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PRESIDENT'S MESSAGE.

Fellow Citizens of the Senate and House of Representatives:

Upon the reassembling of Congress, it again becomes my duty to call your attention to the state of the Union, and to its continued disorganized condition under the various laws which have been passed upon the subject of reconstruction.

It may be safely assumed, as an axiom in the government of States, that the greatest wrongs inflicted upon a people are caused by unjust and arbitrary legislation, or by the paralyzing decree of despotic rulers, and that the timely revocation of injurious and oppressive measures is the greatest good that can be conferred upon a nation.

Our own history—although embracing a period less than a century—affords abundant proof that most, if not all, of our domestic troubles are directly traceable to violations of the organic law and excessive legislation. The most striking illustrations of this fact are furnished by the enactments of the past three years upon the question of reconstruction.

The population of the United States in 1790 was nearly four millions of people. Increasing each decade about thirty-three per cent., it reached in 1860 thirty-one millions—an increase of seven hundred per cent on the population in 1790. In 1860 it is estimated that it will reach thirty-eight million, or an increase of eight hundred and sixty-eight per cent, in seventy-nine years.

By comparing the public disbursements of 1863, as estimated, with those of 1791, it will be seen that the increase of expenditure since the beginning of the Government has been eight thousand six hundred and eighteen per centum, while the increase of the population for the same period was only eight hundred and sixty-eight per centum. Again the expenses of the Government in 1860, the year of peace immediately preceding the war, were only sixty-three millions, while in 1869, the year of peace three years after the war, it is estimated they will be three hundred and seventy-two millions—an increase of four hundred and eighty-nine per centum, while the increase of population was only twenty-one per centum for the same period.

These statistics further show that in 1791 the annual national expenses compared with the population, were little more than one dollar per capita, and in 1860 but two dollars per capita, while in 1869 they will reach the extravagant sum of nine dollars and seventy-eight cents per capita.

Congress has already been made familiar with my views respecting the "tenure of office bill." Experience has proved that its repeal is demanded by the best interests of the country, and that while it remains in force the President cannot enjoy that rigid accountability of public officers so essential to an honest and efficient execution of the laws.

The act of March 2, 1867, making appropriations for the support of the army for the year ending June 30, 1868, and for other purposes, contains provisions which interfere with the President's constitutional functions as commander-in-chief of the army, and deny to States of the Union the right to protect themselves by means of their own militia.

It is believed that the repeal of all such laws would be accepted by the American people as at least a partial return to the fundamental principles of the government, and an indication that hereafter the Constitution is to be made the Nation's safe and unerring guide. They can be productive of no permanent benefit to the country, and should not be permitted to stand as so many monuments of the deficient wisdom which has characterized our recent legislation.

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It will be observed that all these statements refer to and exhibit the disbursements of peace periods. It may, therefore, be of interest to compare the expenditures of the three war periods—the war with Great Britain, the Mexican war, and the war of the rebellion.

In 1813 the annual expenses incident to the war of 1812 reached their highest amount—about thirty-one millions; while our population slightly exceeded eight millions, showing an expenditure of only three dollars and eighty cents per capita. In 1847 the expenditures growing out of the war with Mexico reached fifty-five millions, and the population was about twenty-one millions, giving only two dollars and sixty cents per capita for the war expenses of that year.

of thirty-three hundred millions. Three years of peace have intervened, and during that time the disbursements of the Government have successively been five hundred and twenty millions, three hundred and forty-six millions and three hundred and ninety-three millions. Adding to these amounts three hundred and seventy-two millions, estimated as necessary for the fiscal year ending the 30th of June, 1869, we obtain a total expenditure of sixteen hundred millions of dollars during the four years immediately succeeding the war, or nearly as much as was expended during the seventy-two years that preceded the rebellion, and embraced the extraordinary expenditures already named.

These startling facts clearly illustrate the necessity of retrenchment in all branches of the public service. Abuses which were tolerated during the war for the preservation of the nation will not be endured by the people, nor that profound peace prevail. The receipts from internal revenues and customs have, during the past three years, gradually diminished, and the continuance of useless and extravagant expenditures will involve us in national bankruptcy, or else make inevitable an increase of taxes, already too onerous, and in many respects obnoxious on account of their inequitable character.

It is shown, by the able and comprehensive report of the Secretary of the Treasury, that the receipts, for the fiscal year ending June 30, 1868, were \$405,638,003, and that the expenditures for the same period were \$377,340,284, leaving in the Treasury a surplus of \$28,297,718. It is estimated that the receipts of the present fiscal year ending June 30, 1869, will be \$441,392,868, and the expenditures \$336,152,470, showing a small balance of \$5,240,398 in favor of the Government.

