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JAMES W. McEWEN.

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THE TREASURY DEPARTMENT.

Synopsis of the Annual Report of Secretary Sherman.

The annual report of Secretary Sherman is a voluminous paper, and we have only room for a brief condensation of the arguments and statements. The Secretary says the total ordinary receipts of the year ending June 30, 1877, were $269,000,586.62; expenditures, $238,660,008.93, leaving a surplus revenue of $30,340,577.69. The net decrease of revenue, as compared with last year, was $18,481,425.54. There was an increase, however, in internal revenue, on whisky and tobacco.

The first recommendation calculated to arrest attention is to the effect that Congress ought to supplement, by appropriate legislation or joint resolution, the Secretary's own assurance that the bonds will be paid, interest and principal, in gold coin, and not simply in coin. The next suggestion is that he be authorized to sell bonds either for coin or for its equivalent in United States notes, for the greater convenience of the general public, especially those living at a distance from any place where gold coin is to be found for sale.

In regard to resumption, the Secretary is positive that no new legislation is required. He virtually pledges himself to make greenbacks worth their face inside of thirteen months if left alone. He does not propose to retire from circulation the greenbacks, except so much as may be inkexcess of $300,000,000. He estimates that $100,000,000 in gold will be coin enough to keep that much paper money at par.

The Secretary sets forth the advantages of the national-bank system, which we pass by.

Upon the subject of savings banks the Secretary says:

"The attention of Congress is called to the great value to our fellow-citizens of the organization of some plan for the collection, safe-keeping and profitable employment of small deposits by the people. How far this can be done without trenching upon the proper functions of the State Governments is a question of difficulty; yet it is important to secure, if possible, a general system throughout the United States. This can hardly be effected by the organization of a multitude of savings banks, depending upon the fidelity, integrity and skill of their officers, but the beneficial object of such banks might be secured by authorizing the deposit of small sums with any postal money-order office in the United States, and the issue of Government certificates, convertible on demand of the holder into 4-per-cent. bonds of the United States of any denomination, character, description and amount as will enable and induce any prudent persons to convert their earnings into a security of stable value. The money thus received could be employed in the redemption of outstanding bonds bearing a higher rate of interest. By some such system it is believed that the great body of our public debt, reduced to its smallest possible dimensions, could be distributed among our own people. With a slight modification of existing laws this beneficial result would be secured.

Several of the subjects discussed relate to the mere mechanism of the Treasury Department, or to matters of comparatively trivial importance. The most interesting subject of special interest and vital to the general welfare comes under the head of coins and coinage. As the law now stands, silver coin for fractional currency shall be issued to an amount not exceeding $10,000,000 for an equal amount of legal-tender notes, and the aggregate of such fractional silver outstanding shall not exceed $50,000,000. The Secretary recommends the removal of the restriction upon the amount of the legal tender that may be exchanged for such silver, believing that the law of supply and demand can be trusted to regulate the matter. Trade dollars to the amount of $3,710,400 have been coined, but in the exercise of his lawful discretion in the premises, the Secretary of the Treasury has ordered the suspension of the coinage of that anomalous piece of money, and in case another silver dollar is authorized he suggests that the trade dollar be discontinued. Having disposed of the preliminary matters of coinage, the Secretary enters upon an elaborate discussion of the question of remonetizing silver. Upon this subject he says:

"The question of the issue of a silver dollar for circulation as money has been much discussed and carefully examined by a commission organized by Congress, which has recommended the coinage of the old silver dollar. With such legislative provision as will maintain its current value at par with gold, its issue is respectfully recommended. A gold coin of the denomination of one dollar is too small for convenient circulation, while such a coin in silver would be convenient for a multitude of daily transactions, and is in a form to satisfy the natural instinct of bargaining.

"Of the metals, silver is of most general use for coinage. It is a part of every system of coinage, even in countries where gold is the sole legal standard. It best measures the common wants of life, but, from its weight and bulk, is not a convenient medium in the larger exchanges of commerce. Its production is relatively steady in amount. The relative market value of silver and gold is far more stable than that of any other two commodities—still it does vary. It is not in the power of human law to prevent the variation. This inherent difficulty has compelled all nations to adopt one or the other as the sole standard of value, or to authorize an a fernative standard of either, or to coin both metals at an arbitrary standard, and to maintain one at par with the other by limiting its amount and legal-tender quality, and receiving or redeeming it at par with the other.

