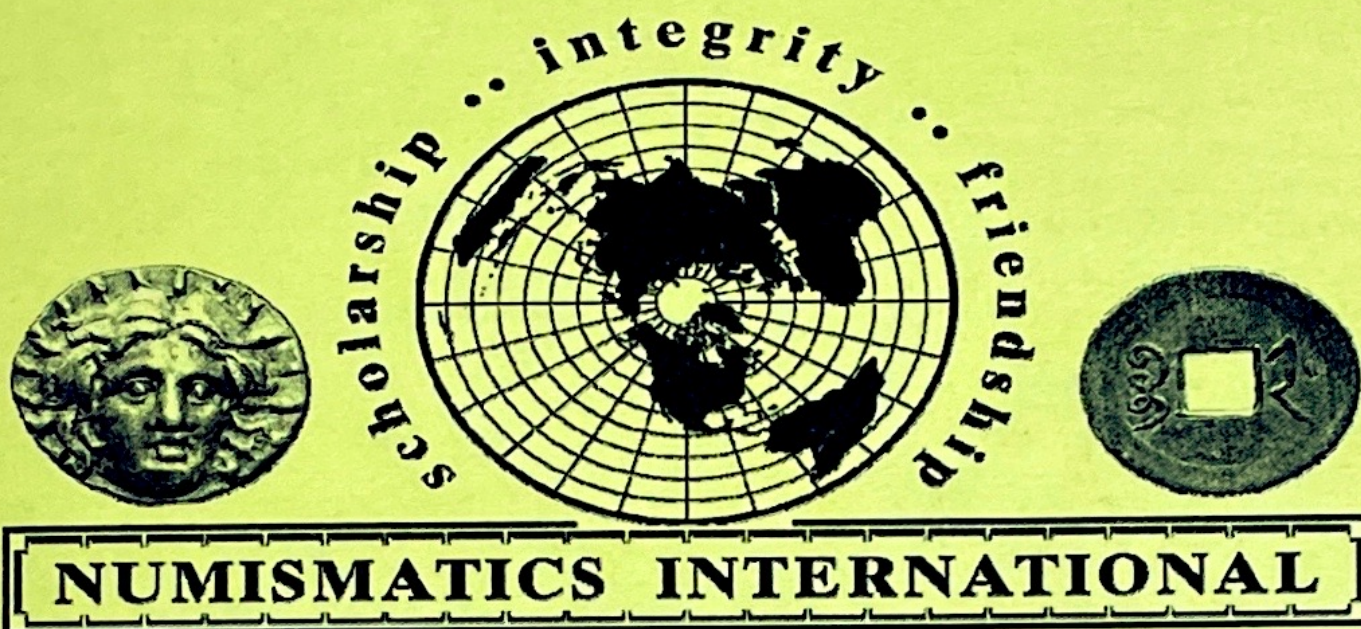


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El Feble Boliviano

Eduardo Dargent Chamot

Between the first victories of the Peruvians in their war of independence in 1821 and the adoption of the decimal system with the creation of the *Sol* in 1863, there was a long and busy monetary turmoil. The San Martín coppers; the *Peru Libre* pesos; the disastrous notes from the *Banco de la Emancipación*; the *Cusquenian* coins minted in the name of Ferdinand VII; the standing liberty pieces; and all the series produced by the mints of Cuzco, Arequipa, and Cerro de Pasco besides those produced in the ancient Lima Mint. In this setting, starting in 1830, a phenomenon suddenly appeared that worked its way as a wedge in the life of the Republic, the *Feble Boliviano* or Bolivian debased coins, frequently called at the time the “Bolivian Cancer,” to make a graphic comparison of the harm it did to the Peruvian economy. This article will deal with that period of history and its impact in Peru.

The Bolivian *feble* played an important part in the history of Bolivia and Peru. It was introduced due to the commercial imbalance between both countries. It was well established as an official practice at the time of the Peruvian-Bolivian Confederation (1836-1839) and the practice was copied by the mints of Arequipa, Cuzco and Cerro de Pasco. It later embroiled both countries in war and finally was the reason why in 1863 the Spanish monetary system was left behind, creating the “Sol” in Peru and the “Boliviano” in Bolivia.

