

"the most decided measures that belong to the powers and obligations of the representative office." Notwithstanding this warning, the banishment was enforced, and Mr. Forsyth promptly announced to the government the suspension of the political relations of his legation with them, until the pleasure of his own government should be ascertained.

This government did not regard the contribution imposed by the United States as a May last to be in strictness a forced loan, and as such prohibited by the 10th article of the treaty of 1826 between Great Britain and Mexico, to the benefit of which American citizens are entitled by treaty; and the imposition of the contribution on foreigners was considered an unjust and oppressive measure. Besides, internal factions in other parts of the republic were at the same time levying similar exactions upon the property of our citizens and interrupting their commerce. There had been an entire failure on the part of our minister, to secure redress for the wrongs which our citizens had endured, notwithstanding his persevering efforts. And from the temporary manifested by the Mexican government, he had repeatedly assured us that no favorable change could be expected, until the United States should "give striking evidence of their will and power to protect their citizens, and that severe chastisement is the only early remedy for our grievances." From this statement of facts, it would have been worse than idle to direct Mr. Forsyth to retract his steps and resume diplomatic relations with the Mexican government, therefore, deemed proper to sanction his withdrawal of the legation from the city of Mexico.

Abundant cause now undoubtedly exists, for a resort to hostilities against the government still holding possession of the territory. Should they succeed in subduing the constitutional forces, all reasonable hope will then have expired of a peaceful settlement of our difficulties.

On the other hand, should the constitutional party prevail, where there can be established over the republic, there is reason to hope that they will be animated by a less unfriendly spirit, and may grant that redress to American citizens which justice requires, so far as they may possess the means. But such expectations are not to be indulged in, until recommended to Congress to grant the necessary power to the President, to take possession of a sufficient portion of the remote and unsettled territory of Mexico, to be held in pledge until our rights are satisfactorily redressed and the frontier secured. We have already exhausted every milder means of obtaining justice. In such a case, this remedy of reprisals is recognised by the law of nations, not only as just in itself, but as a means of procuring justice.

But there is another view of our relations with Mexico, arising from the unhappy condition of affairs along our southwestern frontier, which demands immediate action. That remote and unsettled frontier, where the inhabitants are large bands of hostile and predatory Indians roam promiscuously over the Mexican States of Chihuahua and Sonora, and our adjoining territories. The local governments of these States are powerless, and the Indians are in a constant alarm by the Indians. They have not the power, if they possessed the will, even to restrain lawless Mexicans from passing the border and committing depredations on our remote settlers. A state of anarchy and violence prevails throughout that distant frontier. The laws are a dead letter, and life and property are wholly insecure. For this reason the settlement of Arizona is arrested whilst it is of great importance that a chain of Indian posts should be established along the border, sufficient for their own protection and for the protection of the United States mail passing to and from California. Well founded apprehensions are now entertained, that the Indians, and wandering Mexicans equally lawless, may break up the important stage and postal communication recently established between our Atlantic and Pacific possessions. This passes very near to the Mexican boundary, throughout the whole length of Arizona. I can imagine no possible remedy for these evils, and no mode of restoring law and order on that remote and unsettled frontier, but for the government of the United States to assume a temporary protectorate over the northern portions of Arizona, and to establish military posts within the same—and this I earnestly recommend to Congress. This protection may be withdrawn, as soon as local governments shall be established in these Mexican States, capable of protecting their duties to the United States, restraining the lawless and preserving peace along the border.

I do not doubt that this measure will be viewed in a friendly spirit by the government and people of this country, for the protection of their citizens on that remote and lawless frontier, as for citizens of the United States.

And in this connexion permit me to recall your attention to the fact that Territory, numbering, as is alleged, more than ten thousand souls, are practically without a government, without laws, and without any regular administration of justice. Murder and other crimes are committed with impunity. This is a state of things which calls loudly for redress; and I therefore, repeat my recommendation for the establishment of a territorial government over Arizona.