"The importance of gold as the standard of value is conceded by all. Since 1834 it has been practically the sole coin standard of the United States, and since 1815 has been the sole standard of Great Britain. Germany has recently adopted the same standard. France and other Latin nations have suspended the coinage of silver, and, it is supposed, will gradually either adopt the sole standard of gold or provide for the convertibility of silver coin, on the demand of the holder, into gold coin.

"In the United States, several experiments have been made with the view of retaining both gold and silver in circulation. The Second Congress undertook to establish a ratio of fifteen of silver to one of gold, with free coinage of both metals. By this ratio gold was undervalued, as one ounce of gold was worth more in the markets of the world than fifteen ounces of silver, and gold, therefore, was exported. To correct this, in 1837, the ratio was fixed at sixteen to one, but sixteen ounces of silver were worth in the market more than one ounce of gold, so that silver was demonetized.

"It is urged that the free coinage of silver in the United States will restore its market value to that of gold. Market value is fixed by the world, and not by the United States alone, and is affected by the whole mass of silver in the world. As the enormous and continuous demand for silver in Asia has not prevented the fall in silver, it is not likely that the limited demand for silver coin in this country, where paper money is now and will be the chief medium of exchange, will cause any considerable advance in its value. This advance, if any, will be secured by the demand for silver bullion for coin to be issued by and for the United States, as well as if it were issued for the benefit of the holder of the bullion. If the financial condition of our country is so grievous that we must at every hazard have a cheaper dollar, in order to lessen the burden of debts already contracted, it is far better, rather than to adopt the single standard of silver, to boldly reduce the number of grains in the gold dollar, or to abandon and retrace all efforts to make United States notes equal to coin. Either expedient will do greater harm to the public at large than any possible benefit to the debtors.

"The free coinage of silver will also impair the pledge made of the customs duties, by the act of February, 1862, for the payment of the interest of the public debt. The policy thus far adhered to, of collecting those duties in gold coin, has been the chief cause of upholding and advancing the public credit, and making it possible to lessen the burden of interest by the process of refunding.

"The Secretary believes that all the beneficial results hoped for from a liberal issue of silver coin can be secured by issuing this coin, in pursuance of the general policy of the act of 1863, in exchange for United States notes, coined from bullion purchased in the open market by the United States, and maintaining it by redemption, or otherwise, at par with gold coin. It could be made a legal tender for such sums and on such contracts as would secure to it the most general circulation. It could be easily redeemed in United States notes and gold coin, and only reissued when demanded for public convenience."

THERE was an increase of 963 in the number of postoffices in the United States during the last fiscal year. There are 1,300 postmasters receiving less than $1,000 salary, and 1,837 receiving $1,000 or more.

THE MESSAGE

Annual Communication of the President to Congress.

The Southern, Civil-Service, Financial and Other Questions Discussed.

Fellow-Citizens of the Senate and House of Representatives:

With great gratitude to the Bountiful Giver of All Good, I congratulate you that, at the beginning of your first regular session, you find our country blessed with health and peace, and abundant harvests, and with encouraging prospects of an early return of general prosperity.

The Southern Policy.

To complete and make permanent the pacification of the country continues to be, and, until it is accomplished, must remain the most important of all our national interests. The earnest purpose of good citizens generally to unite their efforts in those endeavors is evident. It found decided expression in the resolutions announced in 1876, by the national conventions of the leading political parties of the country. There was a widespread apprehension that the momentous results in our progress as a nation, marked by the recent amendments to the constitution, were in imminent jeopardy; that the good understanding which prompted their adoption in the interest of a loyal devotion to the general welfare might prove a barren truce, and that the sections of the country, once engaged in civil strife, might be again almost as widely severed and disunited as they were when arrayed in arms against each other. The course to be pursued by the Government, second to none in importance in the presence of this emergency, was plainly indicated in the inaugural address. It pointed to the time, which all our people desire to see speedily consummated, when the whole country and all of that concerns its true welfare shall supplant the destructive forces of mutual animosity of the races and of sectional hostility. Opinions have differed widely as to the measures best calculated to secure this great end. This was to be expected. The measures adopted by the administration have been subjected to severe and varied criticism. Any course of conduct which might have been entered upon would certainly have encountered distrust and opposition. These measures were, in my judgment, such as were most in harmony with the genius and spirit of the institutions of our people, and best adapted, under all circumstances, to attain the end in view. Beneficent results already apparent prove that these endeavors are not to be regarded as a mere experiment, and should sustain and encourage us in our efforts already in the brief period which has elapsed. The immediate effectiveness of the remedies for the course pursued, is demonstrated, and I have an abiding faith that time will furnish ample vindication in the minds of the great majority of my fellow-citizens.

