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al exchanges. Great as has been the increase of our imports during the past year, our exports of domestic products sold in foreign markets have been still greater.

Our navigating interest is eminently prosperous. The number of vessels built in the U. S. has been greater than during any preceding period of equal length. Large profits have been derived by those who have constructed as well as by those who have navigated them. Should the ratio of increase in the number of our merchant vessels be progressive, and be as great for the future as during the past year the time is not distant when our tonnage and commercial marine will be larger than that of any other nation in the world.

Whilst the interests of agriculture, of commerce, and of navigation have been enlarged and invigorated, it is highly gratifying to observe that our manufactures are also in a prosperous condition. None of the ruinous effects upon this interest, which were apprehended by some, as the result of the operation of the revenue system established by the act of 1846, have been experienced. On the contrary, the number of manufactories, and the amount of capital invested in them is steadily and rapidly increasing, affording gratifying proofs that American enterprise and skill employed in this branch of domestic industry, with no other advantages than those fairly and incidentally accruing from a just system of revenue duties, are abundantly able to meet successfully all competition from abroad, and still derive fair and remunerating profits.

While capital invested in manufactures is yielding adequate and fair profits under the new system, the wages of labor, whether employed in manufactures, agriculture, commerce, or navigation, have been augmented. The toiling millions, whose daily labor furnishes the supply of food and raiment, and all the necessaries and comforts of life, are receiving higher wages, and more steady and permanent employment than in any other country, or at any previous period of our own history.

No successful have been all branches of our industry that a foreign war, which generally diminishes the resources of a nation, has in no essential degree retarded our onward progress, or checked our general prosperity.

With such gratifying evidences of prosperity, and of the successful operation of the revenue act of 1846, every consideration of public policy recommends that it shall remain unchanged. It is hoped that the system of impost duties which is established may be regarded as the permanent policy of the country, and that the great interests affected by it may not again be subject to be injuriously disturbed, as they have heretofore been, by frequent and sometimes sudden changes.

For the purpose of increasing the revenue, and without changing or modifying the rates imposed by the act of 1846 on the dutiable articles embraced by its provisions, I again recommend to your favorable consideration the expediency of levying a revenue duty on tea and coffee. The policy which exempted these articles from duty during peace, and when the revenue to be derived from them was not needed, ceases to exist when the country is engaged in war, and requires the use of all its available resources. It is a tax which would be so generally diffused among the people, that it would be felt oppressively by none, and be complained of by none. It is believed that there are not, in the list of imported articles, any which are more properly the subject of war duties than tea and coffee.

It is estimated that three millions of dollars would be derived annually by a moderate duty imposed on these articles. Should Congress avail itself of this additional source of revenue, not only would the amount of the public loan rendered necessary by the war with Mexico be diminished to that extent, but the public credit, and the public confidence in the ability and determination of the government to meet all its engagements promptly, would be more firmly established, and the reduced amount of the loan which it may be necessary to negotiate could probably be obtained at cheaper rates.

Congress is, therefore, called upon to determine whether it is wiser to impose the war duties recommended, or, by omitting to do so, increase the public debt annually \$3,000,000 so long as loans shall be required to prosecute the war, and afterwards provide, in some other form, to pay the semi-annual interest upon it, and ultimately to extinguish the principal. If, in addition to these duties, Congress should graduate and reduce the price of such of the public lands as experience has proved will not command the price placed upon them by the government, an additional annual income to the treasury of between half a million and a million of dollars, it is estimated, would be derived from this source. Should both measures receive the sanction of Congress, the annual amount of public debt necessary to be contracted during the continuance of the war would be reduced near four millions. The duties recommended to be levied on tea and coffee, it is proposed shall be limited in their duration to the end of the war, and until the public debt rendered necessary to be contracted by it shall be discharged. The amount of the public debt to be contracted should be limited to the lowest practicable sum, and should be extinguished as early after the conclusion of the war as the means of the treasury will permit.

With this view, it is recommended that, as soon as the war shall be over, all the surplus in the treasury, not needed for other indispensable objects, shall constitute a sinking fund, and be applied to the purchase of the funded debt, and that authority be conferred by law for that purpose.

The act of the 6th of August, 1846, to establish a warehousing system, has been in operation more than a year, and has proved to be an important auxiliary to the tariff act of 1846, in augmenting the revenue, and extending the commerce of the country.