In 1869, when the government commenced operations under the Federal Constitution, it was burdened with an indebtedness of twenty-five millions of dollars, created during the war of the Revolution. This amount had been reduced to forty-five million dollars when in 1812 war was declared against Great Britain. The three years' struggle that followed largely increased the national obligations, and in 1816 they had attained the sum of one hundred and twenty-seven millions. Wise and economical legislation however, enabled the Government to pay the entire amount within a period of twenty years, and the extinguishment of the national debt filled the land with rejoicing, and was one of the great events of President Jackson's administration.

After its redemption a large sum remained in the Treasury, which was deposited for safe-keeping in the several States, on condition that it should be returned when required by the public wants. In 1819—the year after the termination of an expensive war with Mexico—we found ourselves involved in a debt of sixty-four millions; and this was the amount owed by the Government in 1860, just prior to the outbreak of the rebellion. In the spring of 1861 our civil war commenced. Each year of its continuance made an enormous addition to the debt; and when, in the spring of 1865, the nation successfully emerged from the conflict, the obligations of the Government had reached the immense sum of \$2,873,992,909.

The Secretary of the Treasury shows that on the 1st day of November, 1867, this amount had been reduced to \$2,491,504,450; but at the same time his report exhibits an increase during the past year of \$35,625,102; for the debt on the 1st day of November last is stated to have been \$2,527,129,552. It is estimated by the Secretary that the returns for the past month will add to our liabilities the further sum of eleven millions—making a total increase during thirteen months of forty-six and a half millions.

In my message to Congress of December 3, 1865, it was suggested that a policy should be devised which, without being oppressive to the people, would at once begin to effect a reduction of the debt, and, if persisted in, discharge it fully within a definite number of years. The Secretary of the Treasury forcibly recommends legislation of this character, and justly urges that the longer it is deferred the more difficult

must become its accomplishment. We should follow the wise precedents established in 1780 and 1816, and without further delay make provision for the payment of our obligations at as early a period as may be practicable. The fruits of their labors should be enjoyed by our citizens, rather than used to build up and sustain moneyed monopolies in our own and other lands.—Our foreign debt is already computed by the Secretary of the Treasury at eight hundred and fifty millions; citizens of foreign countries receive interest upon a large portion of our securities, and American taxpayers are made to contribute large sums for their support. The idea that such a debt is to become permanent should be at all times discarded, as involving taxation too heavy to be borne, and payment once in every sixteen years, at the present rate of interest, of an amount equal to the original sum. This vast debt, if permitted to become permanent and increasing, must eventually be gathered into the hands of a few, and enable them to exert a dangerous and controlling power in the affairs of the Government. The borrowers would become servants to the lenders—the lenders servants to the people.—We now pride ourselves upon having given freedom to four millions of the colored race; it will then be our shame that forty millions of people, by their own toleration of usurpation and profligacy, have suffered themselves to become enslaved, and merely exchanged slave-owners for new taskmasters in the shape of bondholders and tax-gatherers. Besides, permanent debts pertain to monarchical governments, and tending to monopolies, perpetuities, and class legislation, are totally irreconcilable with free institutions. Introduced into our republican system, they would gradually but surely sap its foundations, eventually subvert our governmental fabric, and erect upon its ruins a moneyed aristocracy. It is our sacred duty to transmit unimpaired to our posterity the blessings of liberty which were bequeathed to us by the founders of the Republic, and by our example teach those who are to follow us carefully to avoid the dangers which threaten a free and independent people.

