

**PRELIMINARY RESOLUTIONS FOR
THE CONSIDERATION OF THE
UNITED STATES SECTION OF THE
INTERNATIONAL HIGH
COMMISSION**

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649223664

Preliminary Resolutions for the Consideration of the United States Section of the International High Commission by Various

Except for use in any review, the reproduction or utilisation of this work in whole or in part in any form by any electronic, mechanical or other means, now known or hereafter invented, including xerography, photocopying and recording, or in any information storage or retrieval system, is forbidden without the permission of the publisher, Trieste Publishing Pty Ltd, PO Box 1576 Collingwood, Victoria 3066 Australia.

All rights reserved.

Edited by Trieste Publishing Pty Ltd.
Cover @ 2017

This book is sold subject to the condition that it shall not, by way of trade or otherwise, be lent, re-sold, hired out, or otherwise circulated without the publisher's prior consent in any form or binding or cover other than that in which it is published and without a similar condition including this condition being imposed on the subsequent purchaser.

www.triestepublishing.com

VARIOUS

**PRELIMINARY RESOLUTIONS FOR
THE CONSIDERATION OF THE
UNITED STATES SECTION OF THE
INTERNATIONAL
HIGH COMMISSION**

184
3016

INTERNATIONAL HIGH COMMISSION

Preliminary Resolutions for the
Consideration of the United States
Section of the International
High Commission

With Introductory Notes



Pan American Financial Conference, 1915

WASHINGTON
GOVERNMENT PRINTING OFFICE
1915

184
3016

**ESTABLISHMENT OF A GOLD STANDARD OF VALUE IN THE
REPUBLICS OF THE AMERICAN CONTINENT.**

SUMMARY AND RECOMMENDATIONS.

The Pan American Conferences have only indirectly touched upon monetary standards by recommending the serious study of the problem. Nothing substantial has resulted from the few attempts to conduct such study thoroughly and authoritatively.

This topic is essentially different from the other topics which the commission is to consider, and it must be dealt with in a distinctly different way. It seems clear that the first step in this matter would be a strong representation on the part of the United States section of the International High Commission to the other sections, that their respective ministries of finance undertake the preparation of such studies for the next Pan American Financial Conference. This recommendation of the United States section to the other sections should include a tentative program for such studies, so as to secure similarity and clearness of treatment. The recommendation of the United States section should point out explicitly that what is needed is not miscellaneous collections of monographs or bulletins, but authentic and constructive considerations of the means of establishing a genuine gold standard or at least a gold exchange standard.

The second step would clearly be the supplying of the permanent group committees with the material called for in the suggested resolution, together with instructions that they prepare a report containing constructive suggestions and remedies some time before the meeting of the Second Pan American Financial Conference. Such procedure would make it impossible that this one topic, at least, should escape searching examination and satisfactory solution.

The recommendation should take the form of a resolution not unlike the following:

Whereas, the clear treatment of so vital a problem as the monetary standards of the American Republics demands frank discussions based upon thorough study of all the factors, and

Whereas, the urgent need of improving the monetary situation of the Americas at this time calls for the clearest treatment by the most direct methods compatible with accuracy and thoroughness.

The International High Commission resolves that the ministries of finance of the American Republics be urged to prepare and send to the Secretary of the Treasury of the United States of America before January 25, 1916, authentic statements prepared in accordance with the appended program. Such statements should be distributed for study among the permanent committees of the Pan American Financial Conference, and to be the basis for constructive proposals made by them at the next meeting of the Pan American Financial Conference.

TENTATIVE PROGRAM FOR MONETARY STUDIES TO BE RECOMMENDED BY THE UNITED STATES SECTION TO THE OTHER SECTIONS OF THE INTERNATIONAL HIGH COMMISSION.

I. Very brief account of the history of the monetary system during the last 35 years.

II. Detailed analysis of the system now prevailing, together with an authoritative collection of the text of the laws which govern the present system.