Whilst it has tended to enlarge commerce, it has been beneficial to our manufactures, by diminishing forced sales at auction of foreign goods at low prices, to raise the duties to be advanced on them, and by checking fluctuations in the market. The system, although sanctioned by the experience of other countries, was entirely new in the United States, and is susceptible of improvement in some of its provisions. The Secretary of the Treasury, upon whom was devolved large discretionary powers in carrying this measure into effect, has collected, and is now collating, the practical results of the system in other countries, where it has long been established, and will report at an

early period of your session such further regulations suggested by the investigation, as may render it still more effective and beneficial.

By the act to provide for the better organization of the treasury, and for the collection, safe keeping, and disbursement of the public revenue, all banks were discontinued as fiscal agents of the government, and the paper currency issued by them was no longer permitted to be received in payment of public dues.

The constitutional treasury created by this act went into operation on the first of January last. Under the system established by it, the public moneys have been collected, safely kept, and disbursed by the direct agency of officers of the government in gold and silver; and transfers of large amounts have been made from points of collection to points of disbursement, without loss to the treasury, or injury or inconvenience to the trade of the country.

While the fiscal operations of the government have been conducted with regularity and ease, under this system, it has had a salutary effect in checking and preventing an undue inflation of the paper currency issued by the banks which exist under State charters. Requiring, as it does, all dues to the government to be paid in gold and silver, its effect is to restrain excessive issues of bank paper by the banks, proportioned to the specie in their vaults, for the reason that they are at all times liable to be called on by the holders of their notes for their redemption, in order to obtain specie for the payment of duties and other public duties. The banks, therefore, must keep their business within prudent limits, and be always in a condition to meet such calls, or run the hazard of being compelled to suspend specie payments, and be thereby discredited. The amount of specie imported into the United States during the last fiscal year, was \$34,121,289, of which there was retained in the country \$22,276,170. Had the former financial system prevailed, and the public moneys been placed on deposit in banks, nearly the whole of this amount would have gone into their vaults, not to be thrown into circulation by them, but to be withheld from the hands of the people as a currency, and made the basis of new and enormous issues of bank paper. A large proportion of the specie imported has been paid into the treasury for public dues; and after having been, to a great extent, recoined at the mint, has been paid out to the public creditors, and gone into circulation as a currency among the people. The amount of gold and silver coin now in circulation in the country, is larger than at any former period.

The financial system established by the constitutional treasury has been, thus far, eminently successful in its operations; and I recommend an adherence to all its essential provisions, and especially to that vital provision which wholly separates the government from all connexion with banks, and excludes bank paper from all revenue receipts.

In some of its details, not involving its general principles, the system is defective, and will require modification. These defects, and such amendments as are deemed important, were set forth in the last annual report of the Secretary of the Treasury. These amendments are again recommended to the early and favorable consideration of Congress.

During the past year, the coinage at the mint and its branches has exceeded \$20,000,000.—This has consisted chiefly in converting the coins of foreign countries into American coin.

The largest amount of foreign coin imported has been received at New York; and if a branch mint were established at that city, all the foreign coin received at that port could at once be converted into our own coin, without the expense, risk, and delay of transporting it to the mint for that purpose, and the amount recoined would be much larger.

Experience has proved that foreign coin, and especially foreign gold coin, will not circulate extensively as a currency among the people. The important measure of extending our specie circulation, both of gold and silver, and of diffusing it among the people, can only be effected by converting such foreign coin into American coin. I repeat the recommendation contained in my last annual message for the establishment of a branch of the mint of the United States at the city of New York.

All the public lands which had been surveyed and were ready for market have been proclaimed for sale during the past year. The quantity offered and to be offered for sale, under proclamations, issued since the first of January last, amounts to 9,138,531 acres. The prosperity of the western States and territories in which these lands lie will be advanced by their speedy sale. By withholding them from market, their growth and increase of population would be retarded, while thousands of our enterprising and meritorious frontier population would be deprived of the opportunity of securing freeholds for themselves and their families. But in addition to the general considerations which rendered the early sale of these lands proper, it was a leading object at this time to derive as large a sum as possible from this source, and thus diminish, by that amount, the public loan rendered necessary by the existence of a foreign war.

It is estimated that not less than 10,000,000 acres of the public lands will be surveyed and be in a condition to be proclaimed for sale during the year 1848.

