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PRESIDENT'S MESSAGE.

Fellow-Citizens of the Senate and House of Representatives:

In obedience to the command of the constitution, it is now become my duty "to give to Congress information of the state of the Union, and recommend to their consideration such measures" as I judge to be "necessary and expedient."

But first, and above all, our thanks are due to Almighty God for the numerous benefits which He has bestowed upon this people; and our united prayers ought to ascend to Him that He would continue to bless our great republic in time to come as He has blessed it in the past. Since the adjournment of the last Congress our constituents have enjoyed an unusual degree of health. The earth has yielded her fruits abundantly, and so bountifully rewarded the toil of the husbandman. Our great staples have commanded high prices, and, up till within a brief period, our manufacturing, mineral, and mechanical occupations have largely partaken of the general prosperity. We have possessed all the elements of material wealth in rich abundance, and yet, notwithstanding all these advantages, our country, in its monetary interests, is at the present moment in a deplorable condition. In the midst of unsurpassed plenty in all the productions of agriculture and in all the elements of national wealth, we find our manufactures suspended, our public works retarded, our private enterprises of different kinds abandoned, and thousands of useful laborers thrown out of employment and reduced to want. The revenues of the government, which are chiefly derived from duties on imports from abroad, has been greatly reduced, whilst the appropriations made by Congress at its last session for the current fiscal year are very large in amount.

Under these circumstances, a loan may be required before the close of your present session but this, although deeply to be regretted, would prove to be only a slight misfortune when compared with the suffering and distress prevailing among the people. With this the government cannot fail to sympathize, though it may be without the power to extend relief.

It is our duty to inquire what has produced such unfortunate results, and whether their recurrence can be prevented? In all former revolutions the blame might have been fairly attributed to a variety of co-operating causes, but not so upon the present occasion. It is apparent that our existing misfortunes have proceeded solely from our extravagant and vicious system of paper currency and bank credits, extending to the people wild speculations and gambling in stocks. These revulsions must continue to recur at successive intervals so long as the amount of the paper currency and bank loans and discounts of the country shall be left to the discretion of fourteen hundred irresponsible banking institutions, which from the very law of their nature will consult the interest of their stockholders rather than the public welfare.

The framers of the constitution, when they gave to Congress the power "to coin money and to regulate the value thereof," and prohibited the States from coining money, emitting bills of credit, or making anything but gold and silver coin a tender in payment of debts, supposed they had protected the people against the evils of an excessive and irremediable paper currency. They are not responsible for the existing anomaly that a government endowed with the sovereign attribute of coining money and regulating the value thereof should have no power to prevent others from driving this coin out of the country and filling up the channels of circulation with paper which does not represent gold and silver.

It is one of the highest and most responsible duties of government to insure to the people a sound circulating medium, the amount of which ought to be adapted to the wants of internal trade and foreign exchanges. If this be either greatly above or greatly below the proper standard, the marketable value of every man's property is increased or diminished in the same proportion and injustice to individuals as well as incalculable evils to the community are the consequences.

Unfortunately, under the construction of the federal constitution, which has now prevailed too long to be changed, this important and delicate duty has been discovered from the existing power and virtually transferred to more than fourteen hundred State banks, acting in dependency of each other, and regulating their paper issues almost exclusively by a regard to the present interest of their stockholders. Exercising the sovereign power of providing a paper currency, instead of coin, for the country, the first duty which these banks owe to the public is to keep in their vaults a sufficient amount of gold and silver to insure the convertibility of their notes into coin at all times and under all circumstances. No bank ought ever to be chartered without such restrictions on its business as to secure this result. All other restrictions are comparatively vain. This is the only true touchstone, the only efficient regulator of a paper currency—the only one which can guard the public against over-issues and bank suspensions. As a collateral and essential security it is doubtless wise, and shall hold an amount of United States or State securities equal to their notes in circulation and furnish an adequate security against over-issues. On the contrary, it may be perverted to inflate the currency. Indeed, it is possible by this means to convert all the debts of the United States and State governments into bank notes, without reference to the specie required to redeem them. However valuable these securities may be in themselves, they cannot be converted into gold and silver at the moment of pressure, as our experience teaches,

then the amount shall be limited to the lowest practicable sum. I have, therefore, determined that whilst no useful government works already in progress shall be suspended, new works, not already commenced, will be postponed, if this can be done without injury to the country. Those necessary for its defense shall proceed as though there had been no crisis in our monetary affairs.

