

HEADQUARTERS DEPARTMENT OF PORTO RICO  
OFFICE OF THE JUDGE ADVOCATE  
SAN JUAN, P. R.

May 23, 1899.

The Adjutant General,

Department of Porto Rico.

Sir:-

I have the honor to invite the attention of the Department Commander to the Provisions of the President's order of January 20th, last, published in C.O. #18, Headquarters of the Army, Jan'y 25th, relating to the acceptance of Porto Rican and Spanish coins in payment of customs, takes and public and postal dues.

On March 8th by G.O. #30, these Headquarters, General Henry issued an order referring to this subject, in which appears the following paragraph:

"So long as this exchange of money shall be continued, no person engaged in business in Porto Rico shall refuse to accept American money when tendered at the rate prescribed by the President of the United States."

The requirements of this paragraph being wholly ineffectual to control the fluctuations and speculations in the money market, the Secretary of Justice on the 11th inst. submitted for the approval of the Department Commander the draft of another order regulating the rate of exchange in commercial transactions, and prescribing a penalty for violation of the same. This having been referred to me for remark, I returned it with the following endorsement:

"1st Endorsement.

Office of the Judge Advocate,  
Department of Porto Rico,  
San Juan, P.R., May 15, 1899.

Respectfully returned to Lieut. Langhorne, Aide-de-Camp. All judicial decisions supporting the authority of the Government to declare coin or fiat money a legal tender for debt, have rested upon the assumption, or, more exactly upon the fact, that the Government officially guaranteed such money at the rate or value so fixed. I do not understand that the Government stands back of this Porto Rican Currency. I am told that there are several millions of silver pesos in circulation here. If the Government officially declares this money a legal tender at a fixed rate of exchange, thus removing it from the fluctuations of the silver market and from the depreciation to which the paper money is subject, it would be doubtless construed, and rightfully so, I think, as a guarantee of redemption by the Government at the rate so fixed. Moreover, peace having been restored, this is strictly

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a legislative act. The President's order of Jan. 20th was issued during the war-that is to say, before peace was declared,- and when a public emergency demanded it. His order related only "to customs, taxes, public and postal dues" and to contracts then existing "for the payment of money in the currency of Porto Rico." But peace having been restored and no great exigency appearing to call for the assumption of these particular legislative powers by the Executive, there appears to be no remedy except through the intervention of Congress. The Constitution reserves to Congress the power, "to coin money, regulate the value thereof, and of foreign coin." I am therefore of the opinion that the order proposed by the Secretary of Justice, establishing a legal tender value or rate of exchange for foreign coin or currency, is illegal.

(Signed) A. C. Sharpe,  
Major & Insp. Gen'l, U. S. Vols.,  
Acting Judge Advocate."

Representations have been made by a committee from the Chamber of Commerce relating to the inconvenience and demoralizing commercial effects of the constant fluctuations to which the silver currency is subject; and this fluctuation and uncertainty appears to bear with special hardship upon the laboring classes, especially those who are paid in small sums on the various haciendas, or sugar and coffee plantations, in the interior of the Island. These men are apparently at the mercy of the money-seller or exchanger, and are compelled to accept any discount which the money-changer or merchant may impose. In some farming communities there are large numbers of men employed in day labor and it has been intimated that the continuance of this fluctuating rate of exchange, operating as it does, so injuriously against the workmen, is creating great discontent and uneasiness and may result in serious disorders.

In view of the impoverished condition of many of the laboring class, the condition of the sugar and coffee trade, and other changed commercial conditions here existing, it appears especially urgent that some action should immediately be taken to fix a standard rate of exchange between the Porto Rican and American Currency. This action also appears of pressing importance because of the great inconvenience to which the disbursing officers are subjected. The receipts in round numbers amount to \$150,000 per month. Instead of paying dues at the custom house in Porto Rican money at \$1.66  $\frac{2}{3}$ , importers buy American money at \$1.63, take it to the custom house and discharge their debt. The Insular Treasury thus receives nothing but American money. When the disbursing

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officers pay this money out in small sums, they have no fractional currency with which to make change, and they cannot get Porto Rican money except at the prevailing market rate. This has the effect of suspending payment for lack of a medium of exchange. I understand that not less than \$75,000 (American) are thus disbursed in small sums every month. The depreciation in the currency which now exists has tied the hands of the Government, and will defeat the very purpose for which public improvements were set on foot.

I therefore have the honor to recommend that the matter be referred to the Honorable the Secretary of War for such further action as the President may find it possible to take.

Very respectfully,

Major & Insp. Gen'l, U. S. Vols.,  
Acting Judge Advocate.