III. A statement embracing the subjects of banking and currency exchange under the influence of the present system; such as to point out whether the system has failed to maintain existing conditions successfully, and why. Is there a gold reserve main-
tained abroad for payment of foreign obligations? What attempts have been made to maintain a fixed rate of conversion of foreign money into local fiduciary money and vice versa?

IV. How far would the ministry of finance addressed be prepared to go in securing the consideration and adoption of measures leading to the creation of a gold standard where it does not already exist, or to the establishment of its paper upon a genuine gold basis, or at least upon a gold exchange basis, if the gold standard exists in name but not in fact? What further guaranties than those existing at this time will the Government give in order to encourage the foundation or expansion of a central bank? What attitude will the Government assume toward any project of establishing a common unit of exchange by making the various units of exchange uniform and divisible?

THE WORK OF THE CONFERENCES.

The problem of establishing the gold-exchange standard is the most recent and most important form of the fundamental monetary problem that has concerned the business man and economists of the American Republics for at least a quarter century. The First International American Conference of 1890 attempted to deal with the monetary uncertainty and fluctuations of the less prosperous Latin American Republics by recommending a common coin and exchange stan-

It called for the establishment of an international monetary commission to meet in Washington within a year after its own adjournment.

The commission, consisting of delegates from 13 Republics, met in Washington in January, 1891, but soon dissolved without having reached any very practical results. Like the Pan American Conference, which had called it into existence, the monetary commission seems to have had in mind no other solution of the grave problems of depreciated currency with which some of the Republics were struggling than common action looking toward the adoption of bimetallism. The delegates of the United States approved of a solution on the basis of bimetallism, but they realized, better, perhaps, than the Latin-American delegates, how dependent such action must be upon the attitude of Europe. They saw that so long as gold was the standard of the commercial world, the United States would have to preserve its gold from the heavy drain to which any inter-American silver standard would inevitably give rise. Consequently they sought to have the commission resolve in favor of an international conference, wherein Europe, as well as America, would consider common action on bimetallism. They were successful in having such a resolution adopted, but at the cost of deep disappointment to many of the Latin-American delegates.¹

The Third Pan American Conference, at Rio de Janeiro in 1906, resolved that all the Governments should be requested to send to the Pan American Union a detailed study of the monetary system in force in each Republic.² The Union was to be given time enough to digest and to publish these elaborate studies before the next meeting of the Pan American Conference. However, when the fourth conference met at Buenos Aires in 1910, the majority of the Republics were still expecting to send in these reports, or were simply submitting unofficial monographs on public finance that had been gathered by the fiscal authorities with the best of intentions, but from which the Union could hardly be expected to work out anything authoritative. It had been hoped that this step would lead to an international conference on currency and exchange,³ but the slight response

¹ The Latin American delegates were quite alive to the advantages of silver. The able economist and diplomat, Romero, pointed out that Mexico derived very great commercial advantages from the fact that her depreciated silver was kept at home for circulation and investment, while gold prices received abroad were in the nature of a bounty. Cf. Minutes of Conference of 1891, p. 627. The Venezuelan delegates presented for consideration an inter-American bimetallic currency system, with a silver unit called the "Columbus," providing for governmental deposit and certification of all silver that should be mined, and for the subsequent sale of the silver to the participating nations at par for per capita coinage. The entire machinery of this elaborate system was to be operated under a supervisory council consisting of one delegate from each Republic. *Ibid.*, p. 547.

² The resolution specifically called for a detailed history of each system, as well as an account of exchange fluctuations and their commercial and industrial effects. Cf. Report of United States Delegates to Third Conference, 1906, p. 132.

³ By the United States delegates at Rio. They had proposed this resolution. *Ibid.*, p. 8.

made up to 1910 gave no support to such expectations, and the fourth conference was obliged to pass over the matter with the idea of waiting until more materials should be available. It was realized, too, that until the American Republics should have to ventilate thoroughly these monetary problems, they would hardly be ready to try to do so formally and as a group. Such a result could only come through great pressure of some urgent necessity, such as the securing of foreign assistance in public and private finance.