But the federal government cannot do much to provide against a recurrence of existing evils. Even if insurmountable constitutional objections did not exist against the creation of a National Bank, this would furnish no adequate preventive security. The history of the last Bank of the United States abundantly proves the truth of this assertion. Such a bank could not, if it would, regulate the issue and credits of fourteen hundred State banks in such a manner as to prevent the ruinous expansions and contractions in our currency which afflicted the country throughout the existence of the late bank, or secure us against future suspension. In 1825 an effort was made by the Bank of England to curtail the issues of the country banks under the most favorable circumstances. The paper currency had been expanded to a ruinous extent, and the Bank put forth all its power to contract it in order to reduce prices and restore the equilibrium of the foreign exchanges. It accordingly commenced a system of curtailment of its loans and issues, in the vain hope that the joint stock and private banks of the kingdom would be compelled to follow its example. It failed, however, that as it contracted they expanded, and at the end of the process, to employ the language of a very high official authority, "whatever reduction of the paper circulation was effected by the Bank of England (in 1825) was more than made up by the issues of the country banks."

But a Bank of the United States would not, if it could, restrain the issues and loans of the State banks, because its duty as a regulator of the currency must often be in direct conflict with the immediate interest of its stockholders. If we expect one agent to restrain or control another, their interests must, at least in some degree, be antagonistic. But the directors of a Bank of the United States would feel the same interest and the same inclination with the directors of the State banks to expand the currency, to accommodate their favorites and friends with loans, and to decline responsibilities. Such has been our experience in regard to the late bank.

After all, we must mainly rely upon the patriotism and wisdom of the States for the prevention and redress of the evil. If they will afford us a real specie basis for our paper currency by increasing the denomination of bank notes, first to twenty, and afterwards to fifty dollars; if they will require that the banks shall at all times keep on hand at least one dollar of gold and silver for every three dollars of their circulation and deposits; and if they will provide by a self-executing enactment, which nothing can arrest, that the moment they suspend they shall go into liquidation, I believe that such provisions, with a weekly publication by each bank of a statement of its condition, would go far to secure us against future suspensions of specie payments.

Congress, in my opinion, possesses the power to pass a uniform bankrupt law applicable to all banking institutions throughout the United States, and I strongly recommend its exercise. This would make it the irreversible organic law of each bank's existence, that a suspension of specie payments shall produce civil death. The instinct of self-preservation would then compel it to perform its duties in such a manner as to escape the penalty and preserve its life.

The existence of banks and the circulation of bank paper are so identified with the habits of our people, that they cannot at this day be suddenly abolished without much immediate injury to the country. If we could confine them to their appropriate sphere, and prevent them from administering to the spirit of wild and reckless speculation by extravagant loans and issues, they might be continued with advantage to the public.

Had Honduras ratified this convention, she would have ratified the establishment of a State substantially independent within her own limits; and a State at all times subject to British influence and control. Moreover, had the United States ratified the treaty with Great Britain in its original form, we should have been bound "to recognize and respect in all future time" these stipulations to the prejudice of Honduras. Being in direct opposition to the spirit and meaning of the Clayton and Bulwer treaty as understood in the United States, the Senate rejected the entire clause, and substituted in its stead a simple recognition of the sovereign right of Honduras to these islands in the following language: "The two contracting parties do hereby mutually engage to recognize and respect the islands of Guanaja, Bonaca, Ujula, Barbareta, Helena, and Morat; situated in the Bay of Honduras, and off the coast of the republic of Honduras, as under the sovereignty and as part of the said republic of Honduras."

