

200th Anniversary of the First Republican Paper Money in Spanish America

Miguel Chirinos 5992

This year marks the 200th anniversary of the first issue of republican paper money in South America – an ill-fated attempt by the short-lived First Republic in Venezuela. While that issue of currency had far-reaching consequences – contributing to both the failure of the First Republic and the belated acceptance of paper currency in Venezuela – it marked a milestone in the economic development of an independent Spanish America.

The most important event in Venezuela's quest for independence was French Emperor Napoleon's decision to invade Spain, Venezuela's colonial master. In 1808 Napoleon began to pour soldiers into Spain and pressured the weak King Charles into abdicating. This threw the Spanish empire into chaos. Napoleon placed his brother Joseph on the Spanish throne. Ironically, it was Napoleon – a man Spanish America's liberator Simón Bolívar saw as betraying republican ideals – who opened the door for the cause of independence in Venezuela.

In 1810, the young Bolívar met the envoy of Venezuela's revolutionaries, Francisco de Miranda, in Britain and persuaded Miranda to return to his native country. Miranda had led an abortive uprising against Spanish rule four years earlier. They returned together on December 5, 1810 to Caracas, where Miranda organized the Junta government that had its origin in the revolution of April 19, 1810, when Venezuela declared its independence. After eloquent speeches by Miranda and Bolívar, the first republic in South America was proclaimed in Caracas on July 5, 1811.

Cut off from Spain, Venezuela lost the market for its main export, cocoa. As a result the country experienced severe losses of specie, using it to purchase much-needed supplies from its new partners, such as the British and the Americans, which could not take its full output of agricultural products as payment.

During the early days of Junta government, the group worked to consolidate its position and keep at bay radicals anxious for a complete break with Spain. In those first weeks the junta voted to compensate the military officers who had cooperated with the changes, and it appointed the Count of Tovar as *Mariscal de Campo* in charge of the local troops. The junta then turned to the organization of commerce, quickly eliminating a variety of sales taxes and reducing others while reforming the customs tariffs. Indian tribute was abolished and, rather late in this series of reforms, the junta declared the moribund slave trade to Venezuela over.

Gold and silver disappeared from circulation. A mint was created to produce copper coin. As there was insufficient metal on hand, copper objects had to be requisitioned to be melted down. At the time, Congress had authorized production of one million pesos in copper coin. Miranda, who had become vice-president of the Venezuelan Congress and Commander-in-Chief of the army,

suggested the issue of some bank notes of 2 reales, and 1, 2, 4, 8 and 16 Pesos. On November 18, 1811 these notes were put into circulation but with the emission date of Law of August 27, 1811.

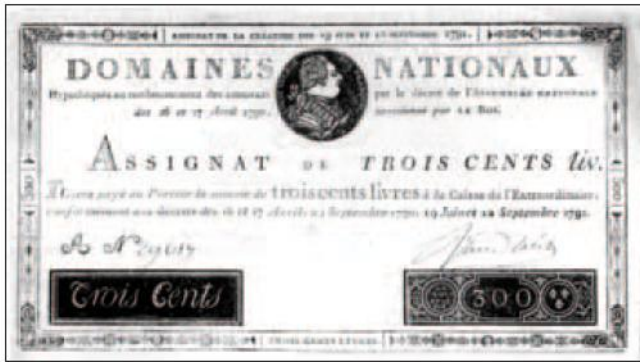


A 1 peso note from the first issue by republican Venezuela (P4).

Back in 1781, Miranda had left the Spanish Army and fled to the United States. He served under Bernardo de Galvez in the Spanish attack on Pensacola (West Florida) and probably saw the Florida colonial paper money issued at the end of the 1770s. Also, Miranda received the surrender of the British and cooperated in the capture of New Providence in the Bahamas, when Spain was ally of the rebels in the American Revolution. While in Cuba, Miranda played an important role in obtaining supplies and organizing a fund-raising drive for the French Admiral de Grasse, who then sailed to Chesapeake Bay to assist George Washington's armies in the American capture of Yorktown.

