



Nota de investigación/Research note

Currency in Colombia, 1850-1923

Javier Mejía*

Stanford University

José Parra-Montoya**

Universidad de Antioquia

INFORMACIÓN DEL ARTÍCULO

Historia del artículo:

Reception: 19 de septiembre de 2021

Acceptance: 13 de enero de 2022

On-line: 14 de marzo de 2022

JEL classification:

N16

N26

Keywords:

Currency

Colombia

19th century

History

Exchange rate

Códigos JEL:

N16

N26

Palabras clave:

Moneda

Colombia

Siglo XIX

Historia

Tasa de cambio

ABSTRACT

Before the creation of Banco de la República in 1923, several currencies actively circulated in Colombia. The information on them is distributed across widespread sources. This represents a structural limitation for long-term analyses of the economy of the period. This paper addresses this issue by systematizing the information available on all those Colombian currencies between 1850 and 1923. It provides a table of exchange rates to convert amounts between any two currencies during the period, thus generating a useful tool for economic historians of the region.

© 2022 Asociación Española de Historia Económica

La moneda en Colombia, 1850-1923

RESUMEN

Antes de la creación del Banco de la República en 1923, varias monedas circularon en paralelo en Colombia. La información sobre ellas está dispersa en varias fuentes, lo cual representa una limitación estructural a los análisis de largo plazo sobre el período. Esta nota se concentra en este problema al sistematizar la información que se encuentra disponible sobre todas las monedas colombianas entre 1850 y 1923. Se aporta una tabla de tasas de cambio para realizar conversiones entre parejas de monedas existentes en el período, generando así una herramienta para historiadores económicos de la región.

© 2022 Asociación Española de Historia Económica

* Corresponding author. Email: mejiaj@stanford.edu (Javier Mejía).

** Email: josej.parra@udea.edu.co (José Parra Montoya).

1. Motivation

Before the monetary order that was consolidated by the Kemmerer Mission and the establishment of Banco de la República, several different families of coins and banknotes officially circulated in Colombia. There is no systematic record of the evolution of these coins and banknotes. Moreover, the information on each of them is spread out in small fragments across many different sources. This situation makes it difficult to track the value of money over time, profoundly limiting any long-term analysis of the economy of the period. In addition, systematic estimates of exchange rates are hard to infer from such a confusing monetary system, restraining the study of the Colombian economy from a comparative perspective.

This paper addresses this issue by systematizing the information on the currencies that circulated in Colombia from 1850 until 1923. The contribution of this paper is fully practical. It intends to be a guide that helps scholars interested in the Colombian economy of the 19th and early-20th centuries to rapidly clarify currency matters without the need for an exhaustive exploration of potentially dozens of independent sources. As such, this paper does not intend to be a comprehensive history of money in Colombia, but a brief tool that provides basic context on the evolution of the monetary regime, the most common practices in the use of currency, and the official exchange rates across currencies.

Unfortunately, given the lack of systematic data available, and the fragmented nature of markets in Colombia during the period, most of our discussion focuses on legal benchmarks. The paper does an effort to bring broad indications of contextual features that led market conditions to deviate from the official benchmarks. However, we still recommend readers to cautiously evaluate their settings and judge if our discussion around official benchmarks is representative of their context.

2. Evolution of the monetary system

Until the mid-1840s, Colombia's monetary system was submerged in profound chaos. Colonial silver coins coexisted with republican coins of different metals, all of which were debased and corrupted over the years. The popularity of each coin and its value varied extensively across regions.

Trying to improve the situation, Congress approved more than five reforms to the entire system in the first two decades of republican life. These reforms failed in their effort to stabilize the system nonetheless.

In 1846, Congress approved the first successful monetary reform of the period. This reform unified the purity of gold and silver coins to 0.9¹. As was common in most of these reforms, several fractional coins were suppressed, while some others were introduced². In addition, the weight of all the coins was adjusted

in an attempt to adopt the French decimal system³. Despite this attempt, the *real* remained the basic monetary unit, keeping the Spanish colonial standard as the conceptual benchmark.