The history of the Bolivian *Feble* coins begins with the decree given by General Andrés de Santa Cruz in Potosí on October 10, 1829, by which the minting of pieces of Half Peso and under, with a silver contents of 8 *dineros* (deniers) (667/1000) instead of the previous “10 *dineros* and 20 *granos*” (903/1000) is authorized.

The argument used to take this step was the fact that there was very little small change and whatever was in circulation was going to neighboring countries. With this law it was intended that the high value coins (Pesos) would be used for international trade while the smaller debased coins remained inside the Bolivian territory for the internal trade.

An additional advantage was that the profit obtained from the difference between one fineness and the other, in favor of the government, would be used to produce the first Bolivian gold coins which would also be used for international trade, a goal that was accomplished.

The decree of October 10, 1829 was sent to Francisco López, Prefect of Potosí and superintendent of the mint for him to put it into effect. One week later, with document in hand, López met the authorities of the mint to study the implications of the measure. The first thing that was noticed was that it would be necessary to have two separate processes to prepare the metal alloys for the coins.

If the discussions, according the Horace Flatt, the most rigorous researcher of this phenomena, were of technical character, there was also a suggestion made to produce a different design for the new, low alloy coins and to place the inscription “*Moneda Nacional*” on them to make it clear that they were only for domestic use.

On December 4th, Jacinto Lara, Minister of Economy, indicated that the discussions were over and that all the coins to be minted the following year, 1830, would be of 8 *dineros* and that the date would be enough to differentiate them from the previous coins

of higher silver content. He also indicated that in view of the fact that all the coins to be minted were *nacionales* (nationals) any inscription to that effect was superfluous. Therefore, he ordered that the minting should proceed as per the decree of October 10 by which the designs of the *febles* would be the same as that of the original coins circulating in Bolivia at the time which showed the image of Bolivar on the obverse and:

In the center of the reverse the Liberty Tree with five stars crowning it shall be engraved; at the foot of the tree of liberty two seated alpacas facing each other will be shown with their necks outstretched and looking at the top of the tree.



4 Soles 1830 (31.5 mm)

With that intention or not, the *Feble* coins were used to compensate the international trade imbalance of Bolivia, especially with Peru and so, the 25% silver difference was absorbed by the Peruvian merchants.

Studying the amount of coins minted by denominations, Flatt concludes that since to produce small coins is more expensive than producing coins of higher values, the idea that the government would have been interesting in making profits with the minting of *Feble* coins is difficult to accept. Therefore, the minting (at least of these early *febles*) would have obeyed the reason specified for their creation—that is, to put enough small change in the hands of the population.

The discussion has always been, which were the real intentions of the government? Flatt, as mentioned, prefers to consider that the real reason was to reduce the lack of small change, but it is impossible not to consider such things as the fact that the measure was officially kept secret even though this must have been obvious almost from the start. The fact is that none of Santa Cruz's *Ministros de Hacienda* (Finance Ministers) mentioned the debasement in their *Memorias* (Reports) to Congress and that only in the *Memoria* of June 1839, when Santa Cruz was no longer in power, is the *Moneda Feble* mentioned. Another point that raises suspicions regarding the government's intentions is the fact that there is only one copy of the 1829 decree and this one is kept at the Potosi mint.

Since, in principle, the low silver content coins were not to be used in the international trade, the *feble* coins should have stayed in-country, but, due to the balance of trade deficit between Bolivia and Peru, equaling nearly half a million pesos per year, the debased coins flooded commerce in Peru and the few good Peruvian coins quickly

disappeared from the market. The ease of its introduction was stimulated by the scarcity of small change that was also chronic in Peru.

The merchants and other recipients of the debased Bolivian coins had to adjust their sale prices very quickly by an equivalent percentage to cover the difference, sufficient reason, as was argued later by the government, to invalidate their request for compensation to which they had no right. It was clear that if it was true that the government had not given clear rules to stop the introduction of the *feble*, it was also true that the merchants had compensated themselves in the first turnover of their business by raising prices accordingly. This was a logical practice since they had to pay for their imports in good money. Nevertheless, the merchants insisted on getting compensation. Some members of the church also had the audacity of asking for compensation to cover their loss even though their money came from gifts and donations. The government again in this case ignored their claims.