Various plans have been proposed for the payment of the public debt. However they may have varied as to the time and mode in which it should be redeemed, there seems to be a general concurrence as to the propriety and justice of a reduction in the present rate of interest. The Secretary of the Treasury in his report recommends five per cent. Congress, in a bill passed for a adjournment on the 27th of July last, agreed upon four and a half per cent.; while by many three per cent. has been held to be an amply sufficient return for the investment. The general impression as to the exorbitancy of the existing rate of interest has led to an inquiry in the public mind respecting the consideration which the government has actually received for its bonds, and the conclusion is becoming prevalent that the amount which it obtained was in real money three or four hundred per cent. less than the obligations which it issued in return. It cannot be denied that we are paying an extravagant per centage for the use of the money borrowed, which was paper currency, greatly depreciated below the value of coin. This fact is apparent when we consider that bondholders receive from the Treasury, upon each dollar they own in government securities, six per cent. in gold, which is nearly or quite equal to nine per cent. in currency; that the bonds are then converted into capital for the national banks, upon which those institutions issue their circulation, bearing six per cent. interest; and they are exempt from taxation by the Government and the States, and thereby enhanced two per cent. in the hands of the holders. We thus have an aggregate of seventeen per cent., which may be received upon each dollar by the owners of Government securities. A system that produces such results is justly regarded as favoring a few at the expense of the many, and has led to the further inquiry whether our bondholders, in view of the large profits which they have enjoyed, would themselves be averse to a settlement of our indebtedness upon a plan which would yield them a fair remuneration, and at the same time be just to the tax-payers of the nation. Our national credit should be sacredly observed; but in making provision for our creditors we should not forget what is due to the masses of the people. It may be assumed that the holders of our securities have already received upon their bonds a larger amount than their original investment, measured by a gold standard. Upon this statement of facts it would seem but just and equitable that the six per cent. interest now paid by the Government should be applied to the reduction of the principal in semi-annual instalments, which in sixteen years and eight months would liquidate the entire national debt. Six per cent. in gold would at present rates be equal to nine per cent. in currency, and equivalent to the payment of the debt one and a half times in a fraction less than seventeen years. This, in connection with all the other advantages derived from their investment, would afford to the public creditors a fair and liberal compensation for the use of their capital, and with this they should be satisfied. The lessons of the past admonish the lender that it is not well to be over anxious in exacting from the borrower rigid compliance with the letter of the bond.

If provision be made for the payment of the indebtedness of the Government in the manner suggested, our nation will rapidly recover its wonted prosperity. Its interests require that some measure should be taken to release the large amount of capital invested in the securities of the Government. It is not now merely unproductive, but in taxation annually consumes one hundred and fifty millions of dollars, which would otherwise be used by our enterprising people in adding to the wealth of the nation. Our commerce, which at one time successfully rivalled that of the great maritime Powers, has rapidly diminished, and our industrial interests are in a depressed and languishing condition. The development of our inexhaustible resources is checked, and the fertile fields of the South are becoming waste for want of means to till them. With the release of capital, new life would be infused into the paralyzed energies of our people, and activity and vigor imparted to every branch of industry. Our people need encouragement in their efforts to recover from the effects of the rebellion and of injudicious legislation; and it should be the aim of the Government to stimulate them by the prospect of an early release from the burdens which impede their prosperity. If we cannot take the burdens from their shoulders, we should at least manifest a willingness to help to bear them.

In referring to the condition of the circulating medium, I shall merely reiterate, substantially that portion of my last annual message which relates to that subject. The portion which the currency of any country should bear to the whole value of the annual produce circulated by its means is a question upon which political economists have not agreed. Nor can it be controlled by legislation, but must be left to the irrevocable laws which everywhere regulate commerce and trade. The circulating medium will ever irresistibly flow to those points where it is in greatest demand. The law of demand and supply is as unerring as that which regulates the tides of the ocean; and indeed currency, like the tides, has its ebbs and flows through the commercial world.

At the beginning of the rebellion the bank note circulation of the country amounted to not much more than two hundred millions of dollars. Now the circulation of National Bank notes and those known as "legal tenders" is nearly seven hundred millions. While it is urged by some that this amount should be increased, others contend that a decided reduction is absolutely essential to the best interests of the country. In view of these diverse opinions it may be well to ascertain the real value of our paper issues, when compared with a metallic or convertible currency. For this purpose, let us inquire how much gold and silver could be purchased by the seven hundred millions of paper money now in circulation? Probably not more than half the amount of the latter—showing that when our paper currency is compared with gold and silver, its commercial value is compressed into three hundred and fifty millions.—This striking fact makes it the obvious duty of the Government, as early as may be consistent with the principles of sound political economy, to take such measures as will enable the holder of its notes and those of the national banks to convert them, without loss, into specie or its equivalent. A reduction of our paper circulating medium need not necessarily follow. This however, would depend upon the law of demand and supply, though it should be borne in mind that by making legal tender and bank notes convertible into coin or its equivalent, their present specie value in the hands of their holders would be enhanced one hundred per cent.

Legislation for the accomplishment of a result so desirable is demanded by the highest public considerations. The Constitution contemplates that the circulating medium of the country shall be uniform in quality and value. At the time of the formation of that instrument, the country had just emerged from the War of the Revolution, and was suffering from the effects of a redundant and worthless paper currency. The sages of that period were anxious to protect their posterity from the evils which they themselves had experienced. Hence, in providing a circulating medium, they conferred upon Congress the power to coin money and regulate the value thereof, at the same time prohibiting the States from making anything but gold and silver a tender in payment of debts.