conceded by the British Government that the true construction of this language has left them in the rightful possession of all that portion of Central America which was in their occupancy at the date of the treaty; in fact, that the treaty is a virtual recognition on the part of the United States of the right of Great Britain, either as owner or protector, to the whole eastern coast of Central America, sweeping back from the Rio Hondo to the port and harbor of San Juan de Nicaragua, together with the adjacent Bay Islands, except the comparatively small portion of this between the Sargassos and Cape Honduras. According to their stipulation, the treaty does no more than assent in Central America beyond the present limits. It is not too much to assert, that if in the United States the treaty had been considered susceptible of such a construction, it never would have been negotiated under the authority of the President, nor would it have received the approval of the Senate. The universal conviction in the United States was, that when our government consented to violate its traditional and time honored policy, and to stipulate with a foreign government never to occupy or acquire territory in the Central American portion of our own continent, the consideration for this sacrifice was that Great Britain should, in this respect at least, be placed in the same position with ourselves. What we have no right to doubt the sincerity of the British government in their construction of the treaty, it is at the same time my deliberate conviction that this construction is in opposition both to its letter and its spirit.

Under the late administration negotiations were instituted between the two governments for the purpose, if possible, of removing these difficulties; and a treaty having this laudable object in view was signed at London on the 17th October, 1856, and was submitted by the President to the Senate on the following 10th of December. Whether this treaty, either in its original or amended form, would have accomplished the object intended without giving birth to new and embarrassing complications between the two governments, may perhaps be well questioned. Certain it is, however, it was rendered much less objectionable by the different amendments made to it by the Senate. The treaty, as amended, was ratified by me on the 22nd March, 1857, and was transmitted to London for ratification by the British government. The government expressions of willingness to concur in all the amendments made by the Senate with the single exception of the clause relating to Guanaja and the other islands in the Bay of Honduras. The article in the original treaty, as submitted to the Senate, after reciting that these islands and their inhabitants "having been by a convention bearing date the 27th day of August, 1856, between her Britannic Majesty and the republic of Honduras, constituted and declared a free territory under the sovereignty of the said republic of Honduras," stipulated "that the two contracting parties do hereby mutually engage to recognize and respect in all future time the independence and rights of the said free territory as a part of the republic of Honduras."

Upon an examination of this convention between Great Britain and Honduras of the 17th August, 1856, it was found that, whilst declaring the Bay Islands to be a free territory under the sovereignty of the republic of Honduras, it deprived that republic of rights without which its sovereignty over them could scarcely be said to exist. It divided them from the remainder of Honduras, and gave to their inhabitants a separate government of their own, with legislative, executive, and judicial officers, elected by themselves. It deprived the government of Honduras of the taxing power in every form, and exempted the people of the islands from the performance of military duty except for their own exclusive defence. It also prohibited that republic from erecting fortifications upon them for their protection—thus leaving them open to invasion from any quarter; and, finally, it provided "that slavery shall not at any time hereafter be permitted to exist therein."

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With all other European governments, except that of Spain, our relations are as peaceful as we could desire. I regret to say that no progress whatever has been made, since the adjournment of Congress, towards the settlement of any of the numerous claims of our citizens against the Spanish government. Besides, the outrage committed on our flag by the Spanish war-ship *Ferrolan* on the high seas off the coast of Cuba, in March, 1855, by firing into the American mail steamer *El Dorado* and detaining and searching her, remains unacknowledged and unredressed. The general tone and temper of the Spanish government towards that of the United States are such to be regretted. Our present envoy extraordinary and minister plenipotentiary to Madrid has asked to be recalled; and it is my purpose to send out a new minister to Spain, with special instructions on all questions pending between the two governments, and with a determination to have them speedily and amicably adjusted, if this be possible. In the meantime, whenever our minister urges the just claims of our citizens against the Spanish government, he is met with the objection that Congress have never made the appropriation recommended by President Polk in his annual message of December, 1847, "to be paid to the Spanish government for the purpose of distribution among the claimants in the *Amistad* case." A similar recommendation was made by my immediate predecessor in his message of December, 1855; and entirely concurring with both in the opinion that this indemnity is justly due under the treaty with Spain of the 27th October, 1795, I earnestly recommend such an appropriation to the favorable consideration of Congress.

