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Blaine Against Free Coinage at 16-1

James G. Blaine

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Blaine Against Free Coinage at 16-1.

SPEECH OF HON. JAMES G. BLAINE, OF MAINE,

In the Senate of the United States,
February 7th, 1878.

“At current rates of silver, the free coinage of a dollar containing 412 1-2 grains, worth in gold about 92 cents, gives an illegitimate profit to the owner of the bullion, enabling him to take 92 cents worth of it to the mint and get it stamped as coin and force his neighbor to take it for a full dollar. This is an undue, an unfair advantage which the Government has no right to give the owners of silver bullion, and which defrauds the man who is forced to take the dollar.”

WASHINGTON.

1896.

Blaine Against Free Coinage at 16-1.

SPEECH OF HON. JAMES G. BLAINE, OF MAINE,

In the Senate of the United States, February 7th, 1878.

MR. PRESIDENT: The discussion of the question of remonetizing silver has been prolonged and exhaustive. I may not expect to add much to its value, but I promise not to add much to its length. I shall endeavor to consider facts rather than theories, to state conclusions rather than arguments.

I believe gold and silver coin to be the money of the Constitution,—indeed the money of the American people anterior to the Constitution, which that great organic law recognized as independent of its own existence. No power was conferred on Congress to declare that either metal should not be money. Congress has, therefore, in my judgment, no power to demonetize silver any more than to demonetize gold; no more power to demonetize either than to demonetize both. In this statement I am but repeating the weighty dictum of the first of constitutional lawyers. "I am certainly of the opinion," said Mr. Webster, "that gold and silver, at rates fixed by Congress, constitute the legal standard of value in this country, and that neither Congress nor the State has authority to establish or to displace this standard." Few persons can be found, I apprehend, who will maintain that Congress possesses the power to demonetize both gold and silver, or that Congress would be justified in prohibiting the coinage of both, and yet in logic and legal construction it would be difficult, to show where and why the power of Congress over silver is greater than over gold,—greater over either than over both. If, therefore, silver has been demonetized, I am in favor of remonetizing it. If its coinage has been prohibited, I am in favor of ordering it to be resumed. If it has been restricted, I am in favor of ordering it to be enlarged.

**INTERNATIONAL DEMONETIZATION,
THE LEADING CAUSE FOR DE-
CLINE IN PRICE OF SILVER.**

What power, then, has Congress over gold and silver? It has the exclusive power to coin them; the exclusive power to regulate their value—very great, very wise, very necessary powers, for the discreet exercise of which a critical occasion has now arisen. However men may differ about causes and processes, all will admit that within a few years a great disturbance has taken place in the relative values of gold and silver, and that silver is worth less, or gold is worth more, in the money market of the world in 1878 than in 1873, when the further coinage of silver dollars was prohibited in this country. **To remonetize it now, as though the facts and circumstances of that day were surrounding us, is to willfully and blindly deceive ourselves. If our demonetization were the only cause for the decline in the value of silver, then remonetization would be its proper and effectual cure. But other causes, quite beyond our control, have been far more potentially operative than the simple fact that Congress prohibited its further coinage. As legislators, we are bound to take cognizance of these causes. The demonetization of silver in the great German Empire and the consequent partial or well-nigh complete, suspension of coinage in the governments of the Latin Union, have been the leading dominant causes for the rapid decline in the value of silver. I do not think the oversupply of silver has had, in comparison with these other causes, an appreciable influence in the decline of its value, because its oversupply, with respect to gold in these latter years, has not been so great as was the oversupply of gold for many years after the mines of California and Australia were opened; and the oversupply of gold from these rich sources did not affect the relative positions and uses of the two metals in any European country.**

**RESTORATION OF SILVER IMPOSSIBLE
WITHOUT THE CO-OPERATION
OF EUROPE.**

I believe, then, if Germany were to remonetize silver and the Kingdoms and States of the Latin Union were to reopen their mints, silver would at

once resume its former relation with gold. The European countries, when driven to full remonetization, as I believe they will be, must of necessity adopt their old ratio of fifteen and a half of silver to 1 of gold, and we shall then be compelled to adopt the same instead of our former ratio of 16 to 1. If we fail to do this we shall, as before, lose our silver, which, like all things else, seeks the highest market; and if fifteen and a half pounds of silver will buy as much gold in Europe as sixteen pounds will buy in America, the silver, of course, will go to Europe.

