transaction of business at the Capitol, in the city of Washington, on the 4th day of March next, at 12 o'clock at noon on that day, of which all who shall at that time be entitled to act as members of that body are hereby required to take notice.

Given under my hand and the seal of the United States, at Washington, the 28th day of February, A. D. 1881, and of the Independence of the United States of America the one hundred and fifth.

R. B. HAYES.

By the President:

WM. M. EVARTS,
Secretary of State.

EXECUTIVE ORDER.

EXECUTIVE MANSION,
Washington, February 22, 1881.

The SECRETARY OF WAR:

In view of the well-known fact that the sale of intoxicating liquors in the Army of the United States is the cause of much demoralization among both officers and men, and that it gives rise to a large proportion of the cases before general and garrison courts-martial, involving great expense and serious injury to the service—

It is therefore directed, That the Secretary of War take suitable steps, as far as practicable consistently with vested rights, to prevent the sale of intoxicating liquors as a beverage at the camps, forts, and other posts of the Army.

R. B. HAYES.