Our relations with Russia remain, as they have ever been, on the most friendly footing. The present Emperor, as well as his predecessors, have never failed, when the occasion offered, to manifest their good will to our country; and their friendship has always been highly appreciated by the government and people of the United States.

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The British government, immediately after rejecting the treaty as amended, proposed to enter into a new treaty with the United States, similar in all respects to the treaty which they had just refused to ratify, if the United States would consent to add to the Senate's clear and unqualified recognition of the sovereignty of Honduras over the Bay Islands the following conditional stipulation: "Whenever and as soon as the republic of Honduras shall have concluded and ratified a treaty with Great Britain, which Great Britain shall have ceded, and the republic of Honduras shall have accepted, the said islands; subject to the provisions and conditions contained in such treaty."

This proposition was, of course, rejected. After the Senate had refused to recognize the British convention with Honduras of the 27th August, 1856, with full knowledge of its contents, it was impossible for me, necessarily ignorant of "the provisions and conditions" which might be contained in a future convention between the same parties, to sanction them in advance. The fact is that when two nations like Great Britain and the United States, mutually desirous, as they are, and I trust ever may be, of maintaining the most friendly relations with each other, have unfortunately concluded a treaty which they understand in senses directly opposite, the wisest course is to abrogate such a treaty by mutual consent, and to commence anew. Had this been done promptly, all difficulties in Central America would most probably ere this have been adjusted to the satisfaction of both parties. The time spent in discussing the meaning of the Clayton and Bulwer treaty would have been devoted to this praiseworthy purpose, and the task would have been the more easily accomplished because the interests of the two countries in Central America is identical, being confined to securing safe transit over all the routes across the Isthmus.

Whilst entertaining these sentiments, I shall nevertheless not refuse to contribute to any reasonable adjustment of the Central American questions which is not practically inconsistent with the American interpretation of the treaty. Overtures for this purpose have been recently made by the British government in a friendly spirit, which I cordially reciprocate; but whether this renewed effort will result in success I am not yet prepared to express an opinion. A brief period will determine.

With France our ancient relations of friendship and comradery are such, that France, in several recent instances which need not be enumerated, evinced a spirit of good will and kindness towards our country which I heartily reciprocate. It is, notwithstanding, much to be regretted that two nations whose productions are of such a character as to invite the most extensive exchanges and freest commercial intercourse, should continue to enforce ancient and obsolete restrictions of trade against each other. Our commercial treaty with France is in this respect an exception from our treaties with all other commercial nations. It jealously levies discriminating duties both on tonnage and on articles, the growth, produce, or manufacture of the one country, when arriving in vessels belonging to the other.

More than forty years ago, on the 31st March, 1815, Congress passed an act offering to all nations to admit their vessels laden with their national productions into the ports of the United States upon the same terms with our own vessels, provided they would reciprocate to us similar advantages. This act outlined the reciprocity to the productions of the respective foreign nations who might enter into the proposed arrangement with the United States. The act of May 24, 1828, removed this restriction, and offered a similar reciprocity to all such vessels without reference to the origin of their cargoes. Upon these principles, our commercial treaties and arrangements have been founded, except with France; and let us hope that this exception may not long exist.

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A treaty of friendship and commerce was concluded at Constantinople on the 13th December, 1856, between the United States and Persia, the ratifications of which were exchanged at Constantinople on the 18th June, 1857, and the treaty was proclaimed by the President on the 19th August, 1857. This treaty, it is believed, will prove beneficial to American commerce. The Shah has manifested an earnest disposition to cultivate friendly relations with our country, and has expressed a strong wish that we should be represented at Taberan by a minister plenipotentiary; and I recommend that an appropriation be made for this purpose.