In my last annual message I presented the reasons which, in my judgment, rendered it proper to graduate and reduce the price of such of the public lands as have remained unsold for long periods after they had been offered for sale at public auction.

Many millions of acres of public lands lying within the limits of several of the western States have been offered in the market, and been subject to sale at private entry for more than twenty years, and large quantities for more than thirty years, at the lowest price prescribed by the existing law, and it has been found that they will not command that price. They must remain unsold and unutilized for an indefinite period unless the price demanded for them by the government shall be reduced. No satisfactory reason is perceived why they should be longer held at rates above their real value. At the present period an additional reason exists for adopting the measure recommended. When the country is engaged in a foreign war, and we must necessarily resort to loans, it would seem to be the dictate of wisdom that we should avail ourselves of all our resources, and thus limit the amount of the public in-

debtedness to the lowest possible sum.

I recommend that the existing laws on the subject of pre-emption rights be amended and modified so as to operate prospectively, and to embrace all who may settle upon the public lands and make improvements upon them before they are surveyed, as well as afterwards, in all cases where such settlements may be made after the Indian title shall have been extinguished.

If the right of pre-emption be thus extended, it will embrace a large and meritorious class of our citizens. It will increase the number of small freeholders upon our borders, who will be enabled thereby to educate their children and otherwise improve their condition, while they will be found at all times, as they have ever proved themselves to be, in the hour of danger to their country, among our hardiest and best soldiers, ever ready to tender their services in cases of emergency and among the last to leave the field as long as an enemy remains to be encountered. Such a policy will also impress these patriotic pioneer emigrants with deeper feelings of gratitude for the parental care of their government, when they find their dearest interests secured to them by the permanent laws of the land, and that they are no longer in danger of losing their homes and hard-earned improvements by being brought into competition with a more wealthy class of purchasers at the land sales.

The attention of Congress was invited, at their last and the preceding session, to the importance of establishing a Territorial government over our possession in Oregon; and it is to be regretted that there was no legislation on the subject. Our citizens, who inhabit that distant country, are still left without the protection of our laws, or any regularly organized government. Before the question of limits and boundaries of the territory of Oregon was definitively settled, from the necessity of their condition, the inhabitants had established a temporary government of their own. Besides the want of legal authority for continuing such a government, it is wholly inadequate to protect them in their rights of person and property, or to secure to them the enjoyment of the privileges of other citizens, to which they are entitled under the Constitution of the United States. They should have the right of suffrage, be represented in a Territorial legislature, and by a delegate in Congress; and possess all the rights and priviledges which citizens of other portions of the Territories of the U. States have heretofore enjoyed, or may now enjoy.

Our judicial system, revenue laws, laws regulating trade and intercourse with the Indian tribes, and the protection of our laws generally, should be extended over them.

In addition to the inhabitants in that territory who had previously emigrated to it, large numbers of our citizens have followed them during the present year; and it is not doubted that during the next and subsequent years their numbers will be greatly increased.

Congress, at its last session, established post-roads leading to Oregon, and between different points within that territory, and authorized the establishment of post offices at Astoria and such other places on the coast of the Pacific, within the territory of the U. States, as the public interests may require. Post offices have accordingly been established, deputy postmasters appointed, and provision made for the transportation of the mails.

The preservation of peace with the Indian tribes residing west of the Rocky mountains, will render it proper that authority should be given by law for the appointment of an adequate number of Indian agents to reside among them.

I recommend that a surveyor general's office be established in that territory, and that the public lands be surveyed and brought into market at an early period.

I recommend, also, that grants, upon liberal terms, of limited quantities of the public lands, be made to all citizens of the U. S. who have emigrated, or may hereafter within a prescribed period emigrate to Oregon, and settle upon them. These hardy and adventurous citizens, who have encountered the dangers and privations of a long and toilsome journey, and at length found an abiding place for themselves and their families, upon the utmost verge of our western limits, should be secured in the homes which they have improved by their labor.

I refer you to the accompanying report of the Secretary of War for a detailed account of the operations of the various branches of the public service connected with the department under his charge. The duties devolving on this department have been unusually onerous and responsible during the past year, and have been discharged with ability and success.