Although true that the Cusco Mint had begun the devaluation of their coins a short time before the Bolivian invasion in 1835, during the time of the “*Confederación*” the practice of making debased silver coins also extended to the Arequipa Mint and the situation made things worse since foreign merchants, especially in southern Peru quickly began to buy the good Peruvian coins and proceeded to export them.¹



8 Soles of 1837. Made of “good silver” (38.1 mm)

On October 25, 1830, Santa Cruz sent his last decree regarding the *feble* coins. In it he ordered the minting of the 104,000 pesos required to complete the authorized half million, but also mentioned that in the future no more of these coins should be made. The reason given was that the profits generated did not compensate for the discredit that the issue had brought to the government, nor the inconveniences suffered by commerce.

The last coins mentioned in Santa Cruz’s decree were minted on the 29th of November of 1838, but the economic and political circumstances that ensued in Bolivia after the end of the “*Confederación*,” including the war with Peru, forced the return to the debased coins, and according to Flatt, what was minted between 1841 and 1842 is the

¹ Flatt, *The Coins of Independent Perú*. Vol III - Bolivia moneda feble. 1994:28

same as all that had been minted since the start of the *Feble* until that moment.² A similar quantity was also produced in the following years.

Luis Peñaloza in his *Nueva historia económica de Bolivia*, when dealing with this period and the continued production of the bad coins by the governments that followed Santa Cruz's says:

*From 1840 to 1849 9,176,724.5 Pesos Febles and 11,211,974 Pesos Fuertes were minted and from 1850 to 1859, 21,250,214.3 Febles and only 2,487,982.1 Pesos Fuertes, which means that the production of the Fuertes was reduced to one tenth of the Feble.*³

In this period it is difficult already to accept that the *Feble* was minted as a way to have enough small change, and is better understood as a way to increase the government cash taking advantage of the favorable exchange rate. The claims of Peru, seriously affected by the negative balance of trade, ended up in a conflict with Bolivia which did very little to end the production of low silver coins, and on the contrary, this production was enlarged by the establishment of a mint at La Paz.

A production chart made by Antonio Mitre and improved by Flatt allows the reader to see the increase of the *feble* production between 1830 and 1859. It can be seen that although the number of minted Pesos is similar in each five-year period, (around eleven million) in the first period the *feble* accounts for 14.2%, while in the last five years it is 98.5%.

If in the initial stages the justification of introducing small change can be accepted as valid, in the later stages, after the *Confederación*, this argument does not hold and the intention was clearly that of increasing the profits of the government. At the end of this period the *Pesos Fuertes* production ended completely.

Since the beginning, Peru tried to handle the problem of the *Feble* in its market in the most diplomatic way. It has to be considered that during the years of the *Confederación*, as mentioned, Peru had also produced *feble* coins in Cuzco and Arequipa, which made it difficult for the Peruvian government to throw the first stone.

In July 1840, the Peruvian Foreign Minister Manuel Ferreyros wrote a letter to his Bolivian counterpart making reference to the problem which had arisen with Chile due to the refusal of that country to accept the *febles*, commenting that the Peruvian government was determined to finish with the low silver coins and expressing the hope that Bolivia would do the same.

If it is true that Bolivia was also worried and wanted to solve the *feble* problem, the authorities went no further than to suggest a reduction in the number of low silver coins to be minted yearly without eliminating them. They answered Ferreyros' letter saying that the government was conscious of the situation and would take the necessary measures towards its solution.