**OUR SILVER DOLLAR MUST BE WORTH
ONE HUNDRED CENTS IN GOLD.**

But our line of policy in a joint movement with other nations to remonetize, is simple and direct. The difficult problem is what we shall do when we aim to re-establish silver without the co-operation of European powers and really as an advance movement to coerce those powers into the same policy. Evidently the first dictate of prudence is to coin such a dollar as will not only do justice among our citizens at home, but will prove a protection—an absolute barricade—against the gold monometallists of Europe, who when the opportunity offers will quickly draw from us the one hundred and sixty millions of gold coin which we now hold.

**FREE COINAGE AT 16 TO 1 WOULD
FORCE US TO A SINGLE
SILVER STANDARD.**

If we coin a silver dollar of full legal tender, obviously below the current of value of the gold dollar, we are opening wide our doors and inviting Europe to take our gold. With our gold flowing out from us, we shall be forced to the single silver standard and our relations with the leading commercial countries of the world will be not only embarrassed but crippled.

**AT CURRENT RATES, FREE COINAGE
WOULD BENEFIT THE BULLION
OWNER AND DEFRAUD
ALL OTHERS.**

The question before Congress, then—sharply defined in the pending House Bill—is, whether it is now safe and expedient to offer free coinage to the silver dollar of 412½ grains, with the mints of the Latin Union closed and Germany not permitting silver to be coined as money. At current rates of silver, the free coinage of the dollar containing 412½ grains, worth in gold about ninety-two cents, gives an illegitimate profit to the owner of the bullion, enabling him to take ninety-two cents worth of it to the mint and get it stamped as coin and force his neighbor to take it for a full dollar. This is an undue, an unfair advantage which the Government has no right to give to the owner of the silver bullion, and which defrauds the man who is forced to take the dollar.

**FREE COINAGE WILL CAUSE OUR
GOLD TO LEAVE US.**

It assuredly follows that if we give free coinage to this dollar of inferior value, and put it in circulation, we do so at the expense of our better coinage in gold, and unless we expect the uniform and invariable experience of other nations to be in some mysterious way suspended for our peculiar benefit, we will inevitably lose our gold coin. It will flow out from us with the certainty and with the force of the tides. Gold has indeed remained with us in considerable amount during the circulation of the inferior currency of the legal tender, but that was because there were two great uses reserved by law for gold—the collection of customs, and the payments of interest on the public debt. But if the inferior silver coin is also to be used for these two reserved purposes, then gold has no tie to bind it to us. What gain, therefore, should we make, for the circulating medium, if, on opening the gate for silver to flow in, we open a still wider gate for gold to flow out? If I were to venture upon a dictum upon the silver question, I should declare that until Europe remonetizes silver we cannot

afford to coin a dollar as low as $412\frac{1}{2}$ grains. After Europe remonetizes on the old standard we cannot afford to coin a dollar above four hundred grains. If we coin too low a dollar before general remonetization our gold will leave us. If we coin too high a dollar before general remonetization, our silver will leave us. It is only an equated value before and after general remonetization that will preserve both gold and silver to us.

**THE PURCHASING POWER OF REDEEM-
ABLE PAPER MONEY DIMINISHED
BY FREE COINAGE.**

Consider further what injustice would be done to every holder of a legal tender or national bank note. That vast volume of paper money—in excess of seven hundred millions of dollars—is now worth between ninety-eight and ninety-nine cents on the dollar in gold coin. The holders of it, who are indeed our entire population, from the poorest to the richest, have been promised from the hour of its issue that their paper money will one day be as good as gold. To pay silver for the greenback is a full compliance with this promise and this obligation, provided the silver is made, as it always has been hitherto, as good as gold. To make our silver coin even three per cent. less valuable than gold inflicts at once a loss of more than twenty millions of dollars on the holders of our paper money. To make a silver dollar worth but ninety-two cents precipitates, on the same class, a loss of nearly sixty millions of dollars. For whatever the value of the silver dollar is, the whole paper issue of the country will sink to its standard when its coinage is authorized and its circulation becomes general in the channels of trade. Some one in conversation with Commodore Vanderbilt, during one of the many freight competitions between the trunk lines, said, "It cannot be that the Canadian railroad has sufficient carrying capacity to compete with your great line?" "That is true," replied the Commodore, "but they can fix a rate and force us down to it." Were Congress to pass a law to-day declaring that every legal tender note and every national bank note shall hereafter pass for only ninety-six or ninety-seven cents on the dollar, there is not a constituency in the United