The 1846 reform was complemented by a couple of small reforms in 1847 and 1849, whose most important transformation was the introduction of a silver coin equivalent to ten *reales* (i. e. *silver peso of 10 reales*). A large new reform in 1853 gave the final push to the system in the direction of the decimal standard, making *peso of 10 reales* the new monetary unit⁴. In addition, the effort to distance from the monetary system of colonial times was reinforced by renaming the *real* as *décimo* and suppressing all its fractions⁵. The reform also renamed the previous *silver pesos*, which included the coins of 8 *dineros* (purity of 0.67) and 8 *reales* (purity of 0.9), as *pesos of 8 décimos*.

From the early 1850s onwards, there was some stability in the means of payment and, more importantly, in the unit of account. Although regional spreads subsisted for decades, the increasing market integration of Colombian regions systematically reduced those spreads. By the 1880s, there was a clear convergence of foreign exchange markets and monetary standards across the country (Meisel, 1994).

Several other reforms took place in the 1860s and the 1870s. Those included a reform that extended the number of fractional coins, another one that introduced *silver pesos* of a lower purity (i. e. 0.835), and a third one that defined *gold pesos* as the monetary unit. Nevertheless, none of these reforms profoundly changed the system at a practical level. Even under a legal bimetallic standard with parity between gold and silver, the international depreciation of silver made most of the stock of gold flow abroad as exports, maintaining silver coins as the dominant currency (Ocampo, 1994).

The most important innovation of those years was the introduction of paper money in the early 1870s. This initiative was promoted by a liberal and federal government, which encouraged a free-banking regime where private banks were in charge of the paper-money emission. In urban areas, private banknotes were extensively used. There was convertibility across the system, meaning that banknotes could be exchanged for legal metallic money with no discount at any branch of the banks that issued them. In rural areas, however, it was frequent that these banknotes could have some market discounts if acceptable at all.

Even though paper money rapidly displaced gold from the money supply in Antioquia, in general, metallic money was complementary to paper money and it remained the most extensive store of value and medium of exchange in most of the country (Acuña y Álvarez, 2014).

In 1880, a state-owned bank, Banco Nacional, started issuing its own bills. In 1886, a new conservative and centralist government declared Banco Nacional's bills the official currency, forbidding the stipulation of any type of contract under other currencies. The national government took that measure even further in 1887, prohibiting private banks from issuing paper money. Although several exceptions were made over the years and, in practical terms, plenty of private bills circulated in fairly liquid mar-

¹ The purity or finesse (referred also as *ley* in Colombia) of a coin is the fraction of pure metal that it contains. In this case, it means that coins should have had 90% of gold or silver. The remaining 10% would have been a mix of cheaper metals.

² Families of coins are composed by a specific unit, its fractions (i. e. coins of a smaller denomination than the unit), and its multiples (i. e. coins of a larger denomination than the unit).

³ After the Revolution, the French government tried to align its currency with its broader measurement system (i. e. the decimal system), solving the distinction between money of account and money of reckoning.

⁴ The *peso of 10 reales/décimos* was frequently referred as *granadino*.

⁵ In the early 20th century, the official silver coin was named again *real*.

kets as debt titles until the first decades of the 20th century, the heydays of private paper money were over by the 1890s.

The measures that the national government took in 1886 included the end of the convertibility of Banco Nacional's bills, which implied the adoption of a fiat-money standard. Unfortunately, a lax and not very transparent issuing policy by Banco Nacional led to a rapid depreciation of its bills. This process deepened during the civil war between 1899 and 1902 when an explosion of internal prices and a profound exchange-rate devaluation took place.

The collective trauma of these events led to a massive movement in the public opinion pushing to move out of the fiat-money standard and to adopt the gold standard, which, by the early 20th-century, was the most extensively used monetary rule in the Western World (Ocampo, 1994).