The discontinuance of the use of the army for the purpose of upholding the local Governments in two of the States of the Union was no less a core institution than a measure demanded under the circumstances existing at the time, than it was a much-needed measure for the restoration of local self-government and the promotion of national harmony. The withdrawal of the troops from such employment was effected deliberately, and with solicitous care for the peace and good order of society and the protection of property and persons and every right of all classes of citizens. The results that have followed are indeed significant and encouraging. All apprehension of danger from remitting these States to local self-government is dispelled, and a peace and security such as for a long time of the people has begun, and is in progress in every part of that section of country, once the theater of sectional strife, and still disturbed by conflicting opinions, and would neither conceal nor underrate the considerable difficulties, and even occasional distress, which may attend the progress of the nation toward this primary condition of its general and permanent prosperity. I must, however, adhere to my most earnest conviction, that any wavering in purpose, or unsteadiness in methods, so far from avoiding or reducing the inconvenience inseparable from the transition from an irredeemable to a redeemable paper currency, would only tend to an increased and prolonged disturbance in values, which, unless relieved, must end in serious disorder, discontent and disaster in the financial affairs of the Government and of the people. The mischiefs which I apprehend and urgently deprecate, are confined to no class of the people; indeed, they but seem to me most certainly to threaten the industrious masses, whether their occupations are of skilled or common labor. To them, it seems to me, it is of prime importance that their labor should be compensated in money which is, in itself fixed in exchangable value, by being irrevocably measured by the labor necessary to its production. This permanent quality of all the money of the people is sought for and can only be gained by the resumption of specie payment. The rich, the speculative, the operating, the money-dealing classes, may not always feel the mischiefs of, or may find a certain profit in, a variable currency, but the misfortunes of such a currency to those who are paid salaries or wages are inevitable and remediless.

The Silver Dollar.

Closely connected with this general subject of the resumption of specie payments is one of subordinate, but still of grave importance—I mean the readjustment of our coinage system by the renewal of the silver dollar as an element in our specie currency, endowed by legislation with the quality of legal tender, to a greater or less extent. As there is no doubt of the power of Congress, under the constitution, to coin money and regulate the value thereof, and as this power covers the whole range of authority applicable to the metal, the rated value, and the legal-tender quality which shall be adopted for the coinage, the consideration which should induce or discourage a particular measure connected with the coinage belongs clearly to the province of legislative discretion, and of public expediency. Without intruding upon this province of legislation in the least, I have yet thought the subject of such critical importance, in the actual condition of our affairs, as to present an occasion for the exercise of the duty imposed by the constitution on the President of recommending to the consideration of Congress such measures as he shall judge necessary and expedient. Holding the opinion, as I do, that neither the interest of the Government, nor of the people of the United States, would be promoted by disparaging silver as one of the two precious metals which furnish the coinage of the world, and that legislation which looks to maintaining the volume of intrinsic money to as full a measure of both metals as their relative commercial values will permit would be neither unjust nor inexpedient, I must ask your indulgence to a brief and definite statement of certain essential features in any such legislative measure which I feel it my duty to recommend. I do not propose to enter the debate represented on both sides by such able disputants in Congress, and before the people, and in the press, as to the extent to which the legislation of any one nation can control this question, even within its own borders, against the laws of trade, or the positive laws of other Governments. The wisdom of Congress in shaping any particular law that may be presented for my approval may wholly supersede the necessity of my entering into these considerations, and I willingly avoid either vague or intricate inquiries. It is only the certain, plain and practical traits of such legislation that I desire to recommend to your attention.