The anomalous condition of our currency is in striking contrast with that which was originally designed. Our circulation now embraces, first, notes of the National Banks which are made receivable for all dues to the Government, excluding imposts, and by all its creditors, excepting in payment of interest upon its bonds and the securities themselves; second, legal-tender notes, issued by the United States, and which the law requires shall be received as well in payment of all debts between citizens as of all Government dues, excepting imposts; and, third gold and silver coin. By the operation of our present system of finance, however, the metallic currency, when collected, is reserved only for one class of Government creditors, who, holding its bonds, semi-annually receive their interest in coin from the National Treasury. There is no reason which will be accepted as satisfactory by the people, why those who defend us on the land and protect us on the sea; the pensioner upon the gratitude of nation, bearing the scars and wounds received while in its service; the public servants in the various Departments of the Government, the farmer who supplies the soldiers of the army and the sailors of the navy; the artisan who toils in the nation's workshops, or the

chanes and laborers who build its edifices and construct its forts and vessels of war—should, in payment of their just and hard earned dues, receive depreciated paper, while another class of their countrymen, no more deserving, are paid in coin of gold and silver. Equal and exact justice require that all the creditors of the Government should be paid in a currency possessing a uniform value. This can only be accomplished by the restoration of the currency to the standard established by the Constitution; and by this means we would remove a discrimination which may, if it has not already done so, create a prejudice that may become deep rooted and wide spread, and imperil the national credit.

The feasibility of making our currency correspond with the constitutional standard may be seen by reference to a few facts derived from our commercial statistics. The aggregate product of precious metals in the United States from 1849 to 1867 amounted to \$1,173,000,000, while, for the same period, the net exports of specie were \$741,000,000. This shows an excess of product over net exports of \$432,000,000. There are in the Treasury \$103,705,985 in coin; in circulation in the States on the Pacific Coast about \$40,000,000, and a few millions in the National and other Banks—in all less than \$160,000,000. Taking into consideration the specie in the country prior to 1849, and that produced since 1867, and we have more than \$300,000,000 not accounted for by exportation or by the returns of the Treasury, and therefore most probably remaining in the country.

These are important facts and show how completely the inferior currency will supersede the better, forcing it from circulation among the masses, and causing it to be exported as a mere article of trade, to add to the money capital of foreign lands. They show the necessity of retiring our paper money, that the return of gold and silver to the avenues of trade may be invited, and a demand created which will cause the retention at home of at least so much of the productions of our rich and inexhaustible gold-bearing fields as may be sufficient for purposes of circulation. It is unreasonable to expect to return to a sound currency so long as the Government and banks, by continuing to issue irredeemable notes, fill the channels of circulation with depreciated paper. Notwithstanding a coinage by our mints, since 1849, of eight hundred and seventy-four millions of dollars, the people are now strangers to the currency which was designed for their use and benefit, and specimens of the precious metals bearing the national devices are seldom seen, except when produced to gratify the interest excited by their novelty.

If depreciated paper is to be continued as the permanent currency of the country, and all our coin is to become a mere article of traffic and speculation, to the enhancement in price of all that is indispensable to the comfort of the people, it would be wise economy to abolish our mints, thus saving the nation the care and expense incident to such establishments, and let all our precious metals be exported in bullion. The time has come, however, when the government and national banks should be required to take the most efficient steps, and make all necessary arrangements for a resumption of specie payments. Let specie payments once be earnestly inaugurated by the government and banks, and the value of the paper circulation would directly approximate a specie standard.

Specie payments having been resumed by the government and banks, all notes or bills of paper issued by either of a less denomination than twenty dollars should by law be excluded from circulation, so that the people may have the benefit and convenience of a gold and silver currency which in all their business transactions will be uniform in value at home and abroad.

"Every man of property or industry, every man who desires to preserve what he honestly possesses, or to maintain what he can honestly earn, has a direct interest in maintaining a safe circulating medium—such a medium as shall be real and substantial, not liable to vibrate with opinions, not subject to be blown up or blown down by the breath of speculation, but to be stable and secure. A disordered currency is one of the greatest political evils. It undermines the virtues necessary for the support of the social system, and encourages propensities destructive of its happiness; it was against industry, frugality and economy, and it fosters the evil spirits of extravagance and speculation." It has been asserted by one of our profound and most gifted statesmen, that "of all the contrivances for cheating the laboring classes of mankind, none have been more effectual than that which deludes them with paper money. This is the most effectual of inventions to fertilize the rich man's fields by the sweat of the poor man's brow. Ordinary tyranny, oppression, excessive taxation—these bear lightly on the happiness of the mass of the community compared with a fraudulent currency, and the robberies committed by depreciated paper.