The transition into the gold standard was much longer and complicated than most commentators of the period expected. A series of laws and decrees between 1903 and 1905 defined *gold peso* as the new monetary unit, prohibited new pa-

per-money emissions, and declared that contracts could be stipulated in any currency. The practical implementation of these measures was limited, but they did contribute to disciplining the nation's monetary policy.

The government created a succession of agencies since 1903 to convert and take out of circulation the old paper money—in 1914, the external shock resulted from World War I brought additional fiscal pressure making the government redirect the convertibility funds towards other needs (Meisel, 2017). Some of these agencies gained the right to issue new paper money (i. e. official bills) under the new gold parity. However, still in the early 1910s, Banco Nacional's bills were a large part of the monetary supply of the economy. It was only in the early 1920s when the new *gold peso* finally replaced the old paper money as the dominant means of payment (Sánchez, 1994). This new *gold peso* was fully convertible and therefore inherited the ratio of exchange between the old paper money and the monetary unit of 100 to 1 (Torres, 1945). Figure 1 summarizes the evolution of the monetary system during 1850-1923.

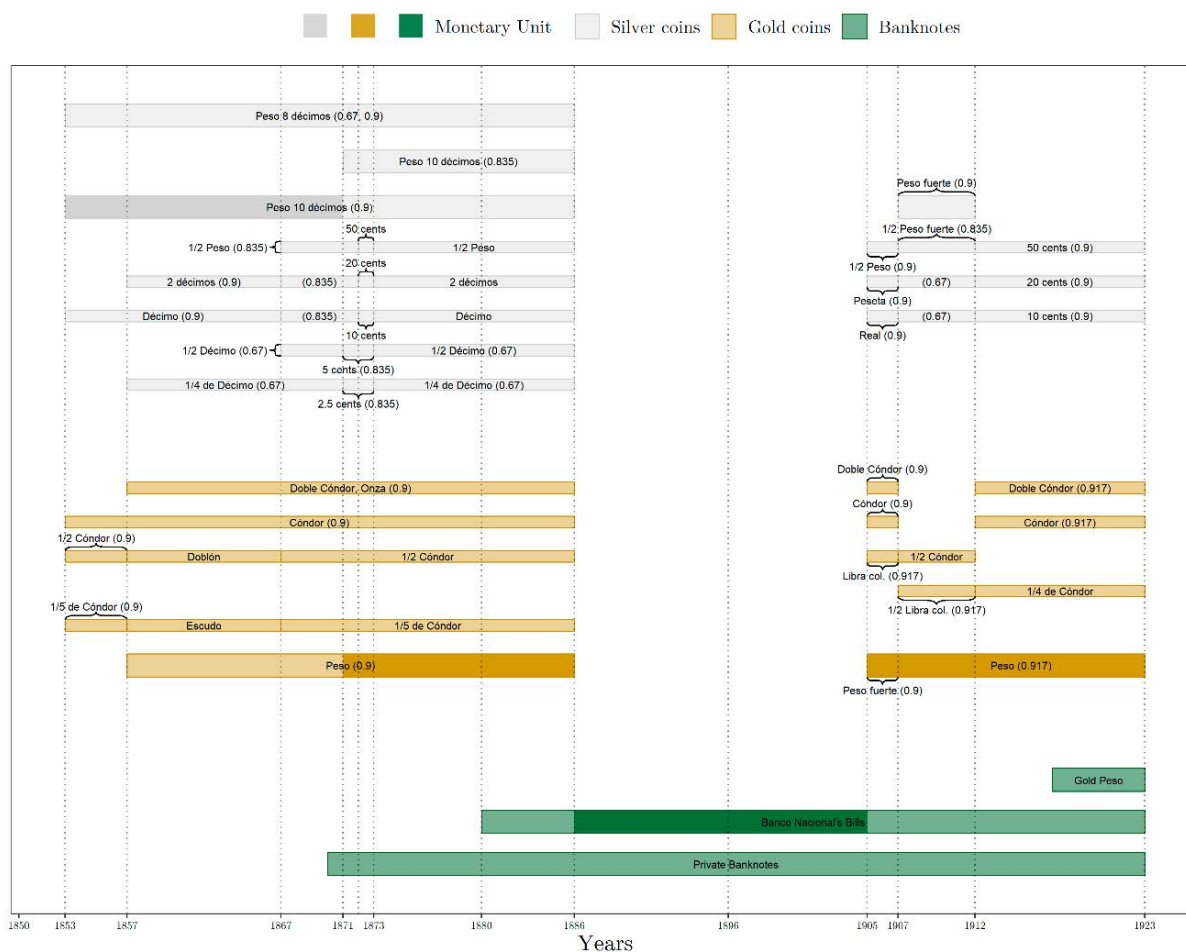


Figure 1. Official Colombian currencies. Timeline. 1850-1923.

Note: This figure presents the evolution of official currencies over time in Colombia. Units are represented by wide bars. Currencies in thinner lines represent fractions (if they are below the unit) and multiples (if they are above the unit). For example, a *décimo* was a fraction of *peso de 10 décimo* (silver purity of 0.9). Meanwhile, a *cándor* was a multiple of *peso* (gold purity of 0.9). Dotted lines represent years when there was a monetary reform. Bars with a darker area signal a period in which a given currency was the monetary unit of the system. For example, although Banco Nacional's bills circulated simultaneously with private banknotes from 1880 onward, between 1886 and 1905 the former were the official currency, being represented in the graph with a darker green. Notice that certain currencies have multiple names over time. Parentheses specify silver or gold purity.

Sources: This figure was constructed using secondary sources of the official decrees and laws of monetary reforms such as (Torres, 1945). Commentators of the period were also used to verify the evolution of the names. Systematic information on the evolution of nickel, smaller fractions of silver, and unofficial coins was not found, and therefore they are not included.

3. Monetary practices

3.1. Currency specialization

