

LEGAL TENDER AND FRACTIONAL SILVER COINAGE

*Exchange of notes at Washington and New York June 20, 1904
Entered into force June 20, 1904*

*Modified by agreements of March 26 and April 2, 1930;¹ May 28
and June 6, 1931;² March 2, 1936;³ June 17, 1946;⁴ May 9
and 24, 1950;⁵ September 11 and October 22, 1953;⁵ Au-
gust 23 and October 25, 1961;⁵ and September 26 and Octo-
ber 23, 1962⁵*

S. Doc. 401, 59th Cong., 2d sess.

The Secretary of War to the Special Fiscal Commissioners of Panama

JUNE 20, 1904

To Messrs.

RICARDO ARIAS and

EUSEBIO A. MORALES

*Special Fiscal Commissioners of
the Republic of Panama*

GENTLEMEN:

I understand that there is now pending in the Convention of the Republic of Panama, exercising legislative power for the Republic, a Bill to establish a monetary standard and to provide for the coinage necessary in the Republic. The Isthmian Canal Commission, whose action, by direction of the President of the United States, I am authorized to supervise and direct, is vitally interested in the maintenance in the Canal Zone of a stable currency, based upon the gold standard.

I conceive it to be of common benefit to the Republic and to the Isthmian Canal Commission that the currency used in the Republic and in the Canal

¹ *Post*, p. 731.

² *Post*, p. 734.

³ TS 945, *post*, p. 742.

⁴ *Post*, p. 834.

⁵ Not printed.

Zone should be the same. I am informed that the Convention of the Republic has under consideration a measure which in substance provides:

I. That the monetary unit of the Republic shall be a gold peso of the weight of one gram, 672 milligrams, and of nine hundred one-thousandths fineness, divisible into one hundred cents, to be issued as and when considered by the Republic necessary or convenient for its requirements.

II. That the present gold dollar of the United States of America, and its multiples, shall also be legal tender in the Republic of Panama for its nominal value, as equivalent to one gold peso of the Republic.

III. That fractional silver coins shall be issued by the Republic, of various denominations, all to be of an alloy composed of nine hundred one-thousandths of pure silver and one hundred one-thousandths of copper, the declared value of the same bearing a ratio to the same weight of gold of approximately one to thirty-two, and that such fractional silver currency shall be legal tender in all transactions.

IV. That the silver to be coined shall be in fractional denominations of the gold peso or dollar, and, except as hereinafter specifically provided, shall be coined only in exchange or conversion of the Colombian silver peso and fractional currency now legally in circulation in the Republic, and that the amount thus converted shall not exceed \$3,000,000 of such Colombian silver pesos.

V. That after July 1st, 1905, there shall be coined and issued by the Republic such additional amount of fractional silver currency to the limit in the aggregate in value of one million, five hundred thousand pesos or gold dollars, equivalent to three million half-dollar pieces, as may be deemed by the Secretary of War of the United States necessary or advisable in the construction of the Isthmian Canal and as may be requested by him of the Executive Power of the Republic.

VI. The Republic of Panama, in order to secure the legal parity and equivalence with the gold standard of such fractional silver coins, shall create a Reserve Fund by deposit with a responsible banking institution in the United States, of a sum in lawful currency of the United States equivalent to fifteen per centum of the nominal value of the silver fractional currency issued by the Republic, and as the same is issued, together with an amount equal to the seigniorage on the silver coins issued at the request of the Secretary of War as aforesaid, less all necessary costs of coinage and transportation.

VII. That after conference with the Isthmian Canal Commission or its representatives or fiscal agents, the Republic of Panama will take such steps with respect to exchange by drafts upon its reserve fund as will tend to prevent the disturbance of the legal parity of the silver fractional currency of the Republic of Panama with the gold standard.

VIII. That the Republic of Panama shall cause its coinage to be executed at the mints of the United States.

Assuming that legislation will be enacted substantially to the foregoing effect, I agree on behalf of the Isthmian Canal Commission and by direction of the President of the United States:

First. That the Isthmian Canal Commission will make the gold and silver coin of the Republic of Panama legal tender within the Canal Zone, by appropriate legislation.

Second. That it will employ such gold and silver coin of the Republic in its disbursements in the Canal Zone and in the Republic, as the Canal Commission shall find practicable and convenient.

Third. The Isthmian Canal Commission shall cooperate with the Republic of Panama to maintain the parity of the fractional silver coinage of the Republic of Panama with the gold standard by sale of drafts upon its funds at reasonable rates and on terms which will tend to prevent the disturbance of such parity.

Fourth. It is mutually agreed that nothing herein contained shall be construed to restrict the right of the Republic to reduce its silver currency after the opening of the canal to commerce, to such an amount as it may deem advisable and thereupon to reduce and withdraw, pro rata, the reserve fund corresponding to the reduction of the amount of silver coinage outstanding.

Will you please confirm your accord with the foregoing?

Very respectfully,

WM. H. TAFT
Secretary of War.

The Special Fiscal Commissioners of Panama to the Secretary of War

49 WALL STREET, ROOM 1212
NEW YORK, June 20, 1904

Hon. WM. H. TAFT,
Secretary of War,
Washington, D.C.

SIR:

Pursuant to the powers conferred upon us by the general directions of the Government of the Republic of Panama, and subject to the enactment by the Republic of the necessary legislation, we hereby declare our complete accord with the Convention embodied in your communication of this date and agree to the same as therein set forth.

We are, dear sir,
Very truly yours,

RICARDO ARIAS EUSEBIO A. MORALES
Special Fiscal Commissioners of the Republic of Panama