States that would re-elect a man who supported it, and in many districts the man would be lucky if he escaped merely with a defeat at the polls.

**OPINIONS OF FINANCIAL SCIENTISTS
WORTHLESS IN THE FACE OF
CONTROLLING FACTS.**

Yet it is almost mathematically demonstrable that the same effect will follow from the coinage of an inferior silver dollar. Assurances from empirics and scientists in finance that remonetization of the former dollar will at once and permanently advance its value to par with gold are worth little in the face of opposing and controlling facts. The first and instant effect of issuing any silver dollar that will pay customs dues and interest on the public debt, will undoubtedly be to raise it to a practical equality with gold ; but that condition will last only until the amount needful for customs shall fill the channels of its use ; and the overflow going into general circulation will rapidly settle to its normal and actual value, and then the discount will come on the volume of the paper currency, which will sink *pari passu* with the silver dollar in which it is made redeemable.

**NATIONAL REMONETIZATION INADE-
QUATE TO RESTORE THE
VALUE OF SILVER.**

That remonetization will have a considerable effect in advancing the value of the silver dollar is very probable, but not enough to overcome the difference now existing—a difference resulting from causes independent of our control on this continent.

**REMONETIZATION BELOW A FAIR
STANDARD OF VALUE SHOULD
NOT BE ATTEMPTED.**

The responsibility for re-establishing silver in its ancient and honorable place as money in Europe and in America, devolves really upon the Congress of the United States. If we act here with wisdom and firmness, we shall not only successfully remonetize silver and bring it into general use as money in our own country, but the influence of our example will be potential among European nations, with the possible exception of England. Indeed, our annual indebtedment to Europe is so great that, if we have the right to

pay in silver, we necessarily coerce those nations by the strongest of all forces, self-interest, to aid us in upholding the value of silver as money.

But if we attempt the remonetization on a basis which is obviously and notoriously below the fair standard of value as it now exists, we incur all the evil consequences of failure at home, and the certainty of successful opposition abroad. We are, and shall be, the greatest producers of silver in the world, and we have a larger stake in its complete monetization than any other country. The difference to the United States between the general acceptance and the general destruction of silver as money in the commercial world will, possibly, within the next half century, equal the entire bonded debt of the nation. **But to gain this advantage, we must make it actual money, the accepted equal of gold in the markets of the world.** Remonetization here, followed by general remonetization in Europe, will secure to the United States the most stable basis for its currency that we have ever enjoyed, and will effectually aid in solving all the problems by which our financial situation is surrounded.

On the much vexed and long mooted question of a bi-metallic or mono-metallic standard, my own views are sufficiently indicated in the remarks I have made. I believe the struggle now going on in this country, and in other countries, for a single gold standard, would, if successful, produce disaster in the end throughout the commercial world. The destruction of silver as money, and the establishment of gold as a sole unit of value, must have a ruinous effect on all forms of property except those investments which yield a fixed return in money. These would be enormously enhanced in value, and would gain a disproportionate, and therefore unfair, advantage over every other species of property.

If, as the most reliable statistics affirm, there are nearly seven thousand millions of coin or bullion in the world, not very unevenly divided between gold and silver, it is impossible to strike silver out of existence as money without results which will prove distressing to millions, and utterly disastrous to tens of thousands. Alexander Hamilton, in his able and invaluable report in 1791 on the establishment of a mint, declared that "to annul the use of either gold or silver as money is to abridge the quantity of circulating medium, and is liable to all the objections which arise from a comparison of the benefits of a full circulation with the evils of a scanty circulation." I take no risk in saying that the benefits of a full circulation, and the evils of a scanty circulation, are both immeasurably greater to-day than they were when Mr. Hamilton

uttered these weighty words, **Always provided that the circulation is one of actual money, and not of depreciated promises to pay.**

HAMILTON'S ARGUMENT IN FAVOR OF A DOUBLE STANDARD.