Most of the regulations described above applied to the formal economy. Several other currencies regularly circulated during this period and were extensively used in the informal economy. This was the case of copper and nickel coins, as well as outdated fractions of silver and gold coins, which were the dominant means of payment for small transactions during most of the 19th century. Sadly, there is not enough evidence to make a reasonable inference of the value of these coins over time. What we do know is that they were eventually replaced by the depreciated bills of Banco Nacional.

Large transactions (i. e. loans, creation of firms) were mostly defined in the basic monetary unit of the moment, usually referred to as *peso de ley*, and paid in one of the official currencies (i. e. silver, gold, or paper money).

Within official currencies, there was also some specialization. For instance, by the 1880s, we know that real-estate businesses were made mostly in silver coins of 0.900 purity; banks in Bogotá made only transfers on silver coins of 0.835 purity; and wages were frequently paid with bills of Banco Nacional (Botero, 2011).

3.2. Foreign currency

During unstable periods of time, foreign currency was occasionally used both as a unit of value and means of pay-

ment for large transactions. As Colombia did not have a proper market of foreign currencies until the first decades of the 20th century, accessing this type of currency usually required the purchase of an exchange letter. These were debt titles issued by a foreign agent, typically a commercial house in the United Kingdom, designed to pay for Colombian exports. These letters were traded locally as means for paying imports and as broader tools of financial hedge and speculation.

As most of Colombian trade in the 19th century was integrated into British circuits, the British pound was the foreign currency of reference. The expansion of American interests in Colombia since the last decades of the 19th century started to increase the influence of the American dollar. Eventually, the coffee boom of the early 20th century, which had as main market the United States, gave a final push to the consolidation of the American dollar as the dominant foreign currency and led to the emergence of the first foreign-exchange markets in Bogotá and Medellín (Sánchez, 1994).

Table 1 presents a comprehensive list of exchange rates for the different official currencies in terms of the American dollar during the period. These rates are mostly based on official parities. Market conditions regularly differed from those parities, in particular, in rural areas. Thus, the figures from table 1 should be interpreted as proxies of the average rates that agents actually faced in the formal economy of large cities.