Until such a systematic survey of conditions is made, and made with the utmost thoroughness and frankness, it is hard to see what progress can be made in securing uniformity in standards of exchange. Uniform honesty of purpose in facing financial responsibilities and uniform willingness to help the Second Pan American Financial Conference devise a permanent remedy—these are the two things most needed.¹

BILLS OF EXCHANGE, COMMERCIAL PAPER, AND BILLS OF LADING.

SUMMARY AND RECOMMENDATIONS.

We find no reference to the various forms of commercial paper—such as bills of exchange and bills of lading—in the records of the International American Conferences, except with reference to technical customs requirements. Several of the American Republics, however, have been interested in the work of the European conferences

¹ A very brief summary of the present monetary situation in Latin America is perhaps in order here. Some of the Republics, such as Nicaragua, have from time to time experimented with the remedy suggested by Prof. Johnson in his report on the gold exchange standard—the maintenance of a gold reserve abroad for foreign remittances.

Strictly speaking, hardly more than two Republics—Peru and Venezuela—really and consistently live up to the gold standard of circulation as well as of exchange. A number of other States have established a gold standard by law, maintaining beside it a paper currency sometimes intermittently convertible but generally not so. This automatically restricts the use of gold to foreign trade. In some cases, such as Colombia and Chile, this restriction of gold to foreign trade has resulted to an appalling degree.

Tabulating the several States we find that the ARGENTINE REPUBLIC has a convertible but a depreciated paper—"curso legal"—convertible at the fixed rate of 44 per cent. This system is based on Ley No. 3871, November 4, 1899. At the recent Pan American Financial Conference the Argentine delegation suggested the adoption of the United States 25-cent piece as the unit in both continents. Cf. Proceedings, p. 547.

BOLIVIA has practically an inconvertible paper currency, although it adopted the gold standard December 31, 1908.

BRAZIL has steadily striven for the gold standard since 1848, but has been unable to achieve it, and it is practically upon an inconvertible paper basis. The conversion fund, established in 1906 (Decreto 6267), was designed to create a large gold reserve for the new conversion notes, which were the guaranty of the older treasury notes. The system has been shown too complicated and too subject to friction to stand much strain.

CHILE likewise has an inconvertible paper standard, depreciated from one-quarter to one-third. Like many other States, it has a theoretical gold unit.

COLOMBIA has had a wholly irredeemable paper currency since 1903, and, in fact, depends upon foreign currency for her commercial stability.

CUBA has a gold exchange standard, the stability of which rests in a measure upon the circulation of the gold of the United States.

The five Central American Republics agreed in January, 1909, upon a common gold standard, which was to be adopted the following year. Henceforth they were to coin

which have been held from time to time with a view to securing greater uniformity in the laws governing these instruments of international trade. Among the Republics, Argentina, Brazil, Chile, Haiti, Mexico, Nicaragua, Panama, Paraguay, Salvador, and the United States have sent delegates to The Hague conferences on bills of exchange, and other international gatherings that have dealt with bills of exchange and checks. The majority of the American States sent representatives to the recent international congresses of Chambers of Commerce of Boston and Paris, the only international gatherings that have dealt systematically with the bill of lading under any other aspect than that of technical customs document.

It would seem as if committees of the International High Commission on these matters could work out some common grounds for the Franco-German systems of South America and the system of the United States. Care must be taken, however, to avoid all mention of "laws", model or unified; and the object of the committees should expressly be to elaborate "commercial rules." A committee of five should be designated by the commission for each of these subjects. A convention covering both could be drawn up later by a third committee of five known as the committee on form. A resolution of the following tenor might be presented:

Resolved, That the president of the International High Commission shall designate two committees, each of five men, one for the purpose of drafting the bodies of rules governing bills of exchange and commercial paper, and the other for the purpose of bills of lading. A third committee on form, likewise of five members, shall be charged with the

no other silver pieces than the Mexican dollar and paper was to be avoided. However, nothing was done. HONDURAS and SALVADOR are still on a silver basis, NICARAGUA has a nominal gold exchange standard, GUATEMALA has a paper currency now very much depreciated, while COSTA RICA has had a nominal gold standard since 1900. The Central American States have been well disposed toward the notion of accepting United States currency as the basis of their own. SALVADOR urges the acceptance of some coin of the United States as the standard unit of the Americas. Cf. Proceedings Pan American Financial Conference, p. 631f.