In any legislation providing for a silver coinage, regulating its value, and imparting to it the quality of legal tender, it seems to me of great importance that Congress should not lose sight of its action as operating in a two-fold capacity and two distinct directions. If the United States Government were free from a public debt, its legislative dealing with the question of silver coinage would be purely sovereign and governmental, under no restraints but those of constitutional power and the public good as affected by the proposed legislation; but in the actual circumstances of the nation, with a public debt distributed very widely among our own citizens, and held in great amounts also abroad, the nature of the silver-coinage measure as affecting the relations of the Government with the holders of the public debt becomes in any proposed legislation of the highest concern. The obligation of the public faith transcends all questions of profit or public advantage, and it is the unquestioned duty of legislation so to dictate as well as the highest expediency of the most necessary duty, and will be carefully guarded by Congress and the people alike.

The principal and interest of the United States, in the amount of $729,000,000, bears interest at the rate of 6 per cent., and $708 000,000 at the rate of 5 per cent., and the only way in which the country can be relieved from the burden of interest rates is by the power, by advantageously refunding the indebtedness. Whether the debt is ultimately paid in gold or silver coin is of but little moment compared with the possible reduction of interest one-third by refunding at such reduced rate. If the United States had the unquestionable right to pay its bonds in silver dollars of less value than the gold pieces would be greatly overbalanced by the injurious effect of such payment. If made as proposed, against the honest convictions of the public creditors, all the bonds that have been issued since Feb. 12, 1873, when gold became the only unlimited legal-tender metallic currency of the country, are justly payable in gold coin, or in coin of equal value. During the time these bonds have been negotiated that coin is or was received by the Government in exchange for bonds was the gold dollar. To require the public creditors to take in repayment any dollar of less commercial value would be regarded by them as a repudiation of the full obligation assumed. The bonds issued prior to 1873 were issued at a time when the gold dollar was the only coin in circulation or contemplated by the purchaser of the bonds or the holders of the bonds as the coin in which they were to be paid. It is far better to pay these bonds in that coin than to seem to take advantage of the unforeseen fall of silver bullion, or of the fall in which silver coin made so much less valuable. The power of the United States to coin money and to regulate the value thereof cannot be fettered or exercised for the purpose of enabling the Government to pay its obligations in coin of less value than that contemplated by the parties when the bonds were issued. Any attempt to pay the national indebtedness in a coinage of less intrinsic value than the money of the world would involve a violation of the public faith and work irreparable injury to the public credit. If it was the great merit of the act of March, 1869, that, by strengthening the public credit, it removed all doubt as to the purpose of the United States to pay their bonded debt in coin, it may be also claimed that it put to rest public faith. The Government has derived great benefit from it. In the progress thus far made in refunding the public debt at low rates of interest, an adherence to the letter and the policy of an exact observance of the public faith will enable the Government rapidly to reduce the burden of interest on the national debt by an amount exceeding $50,000,000 annually, and may with confidence anticipate saving to the United States of more than $300,000,000 before the bonds can be fully paid. In adapting the new silver coinage to the ordinary uses of currency in the every-day transactions of life, and preserving the quality of legal tender to be assigned to it, a consideration of the first importance should be so to adjust the ratio between the silver and the gold coinage of the United States as to enable the two specie currency, as to accomplish the desired end of maintaining the circulation of the two metallic currencies, and keeping up the volume of the two precious metals as our intrinsic money. It is a mixed question for scientific reasoning and historical experience to determine how far, and by what methods, a practicable equilibrium can be maintained which will keep both metals in circulation in their appropriate spheres of common use. An absolute equality of commercial value, free from disturbing fluctuations, is hardly attainable, and without it an untried legal tender for private transactions, assigned to both metals, would tend to drive out of circulation the dearest coinage, and disappoint the principal object proposed by the legislation in view. I apprehend, therefore, that the two conditions of a near approach to equality of commercial value between the gold and silver coinage of the same denomination, and of a limitation of the amounts for which the silver coinage is a legal tender, are essential to maintaining both in circulation. If these conditions can be successfully observed, the issue from the mint of silver dollars would afford material assistance to the community in the resumption to redeemable paper money, and would facilitate the resumption of specie payment and its permanent establishment. Without these conditions I fear that only mischief and misfortune would flow from a coinage of silver dollars, with the quality of unlimited legal tender, even in private transactions; any expectation of temporary ease from an issue of silver coinage, to pass as a legal-tender at a rate materially above its commercial value, is, I am persuaded, a delusion; nor can I think that there is any substantial distinction between an original issue of silver dollars at a nominal value materially above their commercial value and the restoration of the silver dollar at a rate which once was but has ceased to be its commercial value. Certainly the issue of our gold coinage reduced in weight materially below its legal-tender value would not be any the less a present debasement of the coinage by reason of its equaling or even exceeding in weight a good coinage, which at some past time had been commercially equal to the legal-tender value assigned to the new issue. In recommending that the regulation of any silver coinage which may be authorized by Congress should observe the conditions of value and limited legal tender I am governed by the feeling that every possible increase should be given to the volume of specie money which can be kept in circulation, and thereby every possible aid afforded to the people in the process of resuming specie payments. It is because of my conviction that a disregard of these conditions would frustrate the good results which are desired from the proposed coinage, and embarrass with new elements of confusion and uncertainty the business of the country, that I urge upon your attention these considerations.