In the report from which I have already quoted Mr. Hamilton argues at length in favor of a double standard, and all the subsequent experience of ninety years has brought out no clearer statement of the case, or developed a more complete comprehension of this subtle and difficult subject. "On the whole," says Mr. Hamilton, "it seems most advisable not to attach the unit exclusively to either of the metals, because this cannot be done effectually without destroying the office and character of one of them as money, and reducing it to the situation of mere merchandise." Mr. Hamilton wisely concludes that this reduction of either of the metals to mere merchandise (I again quote his exact words) "would probably be a greater evil than occasional variations in the unit from the fluctuations of the relative value of the metals, especially if care be taken to regulate the proportion between them, with an eye to their average commercial value." I do not think that this country, holding so vast a portion of the world's supply of silver in its mountains and its mints, can afford to reduce the metal to the "situation of mere merchandise." If silver ceases to be used as money in Europe and America, the mines of the Pacific slope will be closed and dead. Mining enterprises of the gigantic scale existing in this country cannot be carried on to provide backs for mirrors and to manufacture cream pitchers and sugar bowls. A source of incalculable wealth to this entire country is destroyed the moment silver is permanently disused as money. It is for us to check that tendency and bring the continent of Europe back to the full recognition of the value of the metal as a medium of exchange.

WHATEVER AFFECTS THE PUBLIC CREDITOR AFFECTS THE WHOLE PEOPLE.

The question of beginning anew the coinage of silver dollars has aroused much discussion as to its effect on the public credit. The Senator from Ohio, Mr. Matthews, placed this phase of the subject in the very forefront of the debate—insisting, prematurely and illogically I think, on a sort of judicial construction in advance,

by concurrent resolution, of a certain law in case that law should happen to be passed by Congress. My own view of this question can be stated very briefly. I believe the public creditor can afford to be paid in any silver dollar that the United States can afford to coin and circulate. We have forty thousand millions of property in this country, and a wise self-interest will not permit us to overturn its relations by seeking for an inferior dollar wherewith to settle the honest demand of any creditor. The question might be different from a merely selfish point of view if, on paying the dollar to the public creditor, it would disappear after performing that function. But the trouble is that the inferior dollar you pay the public creditor remains in circulation to the exclusion of the better dollar. That which you pay at home will stay here; that which you send abroad will come back.

**THE MOST DISTRESSING EFFECT OF
INFERIOR MONEY ALWAYS
FALLS UPON THE POOR.**

The interest of the public creditor is indissolubly bound up with the interest of the whole people. Whatever affects him affects us all; and the evil that we might inflict upon him by paying an inferior dollar would recoil upon us with a vengeance as manifold as the aggregate wealth of the republic transcends the comparatively small limits of our bonded debt. Remember that our aggregate wealth is always increasing, and that our bonded debt is steadily growing less. If paid in a good silver dollar the bondholder has nothing to complain of. If paid in an inferior silver dollar he has the same grievance that will be uttered still more plaintively by the holder of the National Bank bill, by the pensioner, by the day laborer, and by the countless host of the poor, whom we have with us always, and on whom the most distressing effect of inferior money will be ultimately precipitated.

THE PURPOSE AND EFFECT OF SILVER DEMONETIZATION BY GERMANY.