In 1790, Miranda offered his services to the Revolutionary French Army. In September 1792, as a general of a division, he served under Charles Dumouriez on the historic field of Valmy. Another victory, this time at Antwerp, was followed by a debacle of the Republican armies at Neerwinden. Tried on charges of treachery after his defeat, Miranda was acquitted triumphantly. Later his name was inscribed on the Arc of Triumph in Paris, making Miranda the only Latin American patriot whose name appears on this solemn monument to the generals and captains who fought in the revolution.

In France, Miranda had seen the use of the paper money, popularly known as *Les Assignats*, which had as backing the lands confiscated by the revolutionary government from the church. The first assignats were issued in 1789 after the fall of the Bastille and are headed *Domaines Nationaux*. They were in denominations of 200, 300 and 1,000 Livres and had interest-bearing coupons attached. The first Venezuelan paper money was inspired by these assignats which circulated during the French Revolution.



A French assignat for 300 livres from the second republican issue (PA48).

Juan Vicente Bolívar, Simon Bolívar's older brother, was sent as part of the diplomatic mission to the United States, where he met President James Madison. Initially, Juan Vicente Bolívar planned to spend his family fortune of 70,000 pesos to buy weapons and ammunition but invested part of this money in looms, agricultural items and machinery for printing money. Those purchases were carried out in the cities of Philadelphia and Baltimore. In late July 1811 Juan Vicente Bolívar embarked from Washington to return to Venezuela. Unfortunately, he died when the vessel *San Felipe Neri* was wrecked between the coast of North Carolina and Bermuda the following month.

Meanwhile, the Congress of 1811 authorized the issue of one million pesos (without the backing of gold or silver) based on import duties and the tobacco monopoly. Subsequent releases were of somewhat lower amounts. To give an idea of the size of the issue: a million pesos then represented more than the entire budget of the country at that time.

The Congress appointed Juan Jose Franco as the official engraver. The official printers of the Venezuelan government of the First Republic were Juan Baillio and Luis Delpech and Jose Vicente Galguera was appointed as auditor. But before the paper currency could be put into circulation, Galguera resigned his position and Martin Tovar Ponte was appointed in his place.

These notes bore the signatures of three notable Venezuelans: Juan German Roscio, Bartolomé Blandin and Martin Tovar Ponte and those bills were known popularly as "*Roscio, Blandin and Tovar*." The notes were printed over sealed paper of the republic. The combination of the signatures changed according to the denomination. However, the slow process of applying signatures by hand, considering the volume of banknotes to be signed and the demands on the time of the signatories, soon caused a decision to replace hand signing with the use of a rubber stamp.

These bills were issued mainly to pay the soldiers, much to their discontent. Most of them were put into circulation in Caracas but bills were also sent to several other places, especially to Guyana province (present-day Bolivar state) in southern Venezuela, where the Patriotic Army was trying to consolidate the independence. This paper money also circulated in the main ports, such as Cumaná, Puerto Cabello and La Guaira. The fiscal problem had so increased that state employees had their salaries cut in half. The Minister of Finances complained of "the extreme lack of cash."

In a supplement of November 27, 1811, the Junta authorized 20,000 pesos in small cardboard notes of 2 reales. The design of this note was very simple with the legend "*Estados Unidos de Venezuela*" (United States of Venezuela) and consisted of one seal at center and the denomination "*Dos Reales*" in two parts. There is also a handwritten serial number at upper-right. Only the signatures were on the back.

Most of those early bills were uniface (except the 2 reales) and printed in black on heavy white paper. Preparing the first issue for all denominations required about 350 reams of paper, costing about 2,000 pesos. Initially, the bills were printed on sealed paper from Cataluña, Spain, as can be seen on the backs of several copies of the notes of the first issue. Later this white paper came from a number of other countries, namely England, France, Italy, the Netherlands and the United States (specifically from Philadelphia and New York). Over three different emissions the quality of paper was decreasing.