Pacific relations continue to exist with the various Indian tribes, and most of them manifest a strong friendship for the United States. Some depredations were committed during the past year upon our trains transporting supplies for the army, on the road between the western border Missouri and Santa Fe. These depredations, which are supposed to have been committed by bands from the region of New Mexico, have been arrested by the presence of a military force, ordered out for that purpose. Some outrages have been perpetrated by a portion of the northwestern bands upon the weaker and comparatively defenceless tribes. Prompt measures were taken to prevent such occurrences in future.

Between one and two thousand Indians, belonging to several tribes, have been removed during the year from the east of the Mississippi to the country allotted to them

west of that river, as their permanent home; and arrangements have been made for others to follow.

Since the treaties of 1846 with the Cherokees, the feuds among them appear to have subsided, and they have become more united and contented than they have been for many years past. The commissioners, appointed in pursuance of the act of June 27th, 1846, to settle claims arising under the treaty of 1835-'36 with that tribe, have executed their duties; and after a patient investigation, and a full and fair examination of all the cases brought before them, closed their labors in the month of July last. This is the fourth board of commissioners which has been organized under this treaty. Ample opportunity has been offered to all those interested to bring forward their claims. No doubt is entertained that impartial justice has been done by the late board, and that all valid claims embraced by the treaty have been considered and allowed. This result, and the final settlement to be made with this tribe under the treaty of 1846, which will be completed and laid before you during the session, will adjust all questions of controversy between them and the United States, and produce a state of relations with them simple, well-defined, and satisfactory.

Under the discretionary authority conferred by the act of the third of March last, the annuities due to the various tribes have been paid during the present year to the heads of families instead of to their chiefs, or such persons as they might designate, as required by the laws previously existing. This mode of payment has given general satisfaction to the great body of the Indians. Justice has been done to them, and they are grateful to the government for it. A few chiefs and interested persons may object to this mode of payment, but it is believed to be the only mode of preventing fraud and imposition from being practised upon the great body of common Indians, constituting a majority of all the tribes.

It is gratifying to perceive that a number of the tribes have recently manifested an increased interest in the establishment of schools among them, and are making rapid advances in agriculture—some of them producing a sufficient quantity of food for their support, and in some cases a surplus to dispose of to their neighbors. The comforts by which those who have received even a very limited education, and have engaged in agriculture, are surrounded, tend gradually to draw off their less civilized brethren from the precarious means of subsistence by the chase, to habits of labor and civilization.

The accompanying report of the Secretary of the Navy presents a satisfactory and gratifying account of the condition and operations of the naval service during the past year.—Our commerce has been pursued with increased activity, and with safety and success, in every quarter of the globe under the protection of our flag, which the navy has caused to be respected in the most distant seas.

In the gulf of Mexico, and in the Pacific, the officers and men of our squadrons have displayed distinguished gallantry, and performed valuable services. In the early stages of the war with Mexico, her ports on both coasts were blockaded, and more recently many of them have been captured and held by the navy. When acting in co-operation with the land forces, the naval officers and men have performed gallant and distinguished services on land as well as on water, and deserve the high commendation of the country.

While other maritime powers are adding to their navies large numbers of war steamers, it was a wise policy on our part to make similar additions to our navy. The four war steamers authorized by the act of the 3d of March, 1847, are in course of construction.

In addition to the four war steamers authorized by this act, the Secretary of the Navy has, in pursuance of its provisions, entered into contracts for the construction of five steamers, to be employed in the transportation of the U. S. mail, from New York to New Orleans, touching at Charleston, Savannah and Havana, and from Havana to Chagres; for three steamers to be employed in like manner from Panama to Oregon, so as to connect with the mail from Havana to Chagres across the Isthmus; and for five steamers to be employed in like manner from New York to Liverpool. These steamers will be the property of the contractors, but are to be built under the superintendance and direction of a naval constructor in the employ of the Navy Department, and to be so constructed as to render them convertible at the least possible expense into war steamers of the first class.

A prescribed number of naval officers, as well as a post office agent, are to be on board of them; and authority is reserved to the Navy Department at all times to exercise control over said steamships, and to have the right to take them for the exclusive use and service of the U. S., upon making proper compensation to the contractors therefor.