Table 1

Exchange rates. USD/Official Colombian currencies. 1853-1923

Year	Banknotes	Silver coins			Gold coins	
	Banco Nacional's Bill	Peso of 10 décimos/Peso fuerte (Ley 0.9)	Peso of 8 décimos (Ley 0.67 and 0.903)	Peso of 10 décimos (Ley 0.835)	Peso/Peso fuerte (Ley de 0,9)	Peso (Ley 0,916)
1853		1.017	1.271		1.017	
1854		1.020	1.275		1.020	
1855		1.023	1.279		1.023	
1856		0.994	1.243		0.994	
1857		1.009	1.262		1.009	
1858		1.040	1.300		1.040	
1859		1.054	1.317		1.054	
1860		1.025	1.282		1.025	
1861		1.011	1.264		1.011	
1862		1.015	1.268		1.015	
1863		1.046	1.307		1.046	
1864		1.070	1.338		1.070	
1865		1.072	1.340		1.072	
1866		1.058	1.323		1.058	
1867		1.052	1.315		1.052	
1868		1.049	1.311		1.049	
1869		1.046	1.308		1.046	
1870		1.043	1.304		1.043	

Year	Banknotes	Silver coins			Gold coins	
	Banco Nacional's Bill	Peso of 10 décimos/Peso fuerte (Ley 0.9)	Peso of 8 décimos (Ley 0.67 and 0.903)	Peso of 10 décimos (Ley 0.835)	Peso/Peso fuerte (Ley de 0,9)	Peso (Ley 0,916)
1871		1.042	1.303	1.124	1.042	
1872		1.043	1.304	0.968	1.043	
1873		1.049	1.311	0.973	1.049	
1874		1.057	1.321	0.981	1.057	
1875		1.075	1.344	0.998	1.075	
1876		1.089	1.361	1.010	1.089	
1877		1.067	1.334	0.990	1.067	
1878		1.096	1.370	1.017	1.096	
1879		1.096	1.370	1.181	1.096	
1880	1.132	1.050	1.313	1.132	1.023	
1881	1.142	1.059	1.324	1.142	1.031	
1882	1.179	1.094	1.367	1.179	1.015	
1883	1.263	1.172	1.465	1.263	0.996	
1884	1.305	1.145	1.431	1.234	1.001	
1885	1.289	1.145	1.432	1.235	1.017	
1886	1.438	1.187	1.484	1.280	1.007	
1887	1.819	1.330	1.662	1.433	1.029	
1888	2.087	1.324	1.655	1.427	0.999	
1889	1.995	1.384	1.730	1.492	1.044	
1890	2.000	1.474	1.842	1.589	1.047	
1891	1.927	1.444	1.805	1.556	1.037	
1892	2.002	1.473	1.841	1.588	0.966	
1893	2.346	1.689	2.111	1.821	0.980	
1894	2.759	2.139	2.673	2.305	1.016	
1895	2.714	2.309	2.887	2.489	1.048	
1896	2.466	2.222	2.777	2.395	0.993	
1897	2.555	2.257	2.822	2.433	0.973	
1898	3.005	2.215	2.768	2.387	0.935	
1899	4.500	2.410	3.012	2.597	1.024	
1900	10.916					
1901	28.117					
1902	74.748					
1903	99.902					
1904	102.121					
1905	104.741				1.047	
1906	106.755				1.068	
1907	101.719	1.017	1.271	1.096	1.036	1.0172
1908	108.769	1.088	1.360	1.172	1.108	1.0877
1909	105.748	1.057	1.322	1.140	1.077	1.0575
1910	97.691	0.977	1.221	1.053	0.995	0.9769
1911	99.705	0.997	1.246	1.075	1.016	0.9971
1912	101.719	1.017	1.271	1.096	1.036	1.0172