A 2 reales issued by the republican government of Venezuela (P2).

The bills of 2 reales, 1 peso and 8 pesos appear in horizontal format while 2 pesos and 4 pesos are in a vertical format. The 16 pesos notes were reported but are not confirmed. Some sources say there is no evidence that the denomination of 16 pesos was included in the first series, although they were produced later. It seems likely they were not included with the first group of signatures.

The lowest denominations (2 reales, 1 and 2 pesos) contain one circular seal with a sun at the top and the number '19' inside, with a ray covering a scene of a seaport with two ships, a palm, an anchor, a barrel and two trunks at center. The rest of the denominations (4 and 8 pesos) have two seals. The second seal also contains a sun with the number '19' in a circle. The number refers to April 19, 1810, the Day of Declaration of Independence and seven stars representing the seven original colonies. The size of all these bills varied according to the denominations. For example, the 2 reales notes have an average dimensions of 8,2 x 5,6 cm; the 1 peso of 11,3 x 8,1 cm; 2 pesos of 11,6 x 8,1 cm; 4 pesos of 13, 2 x 11,2 cm; 8 pesos of 19 x 12 cm. Dimensions of the 16 pesos notes are unknown.



Seals used on the first republican paper money issue in Venezuela.

During this time, many counterfeits appeared and the government was forced to issue new bills with the legend “*Pena de Muerte al Falsificador*” (Death Penalty to the Counterfeiter) but the warning did not have much effect. The republican paper money was unpopular. Venezuelan humor made jokes of this situation. The historian Pedro Grases gathered these examples: “*Roscio, Blandin and Tovar were equivalent to sota, horse and king, in the deck and the game of golf*”. Other phrases: “*I sell a Roscio or the three reunited*” or “*If Roscio evicts me, Blandin shrouds me and Tovar buried me.*”

The currency situation during this period differed from province to province. Maracaibo and Guayana produced royalist coinage; Margarita and Barinas, republican. Both republicans and royalists minted at Caracas, the city changing hands more than once. The provinces preferred to hoard their products rather than sell them for worthless currency. Discontent was universal, and the people were unable to understand the reasons for restrictive measures, which past governments had never imposed.

On February 7, 1812 the republican government put into circulation a second issue with the signatures of Lorenzo de Sata, Jose Alustiza and Jose Joaquin de Yarza. Other legends on these bills were: “*United States of Venezuela*” and “*First Year of the Independence*” (with the last word in capital letters) in a vertical format. The following legend also appears: “*Hipotecado sobre las Rentas Nacionales de la Confederación*” (Mortgaged on National Revenues of the Confederation).

On Holy Thursday, March 26, 1812, an earthquake shook Venezuela. It measured 7.7 on the Richter scale and destroyed 90% of the city of Caracas. Around 20,000 people died. The royalist authorities explained to the people that was a divine punishment for the rebellion against the Spanish Crown. Public confidence was destroyed; the paper money of the republic, which before the earthquake, had depreciated sharply, then was reduced to nothing.

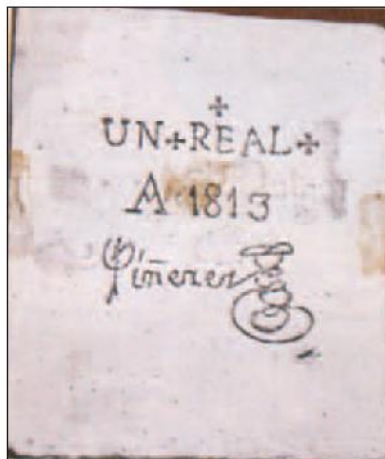
Despite this, a third issue replaced the second and carried the signatures of Lorenzo de Sata, Jose J. de Yarza and Jaime Salicrup but was in circulation just for a few months because the royalists, led by Gen. Pablo Morillo, occupied Caracas and his troops took control of the country. The royalists recovered as many notes as possible and they were burned in the old train station (today a city park) of La Victoria, Aragua State.