The political condition of the narrow isthmus, through which the transit route passes, between the Atlantic and Pacific oceans, presents a subject of deep interest to all commercial nations. It is over these transits, that a large proportion of the trade and travel between the European and Asiatic continents is conducted. To the United States these routes are of incalculable importance, as a means of communication between their Atlantic and Pacific possessions. The latter now extend through seventeen degrees of latitude on the Pacific coast, embracing the important States of California and Washington. All commercial nations, therefore, have a deep and direct interest, that those communications should be rendered secure from interruption. If an arm of the sea, connecting the two oceans, penetrated through Nicaragua and Costa Rica, it could not be pretended that these States would have the right to arrest or retard its navigation to the injury of other nations. The transit by land over this narrow isthmus, occupies nearly the same position. It is a highway in which they themselves have little interest, when compared with the vast interests of the rest of the world. Our rights of sovereignty ought to be respected, it is the duty of other nations to require, that this important passage shall not be interrupted, by the civil wars and revolutionary outbreaks, which have so frequently occurred in S. America. This is too important, to be left at the mercy of rival companies, claiming to hold conflicting contracts with Nicaragua. The commerce of other nations is not to stand still and await the adjustment of petty disputes. The government of the United States expect no more than this, and they will not be satisfied with less. They would not, if they could, derive any advantage from the Nicaragua transit, nor common to the rest of the world, as the common use of all nations, is their only object. They have no objections that Nicaragua shall demand and receive a fair compensation, from the companies and individuals who may traverse the route, but they insist that it shall never hereafter be closed,

by an arbitrary decree of that government. If disputes arise between it and those with whom they may have entered into contracts, these must be adjusted by some fair tribunal provided for the purpose, and the route must not be closed pending the controversy. This is on what policy, and they cannot fail to be acceptable to other nations.

All these difficulties might be avoided, if, consistently with the good faith of Nicaragua, the use of this transit could be thrown open to the free navigation; providing at the same time for the payment of reasonable tolls to the Nicaraguan government, on passengers and freight.

In August, 1852, the Ancestral Transit Company made its first interoceanic trip over the Nicaragua route, and continued in successful operation, with great advantage to the public, until the 18th February, 1856, when it was closed, and the grant to this company, as well as its charter, was summarily and arbitrarily revoked by the government of President Rivas. Previous to this date, however, in 1854, serious disputes concerning the settlement of their accounts had arisen between the company and the government, and the suspension of the route at that time, was a consequence of the rupture of the route at that time, in consequence of the U. S. in vain endeavoring to compose. It would be useless to narrate the various proceedings which took place between the parties, up till the time when the transit route was closed. It has remained closed, greatly to the prejudice of citizens of the United States. Since that time the competition has ceased between the rival routes, and Nicaragua, and, in consequence thereof, an unjust and exorbitant amount has been exacted from our citizens for their passage to and from California.

A treaty was signed on the 16th day of November, 1857, by the Secretary of State and the Minister of Nicaragua, in which stipulations of which the use and protection of the transit route would have been secured, not only to the United States, but equally to all other nations. How and on what pretext this treaty failed to receive the ratification of the Nicaraguan Government, will appear by the papers herewith communicated from the State Department. The principal objection seems to have been to the provision authorizing the United States to employ force to keep the route open, in case the Nicaraguan Government should fail to perform her duty in this respect.

From the feebleness of that republic, its frequent changes of government, and its constant internal dissensions, this had become a most important stipulation, and one especially necessary in order to secure the security of the route, and the safety of American citizens passing and repassing and to our Pacific possessions. Were such a stipulation embraced in a treaty between the United States and Nicaragua, the knowledge of this fact would of itself most probably prevent hostile parties from committing aggressions on the route, and render our actual interference for its protection unnecessary.