Year	Banknotes	Silver coins			Gold coins	
	Banco Nacional's Bill	Peso of 10 décimos/Peso fuerte (Ley 0.9)	Peso of 8 décimos (Ley 0.67 and 0.903)	Peso of 10 décimos (Ley 0.835)	Peso/Peso fuerte (Ley de 0,9)	Peso (Ley 0,916)
1913	102.727	1.027	1.284	1.107	1.046	1.0273
1914	104.741	1.047	1.309	1.129	1.067	1.0474
1915	108.769	1.088	1.360	1.172	1.108	1.0877
1916	104.741	1.047	1.309	1.129	1.067	1.0474
1917	101.719	1.017	1.271	1.096	1.036	1.0172
1918	94.670	0.947	1.183	1.020	0.964	0.9467
1919	94.122	0.941	1.177	1.014	0.959	0.9412
1920	113.207	1.132	1.415	1.220	1.153	1.1321
1921	117.798	1.178	1.472	1.270	1.200	1.1780
1922	110.044	1.100	1.376	1.186	1.121	1.1004
1923	105.667	1.057	1.321	1.139	1.076	1.0567

Note: This table presents the annual average price of one USD in terms of different official Colombian currencies.

Sources: Silver/gold and paper peso/gold exchange rates from Ocampo (1994); pound/peso, from Ocampo (2013); peso/dollar, from GRECO (1999); and pound/dollar, from Federico and Tena-Junguito (2018). When data was not available, the rate was inferred using known equivalences mentioned in the literature.

4. Final remarks

This paper is a practical guide to navigate the complicated currency landscape of Colombia between 1850 and 1923. This guide should help not only those studying the monetary system of the country but anyone studying the economy and business activity in Colombia during the period. In particular, we hope that this paper could contribute to the expansion of work that uses microdata, an area where the monetary confusion of the period has been a traditional barrier.

This paper also signals the need for deeper research on the use of money in daily economic interactions. Our understanding of the rationales behind the specific usage of the currencies here explored is still quite limited, as well as the market conditions under which these currencies were traded. Hopefully, this paper encourages posterior work that can fill those gaps.

Acknowledgments

We are grateful to Andrés Álvarez for his comments and suggestions.

Sources

Federico, G. and Tena-Junguito, A. (2018). *Federico-Tena World Trade Historical Database: World Exchange Rates Series*. Retrieved 2021-07-30, from: <https://edatos.consorcioamadrono.es/dataset.xhtml?persistentId=doi:10.21950/ECBVOO>

Bibliography

- Acuña, K. and Álvarez, A. (2014). "De la moneda metálica al billete de banco en Medellín y Bogotá (1871-1885): complementariedad y sustitución de medios de pago en un régimen de banca libre", *Tiempo y Economía*, 1 (1), 77-106.
- Botero, M. M. (2011). "Moneda y banca en una economía aurífera. La región de Antioquia (Colombia), 1850-1890", *América Latina en la Historia Económica*, 18 (35), 53-81.
- GRECO (1999). "El desempeño macroeconómico colombiano: series estadísticas (1905-1997)", *Borradores de Economía*, 121, 1-26.
- Meisel, A. (1994). "Inflación y mercados cambiarios durante la regeneración y la guerra de los mil días: un análisis econométrico", in Sánchez, F. (ed.). *Ensayos de historia monetaria y bancaria de Colombia*. Bogotá: Tercer Mundo Editores, pp. 159-186.
- Meisel, A. (2017). "Antecedentes del banco de la república, 1904-1922", in Uribe, J. (ed.). *Historia del Banco de la República, 1923-2015*. Bogotá: Banco de la República, pp. 1-14.
- Ocampo, J. A. (1994). "Regímenes monetarios variables en una economía preindustrial: Colombia 1850-1933", in Sánchez, F. (ed.). *Ensayos de historia monetaria y bancaria de Colombia*. Bogotá: Tercer Mundo Editores, pp. 1-47.
- Ocampo, J. A. (2013). *Colombia y la economía mundial 1830-1910*. Bogotá: Universidad de los Andes.
- Sánchez, F. (1994). "Moneda y política monetaria en Colombia", in Sánchez, F. (ed.). *Ensayos de historia monetaria y bancaria de Colombia*. Bogotá: Tercer Mundo Editores, pp. 49-64.
- Torres, G. (1945). *Historia de la moneda en Colombia*. Bogotá: Banco de la República.