I respectfully recommend to Congress that in any legislation providing for a silver coinage, and imparting to it the quality of legal tender, there be impressed in the measure a firm provision exempting the public debt heretofore issued and now outstanding from the payment, either of principal or interest, in any coinage of less value than the present gold coinage of the country.

The Civil Service.

The organization of the civil service of the country has for a number of years attracted more and more of public attention. So general has become the opinion that the methods adopted to fill, and the conditions of remaining in it, are unsound, that both the great political parties have agreed, in the most explicit declarations, on the necessity of reform, and in the earnest demands for it. I have fully considered the declarations and demands to be the expressions of the sincere convictions of the intelligent masses of the people upon the subject, and that they should be recognized and followed by earnest and prompt action on the part of the legislative and executive departments of the Government. In pursuance of the purpose indicated before my accession to the office, I endeavored to have my own views distinctly understood, and upon my inauguration my accord with the public opinion was stated in terms believed to be plain and unambiguous. My experience in the executive duties has strongly confirmed the belief in the great advantage that the country would find in observing strictly the plan of the constitution, which imposes upon the Executive the sole duty and responsibility of the selection of those Federal officers by whom law are appointed, not elected, and which in like manner assigns to the Senate the complete right to advise, and consent to or reject, the nominations so made, while the House of Representatives stands as the public censor of the performance of official duties, with the prerogative of investigation in all cases of dereliction. The blemishes and imperfections in the civil service may, as I think, be traced in most cases to a partial confusion of the duties assigned to the several departments of the Government. My purpose in this respect has been to return to the system established by the fundamental law, and to do this with the heartiest co-operation and a most cordial understanding with the senate and House of Representatives, the political difficulties in the selection of numerous officers for posts of widely-varying responsibilities and duties are acknowledged to be very great. No system can be expected to secure absolute freedom from mistakes, and the beginning of any attempted change of custom is quite likely to be more embarrassed in this respect than any subsequent period. It is here that the constitution seems to most prove its claim to the great wisdom accorded to it. It gives to the Executive the assistance of th knowledge and experience of the Senate, which, when acting upon nominations as to which they may be disinterested and impartial judges, secures as strong a guaranty of freedom from errors of importance as is perhaps possible in human affairs. In addition to this I recognize the public advantage of making all nominations as nearly as possible impersonal, in the sense of being free from mere caprice or favor in these directions, and in those offices where special training is of greatly increased value, I believe such a rule as to the tenure of office should obtain as may induce men of proper qualifications to apply themselves industriously to the task of becoming proficient. Bearing these things in mind, I have endeavored to reduce the number of changes in subordinate places usually made upon the change of the general administration, and shall most heartily co-operate with Congress in the better systematizing of such methods and rules of admission to the public service and of promotion within it as may promise to be most successful in making thorough competency, efficiency and character the decisive tests in these matters.

I ask the renewed attention of Congress to what has already been done by the Civil Service Commission, appointed in pursuance of the act of Congress by my predecessor, to prepare and revise the civil-service rules. In regard to much of the department service, especially at Washington, it may be difficult to organize a better system than that which has thus been provided, and it is now being used to a considerable extent, under my direction. It is a legal creation, and its existence, although for several years no appropriation has been made for defraying its expenses. Believing that this commission has rendered valuable service, and will be a most important aid in the work of the administration of the civil service, I respectfully recommend that a suitable appropriation be immediately made to enable it to continue its service. It is my purpose to transmit to Congress, as early as practicable, the report made by the Chairman of the commission, and to ask your attention to such measures upon this subject as, in my opinion, will further promote the improvement of the civil service.