Before the battle of Yungay (January 20, 1839) which ended the "*Confederación Peru-Boliviana*," Miguel de Velasco had already raised arms against Santa Cruz, and soon the economic situation in Bolivia became unsustainable, and this was made even worse by the demand by Peruvian president Agustín Gamarra to Bolivia to pay war

² Flatt, op cit: 36

³ Peñaloza Cordero, Luis. *Nueva historia económica de Bolivia: Comercio, moneda y bancos*. La Paz-Cochabamba, Editorial Los amigos del Libro. 1984. p.21.

reparations to cover the expenses that Peru had had to endure because of the Bolivian invasion of 1835. The vice-president, José Ballivian, became president in June 1841, after defeating Velasco.

In the middle of this turmoil and given the uprising of some groups close to Santa Cruz in La Paz, Agustín Gamarra, under the pretense of backing Ballivian, crossed the border into Bolivia. Ballivian immediately recognized the real intentions of Gamarra and was able to unite the different factions in Bolivia and stopped Gamarra at the battle of Ingavi in mid-November 1841, killing Gamarra and briefly invading Peruvian territory.

These internal and external skirmishes occasioned further fiscal anxieties so the minting of *Pesos Fuertes* was totally stopped leaving only *Febles* in the circulation. The situation for commerce became worse every day since the local merchants contracted credits with importers in good coins and when not able to obtain the good silver coins were forced to pay interest until the time they were able to fulfill the terms of their contracts. When the French exporters saw their business blocked because of the lack of good coins, they threatened to send war ships to capture the customs offices in Cobija, the Bolivian port, so they could repay themselves with the customs revenues collected there.

Finally, at the end of December 1844, president Ballivian ordered that beginning next year the minting of *Pesos Fuertes* should start and that of the *Febles* should be discontinued. The solution was well received by the merchants but hurt the miners who argued that the good coins were melted as soon as they reached their destination port and therefore the payments they made to mint the coins was worthless. Their proposal was to export the silver bars of 12 *dineros* fineness (12 *dineros* is pure silver) which would give the government a profit of one and a half pesos in each “marco” (that is 9 pesos 7 reales versus 8 pesos 3 reales).

The miners’ proposal was studied by the government but Potosí opposed the measure because it would leave many mint workers without a job, and would also hurt copper and firewood providers among many others. The decision was made to continue with the production of the coins, and late in 1845 the production of small change “to avoid the stagnation of commerce” was resumed and, although not mentioned, to help the nation’s treasury.



Agustín Gamarra

It must be explained that *moneda feble* was not only a Bolivian problem. There were also low silver coins entering Peru from Ecuador and Nueva Granada (Colombia) which circulated in the north of the country. It is also true that by that time the Peruvian government had finally been able to stop the production of the bad coins in all the mints with the exception of the very small quantities minted in Pasco in 1844 and 1845.



Andrés de Santa Cruz

But the great problem was in the south where the only coins in circulation were the ones produced in Bolivia and that the amount due to the trade deficit between this region and Peru which increased by half a million pesos each year. It was clear that Bolivia and Peru were commercial partners bound together by their geography and the non-acceptance of Bolivian coins by Peru would mean the end of the trade in wools, brandy, olive oil, coca leaves, wheat, tiles and other products. The decisive moment which began, for good or bad, a new period of relations for Peru and Bolivia, was the Treaty of Peace and Commerce signed by both countries in November of 1847 in Arequipa. From this interesting instrument, it is the fourth article which interests us for the purpose of this study, which specified that neither of the two countries would produce nor put in circulation coins with a silver content below 10 deniers 20 grains. It was precisely the noncompliance with this article that pushed both countries

into a military confrontation.

The situation, tense in itself due to the enmity between president Ballivian of Bolivia and Castilla of Peru, was aggravated by a "customs duty war" which all but stopped the international trade between the two counties brought the specter of war very close. Ballivian planned to begin the invasion at the end of May when the situation at the port of Arica became unbearable. Castilla on his side planned a rebellion against the Bolivian president through the Peruvian diplomatic representative in La Paz. The Extraordinary Congress of Peru was authorized to find a peaceful solution to the conflict but also to declare war if necessary. The diplomatic skirmish lasted until November 3, 1847, the date on which the Treaty of Peace and Commerce of Arequipa mentioned above was signed. A week later, on November 11th, president Ballivian signed the treaty and it was immediately ratified by the Bolivian Congress. Soon thereafter that the treaty became law in both countries.

