

THE PRESIDENT'S MESSAGE.

To the Senate and House of Representatives.

In coming before you for the first time as Chief Magistrate of this great nation, it is with gratitude to the Giver of all good for the many benefits we enjoy. We are blessed with peace at home and are without entangling alliances abroad. To forbode trouble with a territory unsurpassed in fertility, of an area equal to the abundant support of five hundred millions of people, and abounding in every variety of useful mineral in quantity sufficient to supply the world for generations, with exuberant crops, with a variety of climate adapted to the production of every species of earth's richest, and suited to the habits, tastes, and requirements of every living thing, with a population of forty millions of free people, all speaking one language; with facilities for every mortal being to acquire an education; with institutions closing to us the avenues to fame or any blessing of nature that may be coveted, with freedom of the pulpit, the press, and the school; with a revenue flowing into the national treasury beyond the requirements of the government, and, happily, harmony is being restored within our borders, and manufactures, hitherto unknown in our country, are springing up in all directions, producing a degree of national independence unequalled by that of any other power. These blessings, and countless others, are entrusted to your care for safe keeping for the brief period of our tenure of office. In a short time we must each of us return to the ranks of the people, who have conferred upon us our honours, and account to them for our stewardship. I earnestly hope that neither you nor I may be condemned by a free and enlightened constituency, nor by our own conscience. Emerging from a rebellion of a gigantic magnitude, aided as it was by the sympathy and assistance of nations with which we were at peace, eleven States of the Union were four years ago left without legal state governments. A national debt has been contracted, and American commerce was almost driven from the seas. The industry of one half of the country had been taken from the control of the capitalist and placed where all labor rightfully belongs, in the keeping of laborers.

The loss of our commerce is the only result of the late rebellion which has not received sufficient attention from you; to this subject I call your attention. I will not now suggest plans by which this object may be effected, but will if necessary make it the subject of a special message during the Session of Congress.

Among the evils growing out of the rebellion and not yet relieved to that of an irredeemable currency. It is an evil which I hope will receive your most earnest attention. It is a duty and one of the highest duties of Government to secure to citizens a medium of exchange of fixed and unvarying value. This implies a return to specie basis and no substitute for it can be devised. It should be commenced now and reached at the earliest practicable moment consistent with a fair regard to the interests of the debtor class. Immediate resumption if practicable would not be desirable; it would compel the debtor class to pay beyond their contracts the premium on gold at the date of their purchase and would bring bankruptcy and ruin thousands. Fluctuations, however, in the paper value of the measure of all values in gold is detrimental to the interests of trade. It makes the man of business an involuntary gambler, for in all sales when future payment is to be made in specie, both parties speculate as to what will be the value of the currency to be paid and received. I earnestly recommend to you then such legislation as will insure a gradual return to specie payments and put an immediate stop to fluctuations in the value of currency. The methods to secure the former of these results are as numerous as are the specu-

lators on political economy to secure the latter. I see but one way, and that is to authorize the Treasury to redeem its own paper at a fixed price whenever presented, and to withhold from circulation all currency so redeemed until sold again for gold. The vast resources of the nation, both developed and undeveloped, ought to make our credit the best on earth. With a less burden of taxation than the citizen has endured for six years past the entire public debt could be paid in ten years, but it is not desirable that the people should be taxed to pay it in that time. Year by year the ability to pay increases in a rapid ratio, but the burden of interest ought to be reduced as rapidly as it can be done without the violation of the contract. The public debt is represented in a great part by bonds having from five to twenty and from ten to forty years to run, bearing interest at the rate of six per cent and five per cent respectively. It is optional with the government to pay these bonds at any period after the expiration of the first time mentioned upon their face. The time has already expired when a great part of them may be taken up, and is rapidly approaching when all may be. It is believed that all which are now due may be replaced by bonds bearing a rate of interest not exceeding four and one-half per cent, and as rapidly as the remainder became due that they may be replaced in the same way. To accomplish this it may be necessary to authorize the interest to be paid at either of the three or four money centres of Europe, or by any Assistant-Treasurer of the United States at the option of the holder of the bond. I suggest this subject for the consideration of Congress, and also simultaneous with this the propriety of redeeming our currency as before suggested, at its market value, at the time the law goes into effect, increasing the rate at which currency will be bought and sold from day to day and week to week at the same rate of interest as government pays upon its bonds. The subject of tariff and internal taxation will necessarily receive your attention. The revenues of the country are greater than the requirements, and may with safety be reduced, but, as the funding of the debt in a four or a four and a half per cent loan would reduce the annual current expenses largely, thus, after funding justifying a greater reduction of taxation than would be now expedient, I suggest a postponement of this question until the next meeting of Congress. It may be advisable to modify taxation and tariff in instances where unjust or burdensome discriminations are made by the present laws, but a general revision of the laws regulating this subject I recommend the postponement of for the present. I also suggest the renewal of the tax on incomes but at a reduced rate, say of three per cent, and this tax to expire in three years with the funding of the national debt as here suggested. I feel safe in saying that taxes and the revenue from imports may be reduced safely from 60 to 50 millions per annum at once, and may be still further reduced. There are two evils in the present banking system which require remedy by prompt and efficient legislation. The first is the practice on the part of the banks of allowing interest on the deposits. The effect of the practice is that the moneys in the hands of individuals which otherwise might be loaned for regular mercantile and other business purposes are diverted into the custody of the banks upon the idea that if the security is not good better payment can be obtained at a moment's notice. The country banks and others remote from the large centres of trade having received money on deposits for which they pay interest are anxious to transfer such funds to other banks, for which they will receive an equal or larger amount of interest in return. They are stimulated also by the desire to place their funds where they can at all times be commanded, thus influenced large sums are placed in deposit with the banks in the cities, especially in the city of New York, which is the great