Whilst these steamships will be employed in transporting the mails of U. S. coastwise, and to foreign countries, upon an annual compensation to be paid to the owners, they will be always ready, upon an emergency requiring it, to be converted into war steamers; and the right reserved to take them for public use, will add greatly to the efficiency and strength of our naval force. To the steamers thus authorized under contracts made by the Secretary of the Navy, should be added five other authorized under contracts made in pursuance of law by the Postmaster General, making an addition, in the whole, of eighteen war steamers, subject to be taken for public use. As further contracts for the transpor-

ation of the mail to foreign countries may be authorized by Congress, this number may be enlarged indefinitely.

The enlightened policy by which a rapid communication with the various distant parts of the globe is established, by means of American built sea steamers, would find an ample reward in the increase of our commerce, and in making our country and its resources more favorably known abroad; but the national advantage is still greater, of having our naval officers made familiar with steam navigation; and of having the privilege of taking the ships already equipped for immediate service at a moment's notice; and will be cheaply purchased by the compensation to be paid for the transportation of the mail in them, over and above the postage received.

A just national pride, no less than our commercial interests, would seem to favor the policy of augmenting the number of this description of vessels. They can be built in our country cheaper and in greater numbers than in any other in the world.

I refer you to the accompanying report of the Postmaster General for a detailed and satisfactory account of the condition and operations of that department during the past year. It is gratifying to find that, within so short a period after the reduction in the rates of postage, and notwithstanding the great increase of mail service, the revenue received for the year will be sufficient to defray all the expenses, and that no further aid will be required from the treasury for that purpose.

The first of the American mail steamers authorized by the act of the third of March, 1845, was completed and entered upon the service on the first of June last, and it is now on her third voyage to Bremen and other intermediate ports. The other vessels authorized under the provisions of that act are in course of construction, and will be put upon the line as soon as completed. Contracts have also been made for the transportation of the mail in a steamer from Charleston to Havana.

A reciprocal and satisfactory postal arrangement has been made by the Postmaster General with the authorities of Bremen, and no difficulty is apprehended in making similar arrangements with all other Powers with which we may have communications by mail steamers, except with Great Britain.

On the arrival of the first of the American steamers, bound to Bremen, at Southampton, in the month of June last, the British post office directed the collection of discriminating postages on all letters and other mailable matter, which she took out to Great Britain, or which went into the British post office on their way to France and other parts of Europe. The effect of the order of the British post office is to subject all letters and other matter transported by American steamers to double postage, one postage having been previously paid on them to the United States, while letters transported in British steamers are subject to pay but a single postage. This measure was adopted with the avowed object of protecting the British line of mail steamers now running between Boston and Liverpool, and, if permitted to continue, must speedily put an end to the transportation of all letters and other matter by American steamers, and to give British steamers a monopoly of the business. A just and fair reciprocity is all that we desire, and on this we must insist. By our laws, no such discrimination is made against British steamers bringing letters into our ports, but all letters arriving in the U. S. are subject to the same rate of postage, whether brought in British or American vessels. I refer you to the report of the Postmaster General for a full statement of the facts of the case, and of the steps taken by him to correct this inequality. He has excited all the power conferred upon him by the existing laws.

The minister of the United States at London has brought the subject to the British government, and is now engaged in negotiations for the purpose of adjusting reciprocal postal arrangements, which shall be equally just in both countries. Should he fail in concluding such arrangements, and should Great Britain insist on enforcing the unequal and unjust measure she has adopted, it will become necessary to confer additional powers on the Postmaster General, in order to enable him to meet the emergency, and to put our own steamers on an equal footing with British steamers engaged in transporting the mail between the two countries; and I recommend that such powers be conferred.

In view of the existing state of our country, I trust it may not be inappropriate, in closing this communication, to call to mind the words of wisdom and admonition of the first and most illustrious of my predecessors, in his farewell address to his countrymen.

That greatest and best of men, who served his country so long, and loved it so much, foresaw, with "serious concern," the danger to our Union "of characterizing parties by geographical discriminations—northern and southern, Atlantic and western—whence designing men may endeavor to excite a belief that there is a real difference of local interests and views," and warned his countrymen against it.

So deep and solemn was his conviction of the importance of the Union and of preserving harmony between its different parts, that he declared to his countrymen in that address, "it is of infinite moment that you should properly estimate the immense value of your national Union to your collective and individual happiness; that you should cherish a cordial, habitual, and immovable attachment to it; accustoming yourselves to think and to speak of it, as a palladium of your political safety and prosperity; watching for