The theoretical solution nevertheless did not result in a solution in practice. Bolivia decided to increase the silver content of the coins but to reduce their weight which was immediately seen by Peru as a way in which to not comply with the Arequipa Treaty,

and insisted that in order to keep maintain friendly relations, Bolivia should adhere to the terms of the treaty with their new coins. Although the treaty was ratified at La Paz in January, 1849, it was not only not complied with but on the contrary president Belzú, besides continuing the production in Potosí, opened an additional minting facility at La Paz which was inaugurated with celebrations and the minting of a commemorative medal.⁴

The Peruvian protests fell on deaf ears, and moreover were followed by a denial of permission by the Bolivian Government to authorize the presence of a Peruvian Vice Consul in Potosí so he could monitor the implementation of the treaty. This attitude did nothing but increase the level of distrust on the part of the Peruvian authorities.

On July 5, 1850, Mariano José Sanz, agent of the Peruvian Government in Bolivia, managed to arrange a meeting with President Belzu to discuss the subject of the new coins. During this meeting, Sanz asked the president why, given the good ties of friendship between the two countries, the visit to the mint of Potosí by the vice consul had not been allowed.

Flatt, in his study, says that Belzu's answer was so honest and definitive that there remained no space for treating the subject any further:

*The real reason had been the fear that the Vice Consul would discover that the mint continued to produce as much moneda feble as before, and that this could lead to diplomatic complaints.*⁵

It is true that the Peruvian government pressed or at least tried to put pressure on the Bolivians to stop the minting of *febles*; it is also true that the Lima Mint was incapable of producing enough small coins to cover its needs and the needs of trade, especially in the south of the country.

In 1851, a report of the Economy Commission of the Chamber of Deputies asked why the *febles* should be discontinued if they served their purpose for internal commerce. Even if this was true, the real problem was with the international trade because the prices of imported products went up and this was a direct hit to the family basket. Bolivia, on the other hand, argued that without *febles* it was impossible for them to



Ramón Castilla

⁴ Basadre Jorge. *Historia de la República del Perú*. Lima, Editorial Peruamérica S.A., 1964 Quinta edic. Tomo III. p. 1029.

⁵ Flatt. Op cit. p. 64.

cover internal costs, and therefore the only thing that could be done would be to change Article 4 of the Treaty of Arequipa.

All this and the fact that the new mint was opened at La Paz to produce more *febles* were the reasons that made the situation worse and the winds of war could be felt close. Belzu insisted that Peru had demonstrated bad faith towards Bolivia and therefore it was not a bad thing that it should be paying the consequences now. Besides, he said, if Peru was ready to unleash hostility towards Bolivia, Bolivia was ready to oppose it.

On March 13, 1853 the diplomatic agent of Peru in La Paz was taken to the Peruvian border and expelled from the country. Peru, in retaliation suspended the 40% reduction in the ad valorem taxes in the products going to Bolivia through Peruvian territory, claiming that Peru could not accept the dishonor suffered by the expulsion of its representative in Bolivia. The result was that prices in Bolivia went up again.

By this time the Peruvian President, general Rufino Echenique, got a loan from Europe to fund the change of the bad coins, but the money of the loan was used to pay the agents involved in keeping the turmoil among the opposition to the Bolivian government, and the redemption of the *febles* could not be effected. Meanwhile the diplomatic and social situation opposed each other because it was clear that not producing good silver coins was not an act of bad faith but a reality impossible to avoid since the country needed it for its commercial stability.

After diplomatic notes and claims, Bolivia finally declared war on Peru in July 1853 and Peru took its time until August 16 to declare it against Bolivia and Belzu took advantage of the time in his favor to plan an advance towards Tacna. Meanwhile, South Peru was tired of the passivity of the central government in Lima which did nothing to resolve the economic problems of the region.

One of the most intriguing aspects, when studying the reaction of the Peruvian politicians, is to see how convinced they were that the Bolivian population was fed up with Belzu and due to the large amount of money invested by Peru to form a political movement against the government, they had never considered what to do in case that would not happen. Due to that, among other things, Chile's offer to intercede in the conflict had not been accepted.