Executive Government of this country, in its intercourse with foreign nations, is limited in the employment of diplomacy alone. It cannot legitimately resort to force without the direct authority of Congress, especially in cases of repelling hostile attacks. It would have no authority to enter the territory of Nicaragua, even to prevent the destruction of the transit, and render the lives and property of our own citizens on their passage. It is true that, on a sudden emergency of this character, the President would direct any armed force in the vicinity to march to their relief; but in doing this he would act upon his own responsibility.

Under these circumstances, I earnestly recommend to Congress the passage of an act authorizing the President, under such restrictions as they may deem proper, to employ the land and naval forces of the U. S. in preventing the transit from being interrupted, or in restoring the transit to the protection of the lives and property of American citizens travelling thereupon, requiring at the same time that these forces shall be withdrawn the moment the danger shall have passed away. Without such a provision, our citizens will be constantly exposed to interruption in their progress, and to lawless violence. A similar necessity exists for the passage of such an act for the protection of the Panama and Tehuantepec routes.

In reference to the Panama route, the U. S. by their existing treaty with New Granada, expressly guarantee the neutrality of the isthmus, "with the view that the free transit from one to the other sea may not be interrupted or embarrassed in any future time, while a treaty exists between the two States."

In regard to the Tehuantepec route, which has been recently opened under the most favorable auspices, our treaty with Mexico of the 30th December, 1853, secures to the citizens of the United States a right of transit over it for their persons and merchandise, and stipulates that neither Government shall "interpose any obstacle" thereto. It also accedes to the United States the "right to transport across the Isthmus, in closed boats, all kinds of merchandise, and to be included for distribution along the line of the communication; also, the effect of the U. S. Government and its citizens which may be intended for transit and not for distribution on the Isthmus, free of custom, house or other charges to the Mexican government."

These treaty stipulations with New Granada and Mexico, in addition to the considerations applicable to the Nicaragua route, seem to require legislation for the purpose of carrying them into effect.

A similar course was pursued with reference to our citizens in Costa Rica and Nicaragua, during the last two or three years, having received the prompt attention of this Government. Some of these injuries were of the most aggravated character, in the transaction at Yrigui, in April, 1855, when a company of unarmed Americans, who were in no way connected with any belligerent conduct of Costa Rica, were fired upon by the troops of that party, and numbers of them killed and wounded. The knowledge of Congress by my predecessor soon after its occurrence, and was also presented to the government of Costa Rica, for that immediate investigation and redress which the nature of the case demanded.

A similar course was pursued with reference to other outrages in those countries, some of which were hardly less aggravated in their character than the transaction at Yrigui Bay. At this time, however, when our Minister to Nicaragua was appointed, in December, 1857, no redress had been obtained for any of these wrongs, and no reply even had been received to the demands which had been made by this government upon that of Costa Rica, more than a year ago. Our Minister was instructed, therefore, to lose no time in extending its benefits to every portion of the Union, had been brought to a dead pause. The same consequences have resulted from similar cases to many other branches of useful manufactures. It is self evident that where there is no ability to purchase manufactured articles, these cannot be sold and consequently must cease to be produced.

No government, and especially a government of such limited powers as that of the United States, could have prevented the late revolution. The whole commercial world seemed for years to have been rushing to this catastrophe. The same ruinous consequences would have followed in the United States, whether the duties upon foreign imports had remained as they were under the tariff of 1846, or had been raised to a much higher standard. The tariff of 1857 had no agency in the result. The general causes existing throughout the world could not

have been controlled by the legislation of any particular country.

The periodical revolutions which have existed in the past history must continue to return at intervals to our present unbounded system of bank credits shall prevail. They will, however, probably be the less severe in future, because it is not to be expected that, at least for many years to come, the commercial system of Europe, which whose interests are so materially involved, will expose themselves to similar calamities. But this subject was treated so much at large in my last message, that I shall not now pursue it further. Still I respectfully renew the recommendation in favor of the passage of a uniform bankrupt law, applicable to banking institutions. This is all the power over the subject which I believe the Federal government possesses. Such a law would mitigate, though it might not prevent the evil. The instinct of self preservation might produce a wholesome restraint upon their banking business if they knew and understood the consequences of their speculative and unwise speculations, which would inevitably produce their civil death.