By April 4, 1812, with the final session of Congress, the tragic story of the nation’s financial insolvency was still a reality! Gen. Miranda was forced to capitulate and taken prisoner by the Spanish forces headed by Monteverde. Initially, he was sent to El Morro in Puerto Rico and then to Cadiz, Spain, where he died on July 14, 1816, the 27th anniversary of the fall of the Bastille.

After the fall of the First Republic, Simon Bolivar went to Curacao and then Cartagena (in modern day Colombia). There he wrote the *Cartagena Manifesto*, published on December 12, 1812. It is the first of Bolivar’s public documents in which he explains in great detail what he believed to be the causes of the failure of the republic.

Bolivar’s view on the issue of currency was explained in the Cartagena Manifesto, as follow: “*The waste of public revenues on frivolous and harmful items and in particular, salaries for hordes of office workers, secretaries, judges, magistrates, and local and federal legislators, dealt a mortal blow to the Republic, because it was forced to turn to the dangerous expedient of printing paper money, with no guarantee other than the power and anticipated revenues of the confederation. This new money seemed to most a clear violation of the rights of property, because they imagined themselves stripped of objects of intrinsic value in exchange for others whose value was uncertain or even illusory. The paper money exacerbated the discontent of the stolid citizens of the interior, who called on the commandant of the Spanish troops to come and liberate them from a currency they regarded as more monstrous than slavery.*”

However, the Cartagena Patriotic Council authorized the production of coins of ½ and 2 reales minted in copper. The republicans had produced coins of poor quality during the war of independence in order to pay the troops and cover



A 1 real note of 1813 issued by the United Provinces of New Granada, a predecessor to Colombia (PNL).

military expenses. Also, a law of March 23, 1812 authorized the government of the United Provinces of New Granada (today's Republic of Colombia) to issue up to 300,000 pesos fuertes in notes of 1 real, and this issue was guaranteed in the Constitution of the State of *Cartagenas de Indias*, passed on June 14. These small notes of 1 real were printed in black on ordinary white paper, initially signed by German Gutierrez de Piñeres, who became the chairman of the Patriotic Council. They were put into circulation in early 1813. This is considered the first attempted use of paper money in Colombia.

Sources suggest that another signature, which is not easy to decipher, could be one of German's brothers, Gabriel or Vicente Celedonio. Another signature might be Mr. Gomez, who became the Treasurer at that time. The typographic work is very simple. The general public, accustomed to metallic currency, avoided the paper money and troops even preferred to desert rather than take this worthless paper money.

To make matters worse, the notes were easily counterfeited and in consequence, massive fraud occurred. The notes rapidly fell in value until 100 pesos in paper was worth only 16 pesos in gold. Faced with this failure, the government was forced to redeem the notes. On April 2, 1813 it agreed to exchange the notes for Treasury Certificates paying 5% and renewable every four months. On the other hand, the copper coins were well received and continued to be produced until 1815.

Conclusion

The period between 1811-1812 saw the first issue, then devaluation of currency in Venezuela, which led to Simón Bolívar to comment that *"the issuance of papers without other support than the power of governing was one of the causes of the fall of the First Republic."* The monetary experience of 1811 was so dismal that Venezuelans did not come to rely on paper money for nearly a half century.

In 1819, Bolívar united Colombia, Venezuela, Panama and Ecuador as the Republic of Greater Colombia. Venezuela withdrew from the Republic in 1829, Ecuador in 1830, and Panama in 1903.

The estimated value for a 1 peso note of 1811 today is around US\$1,000 in fine condition. Anyone finding a complete set of these bills, holds a potential \$25,000 in his hands, although ironically, they were worthless soon after they were printed.

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