The Secretary of the interior, in his report gives valuable information in reference to the interests confided to the supervision of his department, and reviews the operations of the Land Office, Pension Office, Patent Office and the Indian Bureau. During the first fiscal year ending June 30, 1868, six million six hundred and fifty-five thousand and seven hundred acres of public land were disposed of. The entire cash receipts of the General Land Office for

greater by \$284,883 than the amount realized from the same source during the previous year. The entries under the homestead law cover two million three hundred and twenty-eight thousand nine hundred and twenty-three acres, nearly one-fourth of which was taken under the act of June 21, 1866, which applies only to the States of Alabama, Mississippi, Louisiana and Florida.

On the 30th of June, 1868, one hundred and sixty-nine thousand six hundred and forty-three names were borne on the pension rolls, and during the year ending on that day the total amount paid for pensions, including the expenses of disbursement, \$24,010,982, being \$5,391,025 greater than that expended for like purposes during the preceding year.

During the year ending the 30th of September last, the expenses of the Patent Office exceeded the receipts by one hundred and seventy-one thousand dollars; and, including royalties and designs, fourteen thousand one hundred and fifty-three patents were issued. Treaties with various Indian tribes have been concluded, and will be submitted to the Senate for its constitutional action. I cordially sanction the stipulations which provide for reserving lands for the various tribes, where they may be encouraged to abandon their nomadic habits and engage in agricultural and industrial pursuits. This policy, inaugurated many years since, has met with signal success, wherever it has been pursued in good faith and with becoming liberality by the United States. The necessity for extending it as far as practicable in our relations with the aboriginal population is greater now than at any preceding period. Whilst we furnish subsistence and instruction to the Indians, and guarantee the undisturbed enjoyment of their treaty rights, we should habitually insist upon the faithful observance of their agreement to remain within their respective reservations. This is the only mode by which collisions with other tribes and with the whites can be avoided, and the safety of our frontier settlements secured.

The companies constructing the railway from Omaha to Sacramento have been most energetically engaged in prosecuting the work, and it is believed that the line will be completed before the expiration of the fiscal year. The six per cent. bonds issued to those companies amounted, on the 5th inst. to \$4,337,000, and additional work has been performed to the extent of \$3,200,000,000.

The Secretary of the Interior in August last invited my attention to the report of a Government director of the Union Pacific railroad company, who had been specially instructed to examine the location, construction and equipment of their road. I submitted for the opinion of the Attorney General certain questions in regard to the authority of the Executive which arose upon this report, and those which had from time to time been presented by the commissioners appointed to inspect each successive section of the work. After carefully considering the law of the case, he affirmed the right of the Executive to order, if necessary, a thorough revision of the entire road. Commissioners were thereupon appointed to examine this and other lines, and have recently submitted a statement of their investigations, of which the report of the Secretary of the Interior furnishes specific information.

The report of the Secretary of War contains information of interest and importance respecting the several Bureaus of the War Department and the operations of the army. The strength of our military force, on the 30th of September last was fifty-eight thousand men, and it is computed that, by the first of January next this number will be decreased to forty-three thousand. It is the opinion of the Secretary of War that within the next year a considerable diminution of the infantry force may be made without detriment to the interests of the country; and in view of the great expense attending the military peace establishment, and the absolute necessity of retrenchment wherever it can be applied, it is hoped that Congress will sanction the reduction which his report recommends.—While in 1860 sixteen thousand three hundred men cost the nation \$16,472,000, the sum of \$65,682,000 is estimated as necessary for the support of the army during the fiscal year ending June 30, 1870. The estimate of the War Department for the last two fiscal years were for 1867, \$33,814,461, and for 1868, \$25,205,669. The actual expenditures during the same periods were, respectively, \$95,224,415 and \$123,246,648. The estimate submitted in December last for the fiscal year ending June 30, 1869, was \$77,124,707; the expenditures for the first quarter, ending the 30th of September last, were \$27,219,117, and the Secretary of the Treasury gives \$66,000,000 as the amount which will probably be required during the remaining three quarters, if there should be no reduction of the army—making its aggregate cost for the year considerably in excess of ninety-three millions. The difference between the estimates, and expenditures for the three fiscal years, which have been named is thus shown to be \$175,515,343 for this single branch of the public service.

The report of the Secretary of the Navy exhibits the operations of that Department and of the navy during the year. A considerable reduction of the force has been effected. There are forty-two vessels carrying four hundred and eleven guns, in the six squadrons which are established in dif-