Foreign Relations.

During the past year the United States has continued to maintain peaceful relation with the foreign powers. The outbreak of war between Russia Turkey, though at one time attended by grave apprehensions of its effect upon the neutral powers and nations, has had no tendency to disturb the amicable relations existing between the United States and each of the two contending powers. An attitude of just and impartial neutrality has been preserved, and I am gratified to state that, in the midst of their hostilities, both the Russian and the Turkish Governments have shown no disposition to adhere to the obligations of all treaties with the United States, and give due regard to the rights of American citizens.

Italy.

By the terms of the treaty defining the rights, immunities and privileges of Consuls between Italy and the United States, ratified in 1868, either Government may, after the lapse of ten years, terminate the existence of the treaty, by giving twelve months' notice of its intention. The Government of Italy, availing itself of this facility, has given the required notice, and the treaty will accordingly end on the 15th of September, 1878. It is understood that the Government of Italy is desirous to renew it in its general scope, describing only certain modifications in some of its articles. In this disposition I concur, and shall hope that no serious difficulty may prevent the negotiation of a satisfactory treaty.

Passports, Naturalization, Etc.

Numerous questions in regard to passports, naturalization, and exemption from military service have continued to arise in the cases of emigrants from Germany, who have returned to their native country. The provisions of the treaty of Feb. 22, 1868, however, have proved to be so ample and so judicious that the Legation of the United States at Berlin has been able to adjust all claims arising under it, not only without detriment to the amicable relations existing between the two Governments, but, it is believed, without injury or injustice to duly naturalized American citizens. It is deemed fortunate that a treaty originally made with the North German Union, in 1867, should now be extended so as to apply equally to all the states of the empire of Germany.

The Paris Exposition

The invitation of the Government of France to participate in the Exposition of universal art, culture, industry and fine arts, to be held at Paris during the coming year, was received in the spirit of an exact observance of the public faith will enable the Government rapidly to reduce the burden of interest on the national debt by an amount exceeding $50,000,000 annually, and may with confidence anticipate saving to the United States of more than $300,000,000 before the bonds can be fully paid. In adapting the new silver coinage to the ordinary uses of currency in the every-day transactions of life, and preserving the quality of legal tender to be assigned to it, a consideration of the first importance should be so to adjust the ratio between the silver and the gold coinage of the United States as to enable the two specie currency, as to accomplish the desired end of maintaining the circulation of the two metallic currencies, and keeping up the volume of the two precious metals as our intrinsic money. It is a mixed question for scientific reasoning and historical experience to determine how far, and by what methods, a practicable equilibrium can be maintained which will keep both metals in circulation in their appropriate spheres of common use. An absolute equality of commercial value, free from disturbing fluctuations, is hardly attainable, and without it an untried legal tender for private transactions, assigned to both metals, would tend to drive out of circulation the dearest coinage, and disappoint the principal object proposed by the legislation in view. I apprehend, therefore, that the two conditions of a near approach to equality of commercial value between the gold and silver coinage of the same denomination, and of a limitation of the amounts for which the silver coinage is a legal tender, are essential to maintaining both in circulation. If these conditions can be successfully observed, the issue from the mint of silver dollars would afford material assistance to the community in the resumption to redeemable paper money, and would facilitate the resumption of specie payment and its permanent establishment. Without these conditions I fear that only mischief and misfortune would flow from a coinage of silver dollars, with the quality of unlimited legal tender, even in private transactions; any expectation of temporary ease from an issue of silver coinage, to pass as a legal-tender at a rate materially above its commercial value, is, I am persuaded, a delusion; nor can I think that there is any substantial distinction between an original issue of silver dollars at a nominal value materially above their commercial value and the restoration of the silver dollar at a rate which once was but has ceased to be its commercial value. Certainly the issue of our gold coinage reduced in weight materially below its legal-tender value would not be any the less a present debasement of the coinage by reason of its equaling or even exceeding in weight a good coinage, which at some past time had been commercially equal to the legal-tender value assigned to the new issue. In recommending that the regulation of any silver coinage which may be authorized by Congress should observe the conditions of value and limited legal tender I am governed by the feeling that every possible increase should be given to the volume of specie money which can be kept in circulation, and thereby every possible aid afforded to the people in the process of resuming specie payments. It is because of my conviction that a disregard of these conditions would frustrate the good results which are desired from the proposed coinage, and embarrass with new elements of confusion and uncertainty the business of the country, that I urge upon your attention these considerations.