But the effects of the revolution are now slowly but surely passing away. The energy and enterprise of our citizens, with the aid of the law within the compass of another year, restore a state of wholesome industry and trade. Capital has again accumulated in our large cities; the rate of interest is very low; and, as it is gradually reviving, and so soon as it is restored to its former level, it will profitably employed in commercial and manufacturing enterprises, and in the construction of railroads and other works of public and private improvement, prosperity will again be the result. Still, however, to ourselves that a speculative inflation of our currency, without a corresponding inflation in other countries whose manufactures come into competition with our own, must ever produce disastrous results to our manufacturers. No tariff, short of absolute prohibition, can prevent these evil consequences.

In connection with this subject, it is proper to refer to our financial condition. The same causes which have produced the present distress throughout the country, have so reduced the amount of imports from foreign countries that the revenue has proved inadequate to meet the necessary expenses of the government. To supply the deficiency, Congress, by an act of the 20th December, 1857, authorized the issue of \$20,000,000 of treasury notes; and this proving inadequate, they authorized, by the act of June 14th, 1858, a loan of \$20,000,000, "to be applied to the payment of appropriations made by law."

It is to be regretted that the act should go on increasing the national debt to meet the ordinary expenses of Government. This would be a most ruinous policy. In case of war, our credit must be our chief reliance. To provide for the payment of our debts, and to be obliged to contract a large debt in time of peace. It is true policy to increase our revenue so as to equal our expenditures. It would be ruinous to contract a debt to pay a debt. Besides, it may be proper to observe that, for the purpose of this export duty removed; and it is hoped the enlightened Government of the Emperor will adopt this wise, just and equal policy. In that event there is good reason to believe that the relations between the two countries will greatly increase much to the advantage of both.

The claims of our citizens against the Government of Brazil are not, in the aggregate, of very large amount; but some of these rest upon the most sacred principles, and their settlement ought not to be long delayed. A renewed, and earnest, and I trust, a successful effort will be made by our Minister to procure their final adjustment.

On the second of June last, Congress passed a joint resolution authorizing the President "to adopt such measures and use such force as, in his judgment, may be necessary and advisable," for the purpose of adjusting the claims of our citizens against the Republic of Paraguay. In connection with the attack on the United States steamer Water Witch, and with other measures referred to in his annual message. And on the 10th of December, they made an appropriation to defray the expenses of a commissioner to that Republic, should the President deem it proper to make such an appointment.

In compliance with these enactments, I have appointed a commissioner, who has proceeded to Paraguay with full powers and instructions to settle these differences in an amicable and peaceful manner, if this be practicable. His experience and discretion justify me in hoping that he may prove successful in convincing the Government of Paraguay, that they should promptly make atonement for the wrongs which they have committed against the U. S. States, and indemnify the injured citizens whom they have forcibly deprived of their property.

Should our commissioner prove unsuccessful, after a sincere and earnest effort, to accomplish the object of his mission, then no alternative will be left, but to resort to force to obtain "just satisfaction" from Paraguay. In view of this contingency the Secretary of the Navy, under my direction, has fitted out and dispatched a naval force to rendezvous at Montevideo, which is believed will prove sufficient for the occasion. It is my earnest desire, however, that it may not be found necessary to resort to this last alternative.

When the Treasury in December last, the business of the country had been crushed, by one of those periodical revolutions which are the inevitable consequence of our unsound and extravagant system of bank credits and inflated currency. With all the other classes, and much distress was the inevitable consequence, among the great number of workmen who had been employed in this useful branch of our industry. There could be no supply where there was no demand. To present an example, the circular saws, which are so valuable and useful manufactures. It is self evident that where there is no ability to purchase manufactured articles, these cannot be sold and consequently must cease to be produced.