Ecuador has maintained the gold standard with fair consistency since 1898 until the European war forced a partial suspension of note redemption.

HAITI, with a gold standard since 1880, still has only inconvertible paper.

MEXICO, as a result of intelligent effort to correct the monetary system (an effort due in large part to the monetary commission with which the late Mr. Conant worked so successfully), adopted in 1904-5 a conversion system, which bade fair to establish the public and private finances of the country on a firm basis until the present struggle began.

PANAMA has a gold standard in theory, while using United States gold and silver.

PARAGUAYAN paper is practically inconvertible, and it is Argentine gold upon which depends in large measure the commercial stability of the country. The Republic is setting aside \$300,000 in gold to begin the task of reducing the conversion rate from its present altitude of 1,500 per cent.

PERU is on a firm gold basis now, after many years of struggle with paper systems.

SAN DOMINGO depends upon United States gold for its standard. (Law of 1901.)

URUGUAY has the gold standard of exchange and lives up to it, although using only foreign coinage. Its own gold unit has never been coined.

VENEZUELA also uses foreign coin (especially that of the United States) very freely, but has her own gold coin and maintains its free circulation successfully.

consideration of the *modus operandi*, and when at a later time the International High Commission shall have agreed upon these rules, the said committee on form shall draft the conventions governing their operation. The Secretary-General of the International High Commission shall report the progress made by these committees to the International American Conference and to the Pan American Financial Conference.

BILLS OF EXCHANGE.

Taking first the bill of exchange it must be noted that seven States—Argentina, Brazil, Chile, Mexico, Nicaragua, Paraguay, and Salvador—have become parties to the convention drawn up by the Second Hague Conference on bills of exchange in July, 1912, pledging themselves to secure the adoption by their national legislatures of the uniform law on bills of exchange drafted at that conference.¹ It ought to be noted further that according to the information and belief of the United States delegate to that conference the Latin American nations were expected to adopt the uniform law as soon as they could agree upon a uniform Spanish translation of it.²

In a few cases the laws of the Latin American States had practically been brought into agreement already with the uniform law formulated by The Hague conference. The Brazilian commercial code of 1850 took over the law on bills of exchange promulgated by the German States in 1848; and their new law on bills of exchange, issued December 31, 1908, is likewise very much under the influence of the law on bills of exchange in the commercial code of the German Empire. Sections 598 to 734 of the commercial code of the Argentine Republic, dealing with bills of exchange, are essentially based upon this older Brazilian code of 1850, in spite of the several revisions to which the Argentine adaptation of that code has been subjected. Thus these two important States were practically in agreement with the system that turned out to be the more attractive at The Hague conferences.³ The task of harmonizing these codes

¹ Report of United States Delegates to Second Hague Conference, S. Doc. 162, 63d Cong., 1st sess., p. 416.

² *Ibid.*, p. 27.

³ Argentina sent a delegate to the International Congress on Commercial Law held in Antwerp in 1885, which drew up a model law on bills of exchange. Worthy of note is the statement of Mr. van Gelderen, delegate of Argentina at The Hague in 1910 (Report United States delegate, S. Doc. 768, 61st Cong., 3d sess.), to the effect that there would be very little alteration needed in the Argentine law in order to make it identical with the proposed uniform law. With what ease the Latin American Republics could reconcile their laws in this matter with the uniform law is shown by the remarks of the Chilean delegate to the first conference, that he would approve the limitation of three years for suits against all parties liable for payment of a bill, although the Chilean law had fixed four years as the maximum. (Report of United States delegate to the 1910 conference, p. 108.) It would not have been so easy to persuade the Chileans to approximate more closely the usual limitation of six years in the United States. On the other hand, in the matter of acceptance of partial payment, the Chilean delegates adopted the