But I say, Mr. President, that the specific demand for the payment of our bonds in gold coin, and in nothing else, comes with an ill grace from certain quarters. European criticism is leveled against us, and hard names are hurled at us across the ocean for simply daring to state that the letter of our law declares the bonds to be payable in standard coin of July 14th, 1870; explicitly declared so, and declared so in the interest of the public creditor, and the declaration inserted in the very body of the eight hundred millions of bonds that have been issued since that date. Beyond all doubt, the silver dollar was included in the standard coins of that public act. Payment at that time would have been as acceptable and as undisputed in silver as in gold dollars, for both were equally valuable in the European as well as in the American market. Seven-eighths of all our bonds owned out of the country are owned in Germany and in Holland. Germany has demonetized silver, and Holland has been forced thereby to suspend its coinage, since the subjects of both powers purchase our securities. The German Empire, the very year after we made our specific declaration, for paying bonds in coin, passed a law destroying, so far as lay in its power, the value of silver as money. I do not say that it was especially aimed at this country, but it was passed regardless of its effect upon us, and was followed, according to public and undenied statement, by a very large investment on the part of the German Government in our bonds, with a view, it was understood, of holding them as a coin reserve for drawing gold from us to aid in establishing their new gold standard at home. Thus by one move, the German Government destroyed, so far as lay in its power, the then existing value of silver as money, enhanced consequently the value of gold, and then got into a position to draw gold from us at the moment of their need, which would also be the moment of our own sorest distress. I do not say that the German Government, in these successive steps, did a single thing which it had not a perfect right to do, but I do say that the subjects of that Empire have no reason to complain of our Government for the initial step which has impaired the value of one of our standard coins. The German Government, by joining with us in the remonetization of silver, can place that standard coin in its old position, and make it as easy for this Government to pay, and as profitable for their subjects to receive, the one metal as the other.

**OUR LABORERS MUST BE INSURED A
FULL DOLLAR'S PAY FOR A DOL-
LAR'S WORTH OF WORK.**

When we pledged the public creditor in 1870 that our obligations should be paid in the standard coin of that date, silver bullion was worth in the London market a fraction over sixty cents per ounce ; its average for the past eight months has been about fifty-four pence ; a price reckoned in gold in both cases. But the large difference is due in part to the rise in gold as well as to the fall of silver. **Allowing for both causes and dividing the difference, it will be found, in the judgment of many of the wisest men of this country, perfectly safe to issue a dollar of four hundred and twenty-five grains standard silver ; as one that, anticipating the full and legitimate influence of remonetization, will equal itself with the gold dollar, and effectually guard against the drain of our gold during the time necessary for international conference in regard to the general re-establishment of silver as money.** When that general re-establishment shall be effected with a coinage of fewer grains, the dollar which I am now advocating will not cause loss or embarrassment to any one. The miner of the ore, the owner of the bullion, the holder of the coin, and the Government that issues it, will, all in turn, be benefited. It will yield a profit on re-coinage and will be advantageously employed in our commercial relations with foreign countries. **Meanwhile it will insure to our laborers at home a full dollar's pay for a dollar's worth of work. I think we owe this to the American laborer.**

**THE TRADE DOLLAR FOR BARBARIANS,
BETTER THAN THE STANDARD
DOLLAR FOR AMERICANS.**

Ever since we demonetized the old dollar we have been running our mints at full speed, coining a new silver dollar for the use of the Chinese Coolie and the Indian Pariah—a dollar containing 420 grains of standard silver, with its superiority over our ancient dollar ostentatiously engraved on its reverse side. To these “outside barbarians” we send this superior dollar, bearing all our national emblems, our patriotic devices, our pious inscrip-

tions, our goddess of liberty, our defiant eagle, our federal unity, our trust in God. This dollar contained seven and a half grains more silver than the famous "Dollar of our Fathers" proposed to be recoined by the pending bill, and more than four times as many of these new dollars have already been coined as ever were coined of all other silver dollars in the United States.

**AN INFERIOR DOLLAR SHOULD NOT BE
BY LAW FORCED UPON THE
AMERICAN LABORER.**

In the exceptional and abnormal condition of the silver market now existing throughout the world, we have felt compelled to increase the weight of the dollar with which to carry on the trade with the heathen nations of Asia. Shall we do less for the American laborer at home? Nay, shall we not do a little better for those of our own blood, and our own fireside? If you remonetize the dollar of the Fathers your mints will at once be put at work on two different dollars—different in weight, different in value, different in prestige, different in their reputation and currency throughout the commercial world. It will read strangely in history that the weightier and more valuable of these dollars is made for an ignorant class of heathen laborers in China and India, and that the lighter and less valuable is made for the intelligent and educated laboring man who is a citizen of the United States. Charity, says the adage, begins at home. Charity the independent American laborer scorns to ask, but he has the right to demand that justice shall begin at home. In his name and in the name of common sense and common honesty, I ask that the American Congress will not force upon the American laborer an inferior dollar which the naked and famishing laborers of India and China refuse to accept.