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When the Treasury in December last, the business of the country had been crushed, by one of those periodical revolutions which are the inevitable consequence of our unsound and extravagant system of bank credits and inflated currency. With all the other classes, and much distress was the inevitable consequence, among the great number of workmen who had been employed in this useful branch of our industry. There could be no supply where there was no demand. To present an example, the circular saws, which are so valuable and useful manufactures. It is self evident that where there is no ability to purchase manufactured articles, these cannot be sold and consequently must cease to be produced.

No government, and especially a government of such limited powers as that of the United States, could have prevented the late revolution. The whole commercial world seemed for years to have been rushing to this catastrophe. The same ruinous consequences would have followed in the United States, whether the duties upon foreign imports had remained as they were under the tariff of 1846, or had been raised to a much higher standard. The tariff of 1857 had no agency in the result. The general causes existing throughout the world could not

have been controlled by the legislation of any particular country.

The periodical revolutions which have existed in the past history must continue to return at intervals to our present unbounded system of bank credits shall prevail. They will, however, probably be the less severe in future, because it is not to be expected that, at least for many years to come, the commercial system of Europe, which whose interests are so materially involved, will expose themselves to similar calamities. But this subject was treated so much at large in my last message, that I shall not now pursue it further. Still I respectfully renew the recommendation in favor of the passage of a uniform bankrupt law, applicable to banking institutions. This is all the power over the subject which I believe the Federal government possesses. Such a law would mitigate, though it might not prevent the evil. The instinct of self preservation might produce a wholesome restraint upon their banking business if they knew and understood the consequences of their speculative and unwise speculations, which would inevitably produce their civil death.

But the effects of the revolution are now slowly but surely passing away. The energy and enterprise of our citizens, with the aid of the law within the compass of another year, restore a state of wholesome industry and trade. Capital has again accumulated in our large cities; the rate of interest is very low; and, as it is gradually reviving, and so soon as it is restored to its former level, it will profitably employed in commercial and manufacturing enterprises, and in the construction of railroads and other works of public and private improvement, prosperity will again be the result. Still, however, to ourselves that a speculative inflation of our currency, without a corresponding inflation in other countries whose manufactures come into competition with our own, must ever produce disastrous results to our manufacturers. No tariff, short of absolute prohibition, can prevent these evil consequences.

In connection with this subject, it is proper to refer to our financial condition. The same causes which have produced the present distress throughout the country, have so reduced the amount of imports from foreign countries that the revenue has proved inadequate to meet the necessary expenses of the government. To supply the deficiency, Congress, by an act of the 20th December, 1857, authorized the issue of \$20,000,000 of treasury notes; and this proving inadequate, they authorized, by the act of June 14th, 1858, a loan of \$20,000,000, "to be applied to the payment of appropriations made by law."

It is to be regretted that the act should go on increasing the national debt to meet the ordinary expenses of Government. This would be a most ruinous policy. In case of war, our credit must be our chief reliance. To provide for the payment of our debts, and to be obliged to contract a large debt in time of peace. It is true policy to increase our revenue so as to equal our expenditures. It would be ruinous to contract a debt to pay a debt. Besides, it may be proper to observe that, for the purpose of this export duty removed; and it is hoped the enlightened Government of the Emperor will adopt this wise, just and equal policy. In that event there is good reason to believe that the relations between the two countries will greatly increase much to the advantage of both.

The claims of our citizens against the Government of Brazil are not, in the aggregate, of very large amount; but some of these rest upon the most sacred principles, and their settlement ought not to be long delayed. A renewed, and earnest, and I trust, a successful effort will be made by our Minister to procure their final adjustment.

On the second of June last, Congress passed a joint resolution authorizing the President "to adopt such measures and use such force as, in his judgment, may be necessary and advisable," for the purpose of adjusting the claims of our citizens against the Republic of Paraguay. In connection with the attack on the United States steamer Water Witch, and with other measures referred to in his annual message. And on the 10th of December, they made an appropriation to defray the expenses of a commissioner to that Republic, should the President deem it proper to make such an appointment.

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