Politically, the government of Echenique was losing all the credibility it had left due to the increase in the corruption, especially due to the overvalued payments that were made to cover the so called "Consolidated debt."⁶ In those circumstances general Ramon Castilla rose up against Echenique in Arequipa on February 12, 1854 and was named chief of the *Ejército Regenerador* (Regenerative Army). Belzú immediately sent troops and weapons to back Castilla, his erstwhile enemy. Almost a year later, on January 5th, 1855, Castilla defeated Echenique in the battle of La Palma, near Lima.

⁶ The government owed large amounts of money from loans, mainly forced, from the time of independence which it had not been able to pay due to the economic situation of the country. When the exports of "guano" brought into the country large amounts of money, Echenique organized the payment of that debt and called it "*Deuda Consolidada*," but soon it was noticed that many people were producing fake receipts and the authorities were letting them pass. At the end more than twice the amount of the original debt was paid. The "under the table" argument in favor of that policy was that in that way a "solid" middle class would be developed, but there is no doubt that Echenique and many others were having a good revenue from that policy. In the future the term "*consolidado*" to refer to rich persons or families was a contemptuous way to point out to the dark origin of their fortunes.



Medal commemorating the inauguration of the mint of La Paz (26.7 mm)

Under these circumstances the peace between Peru and Bolivia was achieved with the two old enemies as allies and the problem of the *Moneda Feble*, still unsolved, was a subject that was not mentioned again. In any case, one of the first decrees of Castilla was to revoke Echenique's order of July 8th, 1854 that had forbidden the acceptance of the "*Arbolitos*" which were the 4 Reales feble coins, in any government office.

From there on the situation was handled with more patience and in 1858 Peru began to produce the first transition coins towards the decimal system. If true that this early experiment only consisted of half pesos and other fractional coins in very small amounts, this was the first step towards a new order in Peruvian coinage.

Bolivia also changed its coins, creating pieces that although had the same silver content as the Peruvian coins, were slightly smaller. But this did not mean the end of the problems since the good coins left the country almost as soon as they were introduced into circulation, and the fears over the consequences of their amortization were felt. Bolivia, for instance, worried that the *Febles* would quickly return into the country to be exchanged for the new good coins.

Guano, the sea bird fertilizer, no doubt played an extremely important part in the reordering of the monetary economy. Although the largest deposits were in Peru, Bolivia also had its own guano deposits on the island of Mejillones. In the case of Peruvian merchants requiring funds to import, they would buy government drafts on Europe covered by the guano exports, solving thereby the shortage of foreign exchange.

The end of this story was the signing in November of 1863 of a new treaty of friendship and peace wherein both countries pledged to not issue any more *febles* and to respect their new monetary laws; the law of February 14th, 1863 that created the "Sol" in Peru and that of July 29 of the same year created the Boliviano.⁷

It must also be mentioned, even if only in closing, that the amount of fake *febles* produced during this period was enormous. So much so that this even served as an argument of the Bolivian government to explain why they could not stop the flow of these coins. In 1857 it was calculated that of a total of 27 million pesos in circulation, 9 million were in fake coins.

⁷ Peñaloza. 1984 Op cit. 24.



Fake 4 Soles 1856 (32 mm)

In December 1848, for example, the British consul in Islay mentioned in a document that a quantity of Bolivian *cuarto* coins made in private mints in the United States had been introduced through that port. Another celebrated instance was made known in *El Comercio* of May 21st and June 8th, 1855 that near the town of Colcabamba, on a small ranch, the authorities had found presses and other minting equipment and a large quantity of fake *cuartos*. Other documents of the same period inform of similar cases near Huanuco and Arequipa. The lack of small change for the normal daily trade made people see this illegal activity as a convenient help for domestic commerce. But that is another story.

Presidents during the period of this study:

Bolivia: Andres de Santa Cruz, Miguel de Velasco and José Ballivian. **Peru:** Agustín Gamarra, Ramón Castilla, Rufino Echenique and Ramón Castilla (again).

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