Recent occurrences in China have been unfavorable to a revision of the treaty with that empire of the 22nd July, 1844, with a view to the security and extension of our commerce. The 24th article of this treaty stipulated for a revision of it, in case experience should prove this to be requisite; "in which case the two governments will, at the expiration of twelve years from the date of said convention, treat amicably concerning the same, by means of suitable persons appointed to conduct such negotiations." These twelve years expired on the 23rd July, 1856; but long before that period it was ascertained that important changes in the treaty were necessary; and several fruitless attempts were made by the commissioner of the United States to effect these changes. Another effort was about to be made for the same purpose by our commissioner, in conjunction with the ministers of England and France, but this was suspended by the occurrence of hostilities in the Canton river between Great Britain and the Chinese Empire. These hostilities have necessarily interrupted the trade of all nations with Canton, which is now in a state of blockade, and have occasioned a serious loss of life and property. Meanwhile the insurrection within the empire against the existing imperial dynasty still continues, and it is difficult to anticipate what will be the result.

Under these circumstances, I have deemed it advisable to appoint a distinguished citizen of Pennsylvania envoy extraordinary and minister plenipotentiary to proceed to China, and to avail himself of any opportunities which may offer to effect changes in the existing treaty favorable to American commerce. He left the United States for the place of his destination in July last in the war steamer *Minnesota*. Special ministers to China have also been appointed by the governments of Great Britain and France.

Whilst our minister has been instructed to occupy a neutral position in reference to the existing hostilities at Canton, he will cordially cooperate with the British and French ministers in all peaceful measures to secure by treaty stipulations, those just concessions to commerce which the nations of the world have a right to expect, and which China cannot long be permitted to withhold. From assurances received, I entertain no doubt that the three ministers will act in harmonious concert to obtain similar commercial treaties for each of the powers they represent.

We cannot fail to feel a deep interest in all that concerns the welfare of the independent republics on our own continent, as well as of the empire of Brazil.

Our difficulties with New Granada, which a short time since bore so threatening an aspect, are, it is to be hoped, in a fair train of settlement in a manner just and honorable to both parties.

The Isthmus of Central America, including that of Panama, is the great highway between the Atlantic and Pacific, over which a large portion of the commerce of the world is destined to pass. The United States are more deeply interested than any other nation in preserving the freedom and security of all the communications across this isthmus. It is our duty, therefore, to take care that they shall not be interrupted either by invasions from our own country or by wars between the independent States of Central America. Under our treaty with New Granada of the 12th December, 1846 we are bound to guaranty the neutrality of the Isthmus of Panama, through which the Panama railroad passes, "as well as the rights of sovereignty and property which New Granada has and possesses over the said Territory." This obligation is founded upon equivalents granted by the treaty to the government and people of the United States.

Under these circumstances, I recommend to Congress the passage of an act authorizing the President, in case of necessity, to employ the land and naval forces of the United States to carry into effect this guarantee of neutrality and protection. I also recommend similar legislation for the security of any other route across the Isthmus in which we may acquire an interest by treaty.

With the independent republics on this continent it is both our duty and our interest to cultivate the most friendly relations. We can never feel indifferent to their fate, and must always rejoice in their prosperity. Unfortunately, both for them and for us, our example and advice have lost much of their influence in consequence of the lawless expeditions which have been fitted out against some of them within the limits of our country. Nothing is better calculated to retard our steady material progress, or impair our character as a nation, than the toleration of such enterprises in violation of the law of nations. It is one of the fast and highest duties of every independent State, in its relations with the members of the great family of nations, to restrain its people from acts of hostile aggression against their rights or subjects. The most eminent writers of public law do not hesitate to denounce such hostile acts as robbery and murder.

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