I respectfully recommend to Congress that in any legislation providing for a silver coinage, and imparting to it the quality of legal tender, there be impressed in the measure a firm provision exempting the public debt heretofore issued and now outstanding from the payment, either of principal or interest, in any coinage of less value than the present gold coinage of the country.

The Civil Service.

The organization of the civil service of the country has for a number of years attracted more and more of public attention. So general has become the opinion that the methods adopted to fill, and the conditions of remaining in it, are unsound, that both the great political parties have agreed, in the most explicit declarations, on the necessity of reform, and in the earnest demands for it. I have fully considered the declarations and demands to be the expressions of the sincere convictions of the intelligent masses of the people upon the subject, and that they should be recognized and followed by earnest and prompt action on the part of the legislative and executive departments of the Government. In pursuance of the purpose indicated before my accession to the office, I endeavored to have my own views distinctly understood, and upon my inauguration my accord with the public opinion was stated in terms believed to be plain and unambiguous. My experience in the executive duties has strongly confirmed the belief in the great advantage that the country would find in observing strictly the plan of the constitution, which imposes upon the Executive the sole duty and responsibility of the selection of those Federal officers by whom law are appointed, and which in like manner assigns to the Senate the complete right to advise, and consent to or reject, the nominations so made, while the House of Representatives stands as the public censor of the performance of official duties, with the prerogative of investigation in all cases of dereliction. The blemishes and imperfections in the civil service may, as I think, be traced in most cases to a partial confusion of the duties assigned to the several departments of the Government. My purpose in this respect has been to return to the system established by the fundamental law, and to do this with the heartiest co-operation and a most cordial understanding with the senate and House of Representatives, the political difficulties in the selection of numerous officers for posts of widely-varying responsibilities and duties are acknowledged to be very great. No system can be expected to secure absolute freedom from mistakes, and the beginning of any attempted change of custom is quite likely to be more embarrassed in this respect than any subsequent period. It is here that the constitution seems to most prove its claim to the great wisdom accorded to it. It gives to the Executive the assistance of th knowledge and experience of the Senate, which, when acting upon nominations as to which they may be disinterested and impartial judges, secures as strong a guaranty of freedom from errors of importance as is perhaps possible in human affairs. In addition to this I recognize the public advantage of making all nominations as nearly as possible impersonal, in the sense of being free from mere caprice or favor in these directions, and in those offices where special training is of greatly increased value, I believe such a rule as to the tenure of office should obtain as may induce men of proper qualifications to apply themselves industriously to the task of becoming proficient. Bearing these things in mind, I have endeavored to reduce the number of changes in subordinate places usually made upon the change of the general administration, and shall most heartily co-operate with Congress in the better systematizing of such methods and rules of admission to the public service and of promotion within it as may promise to be most successful in making thorough competency, efficiency and character the decisive tests in these matters.

I ask the renewed attention of Congress to what has already been done by the Civil Service Commission, appointed in pursuance of the act of Congress by my predecessor, to prepare and revise the civil-service rules. In regard to much of the department service, especially at Washington, it may be difficult to organize a better system than that which has thus been provided, and it is now being used to a considerable extent, under my direction. It is a legal creation, and its existence, although for several years no appropriation has been made for defraying its expenses. Believing that this commission has rendered valuable service, and will be a most important aid in the work of the administration of the civil service, I respectfully recommend that a suitable appropriation be immediately made to enable it to continue its service. It is my purpose to transmit to Congress, as early as practicable, the report made by the Chairman of the commission, and to ask your attention to such measures upon this subject as, in my opinion, will further promote the improvement of the civil service.

Foreign Relations.

During the past year the United States has continued to maintain peaceful relation with the foreign powers. The outbreak of war between Russia Turkey, though at one time attended by grave apprehensions of its effect upon the neutral powers and nations, has had no tendency to disturb the amicable relations existing between the United States and each of the two contending powers. An attitude of just and impartial neutrality has been preserved, and I am gratified to state that, in the midst of their hostilities, both the Russian and the Turkish Governments have shown no disposition to adhere to the obligations of all treaties with the United States, and give due regard to the rights of American citizens.