centre of trade and finance for the Atlantic coast. In the ordinary course of trade the currency of the country tends rapidly to the cities, and it is unwise to stimulate this tendency by artificial means, but the evil does not end with the impoverishment of the country. As the bank in the cities may be called upon at any moment to respond to the drafts of their depositors, they decline to make loans representing such fund upon commercial paper payable in time, but insist upon making call loans, as they are termed, with Government bonds or other obligations pledged as collateral security. Merchants generally will not borrow money in large sums, payable upon demand. The consequences are that moneys thus accumulated in the city banks are loaned to persons engaged in speculative pursuits. The extent of this evil is seen in the fact that of the Bank loans in the city of New York in October, 1868, \$93,000,000 were upon commercial paper, and \$68,000,000 upon demand, with a pledge of collaterals; and in October, 1869, \$99,000,000 were upon commercial paper, and \$59,000,000 upon demand. In the former year 41 per cent, and in the latter year 37 per cent of the loans made by the New York Banks were upon demand. A further result is seen in the fact that parties borrowing money upon commercial paper for legitimate commercial purposes, pay from three to six per cent additional interest per annum as compared with persons who borrow money for speculative purposes. Therefore, I respectfully recommend that a law be passed prohibiting absolutely the payment of interests by banks upon deposits, and limiting also their loans upon collaterals to an amount not exceeding 10 per cent of their capital. I am satisfied also that the practice of certifying checks, even when funds are in the bank, to the credit of the drawer of the check, is fraught with evil, and that it ought to be entirely prohibited. The following statement exhibits the receipts and expenditures for fiscal year ending June 30th, 1869:—Receipts from Customs, \$180,048,426 63, from Internal Revenue, \$158,376,460 86, from lands, \$3,020,344 34, from direct tax, \$76,568,561; from miscellaneous sources, \$27,753,829 77, total, exclusive of loans, \$370,943,747 21. Expenditures—Civil Service, \$56,474,081 53, Pensions and Indians, \$35,579,514 84, War Department, \$78,501,990 61, Navy Department, \$20,009,757 97, interest on the public debt, \$130,694,242 80, premium on U. S. United States treasury notes, \$300,000. Total, exclusive of loans, \$321,490,597 75; receipts in excess of expenditures, \$49,443,149 46.

The estimates for the ensuing year are more favorable to the Government, and will no doubt show a much larger decrease of the public debt. The receipts in the Treasury beyond expenditures have exceeded the amount necessary to place it to the credit of the sinking fund, as provided by law. To lock up the surplus in the Treasury and withhold it from circulation, would lead to such a condition of the currency as to cripple trade and seriously affect the prosperity of the country. Under these circumstances the Secretary of the Treasury and myself heartily concur regarding the propriety of using all the surplus currency in the Treasury in the purchase of the Government bonds, thus reducing the interest-bearing debt of the country and of submitting to Congress the question of the disposition to be made of the bonds so purchased. The bonds now held by the Treasurer amount to about \$75,000,000, including those belonging to the sinking fund. I recommend that the whole be placed to the credit of the sinking fund.

As the United States is the freest of all nations, so too its people sympathize with all people's struggles for liberty and self government. But while so sympathizing it is due to our honour that we should abstain from enforcing our views upon unwilling nations, and from taking an interested part (without in-