The bill which I now offer as a substitute for the House Bill contains three very simple propositions :

First:—That the dollar shall contain 425 grains of standard silver, shall have unlimited coinage, and be an unlimited legal tender.

Second:—That all the profit of coinage shall go to the Government, and not to the operator in silver bullion.

Third:—That silver dollars or silver bullion, assayed and mint-stamped, may be deposited with the assistant Treasurer at New York, for which coin certificates may be issued, the same in denomination as United States notes, not below ten dollars, and these shall be redeemable on demand in coin or bullion. We shall thus secure a paper circulation based on an actual deposit of precious metal, giving us notes as valuable as those of the Bank of England, and doing away at once with the dreaded inconvenience of silver on account of bulk and weight.

**WE NEED BOTH GOLD AND SILVER, AND
WE CAN HAVE BOTH ONLY BY
MAKING EACH THE EQUAL
OF THE OTHER.**

I do not fail, Mr. President, to recognize that the committals and avowals of Senators on this question preclude the hope of my substitute being adopted. Indeed I do not fail to recognize that on this question I am not in line with either extreme—with those who believe in the single gold standard, or those who, **prematurely and unwisely, as I must regard it, would force us to a single silver standard. Either will be found, in my judgment, a great misfortune to our country. We need both gold and silver, and we can have both only by making each the equal of the other.** It would not be difficult to show that, in the nations where both have been fully recognized and most widely diffused, the steadiest and most continuous prosperity has been enjoyed—that true form of prosperity which reaches all classes, but which begins with the day laborers, whose toil lays the foundation of the whole superstructure of wealth. The exclusively gold nation, like England, may show the most massive fortunes in the ruling classes, but it shows also the most helpless and hopeless poverty in the humbler walks of life. The gold and silver nation, like France, can exhibit no such individual fortunes as abound in England, but it has a peasantry whose silver savings can pay a war indemnity that would have beggared the gold bankers of London, and to which the peasantry of England could not have contributed a pound sterling in gold or even a shilling in silver.

**AN INFERIOR SILVER DOLLAR OR CHEAP
PAPER MONEY WOULD BE DISASTROUS
TO THE INTERESTS OF ALL.**

The effect of paying the laborer in this country in silver coin of full value, as compared with irredeemable paper—or as compared, even, with a silver dollar of inferior value—will make itself felt in a single generation to the extent of tens of millions—perhaps hundreds of millions—in the aggregate savings which represent consolidated capital. It is the instinct of man, from the savage to the scholar—developed in childhood and remaining with age—to value the metals which in all lands are counted “precious.” Excessive paper money leads to extravagance, to waste, to want, as we painfully witness to-day. With abounding proof of its demoralizing and destructive effect, we hear it proclaimed in the halls of Congress, that “the people demand cheap money.” I deny it. I declare such a phrase to be a total misapprehension—a total misinterpretation of the popular wish. The people do not demand cheap money. They demand an abundance of good money, which is an entirely different thing. They do not want a single gold standard that will exclude silver and benefit those already rich. They do not want an inferior silver standard that will drive out gold and not help those already poor. They want both metals in full value, in equal honor, in whatever abundance the bountiful earth will yield them to the searching eye of science and to the hard hand of labor.

The two metals have existed side by side in harmonious, honorable companionship as money ever since intelligent trade was known among men. It is well-nigh forty centuries since “Abraham weighed to Ephron the silver which he had gained in the audience of the sons of Herth, 400 shekels of silver, current money with the merchant.” Since that time nations have risen and fallen, races have disappeared, dialects and languages have been forgotten, arts have been lost, treasures have perished, continents have been discovered, islands have been sunk in the sea, and through all these ages and through all these changes silver and gold have reigned supreme as the representative of value, as the media of exchange. The dethronement of each has been attempted in turn, and sometimes the dethronement of both; but always in vain. And we are here to-day deliberating anew over the problem which comes down to us from Abraham’s time; the weight of the silver that shall be “current money with the merchant.”

As Mr. Blaine resumed his seat there was protracted applause in the galleries.