Italy.

By the terms of the treaty defining the rights, immunities and privileges of Consuls between Italy and the United States, ratified in 1868, either Government may, after the lapse of ten years, terminate the existence of the treaty, by giving twelve months' notice of its intention. The Government of Italy, availing itself of this facility, has given the required notice, and the treaty will accordingly end on the 15th of September, 1878. It is understood that the Government of Italy is desirous to renew it in its general scope, describing only certain modifications in some of its articles. In this disposition I concur, and shall hope that no serious difficulty may prevent the negotiation of a satisfactory treaty.

Passports, Naturalization, Etc.

Numerous questions in regard to passports, naturalization, and exemption from military service have continued to arise in the cases of emigrants from Germany, who have returned to their native country. The provisions of the treaty of Feb. 22, 1868, however, have proved to be so ample and so judicious that the Legation of the United States at Berlin has been able to adjust all claims arising under it, not only without detriment to the amicable relations existing between the two Governments, but, it is believed, without injury or injustice to duly naturalized American citizens. It is deemed fortunate that a treaty originally made with the North German Union, in 1867, should now be extended so as to apply equally to all the states of the empire of Germany.

The Paris Exposition

The invitation of the Government of France to participate in the Exposition of universal art, culture, industry and fine arts, to be held at Paris during the coming year, was received in the spirit of an exact observance of the public faith will enable the Government rapidly to reduce the burden of interest on the national debt by an amount exceeding $50,000,000 annually, and may with confidence anticipate saving to the United States of more than $300,000,000 before the bonds can be fully paid. In adapting the new silver coinage to the ordinary uses of currency in the every-day transactions of life, and preserving the quality of legal tender to be assigned to it, a consideration of the first importance should be so to adjust the ratio between the silver and the gold coinage of the United States as to enable the two specie currency, as to accomplish the desired end of maintaining the circulation of the two metallic currencies, and keeping up the volume of the two precious metals as our intrinsic money. It is a mixed question for scientific reasoning and historical experience to determine how far, and by what methods, a practicable equilibrium can be maintained which will keep both metals in circulation in their appropriate spheres of common use. An absolute equality of commercial value, free from disturbing fluctuations, is hardly attainable, and without it an untried legal tender for private transactions, assigned to both metals, would tend to drive out of circulation the dearest coinage, and disappoint the principal object proposed by the legislation in view. I apprehend, therefore, that the two conditions of a near approach to equality of commercial value between the gold and silver coinage of the same denomination, and of a limitation of the amounts for which the silver coinage is a legal tender, are essential to maintaining both in circulation. If these conditions can be successfully observed, the issue from the mint of silver dollars would afford material assistance to the community in the resumption to redeemable paper money, and would facilitate the resumption of specie payment and its permanent establishment. Without these conditions I fear that only mischief and misfortune would flow from a coinage of silver dollars, with the quality of unlimited legal tender, even in private transactions; any expectation of temporary ease from an issue of silver coinage, to pass as a legal-tender at a rate materially above its commercial value, is, I am persuaded, a delusion; nor can I think that there is any substantial distinction between an original issue of silver dollars at a nominal value materially above their commercial value and the restoration of the silver dollar at a rate which once was but has ceased to be its commercial value. Certainly the issue of our gold coinage reduced in weight materially below its legal-tender value would not be any the less a present debasement of the coinage by reason of its equaling or even exceeding in weight a good coinage, which at some past time had been commercially equal to the legal-tender value assigned to the new issue. In recommending that the regulation of any silver coinage which may be authorized by Congress should observe the conditions of value and limited legal tender I am governed by the feeling that every possible increase should be given to the volume of specie money which can be kept in circulation, and thereby every possible aid afforded to the people in the process of resuming specie payments. It is because of my conviction that a disregard of these conditions would frustrate the good results which are desired from the proposed coinage, and embarrass with new elements of confusion and uncertainty the business of the country, that I urge upon your attention these considerations.

I respectfully recommend to Congress that in any legislation providing for a silver coinage, and imparting to it the quality of legal tender, there be impressed in the measure a firm provision exempting the public debt heretofore issued and now outstanding from the payment, either of principal or interest, in any coinage of less value than the present gold coinage of the country.

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