

NICARAGUA'S PAPER MONEY REFLECTS BOTH STABILITY AND CHAOS

by Carlson R. Chambliss

Unlike some of the other Central American countries Nicaragua had neither extensive mines nor mints in the colonial period or in the 19th century as an independent state. The first Nicaraguan coin dates only from 1878. During the 1880s some notes were issued by the National Treasury, and in 1888 two private banks controlled from London began to issue notes. One of these, however, promptly failed, thus leaving the Banco de Nicaragua as the only commercial bank in the country, although the National Treasury notes saw a wider circulation than did the notes of this bank. All Nicaraguan notes of this vintage are far from common, however. These notes were denominated in pesos and in fractions thereof, but a paper peso from Nicaragua traded at a large discount from a Mexican silver peso or a U. S. dollar at this time.

American economic interests in Nicaragua have long been strong, particularly since Nicaragua was seriously considered along with Panama as a country in which a trans-oceanic canal could be built. Such a canal would take advantage of the large but relatively shallow Lago Nicaragua that drains into the Caribbean Sea. After successfully completing the sea-level Suez Canal in 1869, the French engineer Ferdinand de Lesseps (1805-94) began work on a sea level canal in Panama in 1882. This project, however, was ruined by muddy landslides and by high mortality among the workers from tropical diseases, and all work ceased in 1889. The Americans resumed work on a canal through Panama that featured locks in 1904, but serious consideration was also given at that time to the possibility of a canal through Nicaragua.

Heavy U. S. involvement in the affairs of Nicaragua began in 1912 when the U. S. Marines were stationed there to control various insurgencies. They were to remain in Nicaragua for the next two decades. Adolfo Diaz, who was president from 1911-17 and again from 1926-29 along with Emiliano Chamorro (in office 1917-21) are often regarded as U. S. puppets. The U. S. was also responsible for establishing the National Bank of Nicaragua Inc., and this title (in English) appears at the top of each note above its Spanish-language equivalent up to 1941. This notice served as a rather unsubtle reminder of who was really in charge of the economic affairs of Nicaragua at this time.

These notes were denominated in cordobas, the new currency that was introduced in 1912 at the rate of 12.5 old pesos to the cordoba. It was valued at one

dollar in U. S. funds. In 1912 there was a limited mintage of only 35,000 one cordoba silver coins, but these evidently had a very limited circulation. The notes in circulation included fractionals for 10, 25, and 50 centavos, as well as all seven denominations from one to 100 cordobas. High-value notes for 500 and 1000 cordobas were added in the 1940s and 1950s. This currency unit was named for Francisco Hernandez de Cordoba (ca. 1475-1526), the Spanish explorer who founded the Nicaraguan cities of Granada and Leon.

It was initially planned to keep the cordoba pegged to the U. S. dollar at a rate of one-for-one, but since Nicaragua relies almost exclusively on agricultural exports for its income, the value of these items naturally went down in the 1920s and 1930s. For quite a few years the exchange rate was seven to the dollar, and by the time of the fall of the Somoza regime in 1979, the rate was down somewhat to ten to the dollar. For more than 60 years, however, the cordoba was a reasonably stable currency, and the Nicaraguan economy was subject to only modest inflation.

Between 1912 and 1934 the United States exercised enough influence in Nicaraguan politics to keep "friendly" persons in office as president. In addition to Adolfo Diaz and E. Chamorro these included Juan B. Sacasa (president from 1933-36) and the head of the newly formed National Guard, Anastasio Somoza Garcia (1896-1956), whom I shall refer to as Somoza Sr. One person who did not fall into the plans of "friendly cooperation" was Augusto Cesar Sandino (1895-1934), a revolutionary leader who was very much at odds with the U. S. Marines and with Somoza and his National Guard. Sandino's revolt began in 1927 at a time when Nicaragua was in effect under occupation by the U. S. Marines. Eventually he was assassinated in an ambush that was arranged by Somoza.

The 45-year period between 1934 and 1979 is often referred to as the Somoza Era. Although nowhere near as brutal as was Trujillo in the Dominican Republic, Somoza was exceptionally greedy, and with time a large portion of the total economic output of Nicaragua fell into his hands or those of his cronies. The basic infrastructure of the country remained little developed, and Nicaragua continues to remain a nation with a great deal of seasonal unemployment since a large portion of the workforce serve as laborers who harvest products on plantations at only certain times of the year. Somoza had received much of his training in the USA, and he

spoke American English with total fluency. There is some debate as to whether FDR ever said, "Somoza is an S. O. B., but he is *our* S. O. B." Nonetheless the USA could always rely on Nicaragua for a "friendly" vote at the UN, the OAS, or in other international organizations.

Fractional notes for 10, 25, and 50 centavos were in general use between 1912 up to the 1940s when they were replaced by cupronickel coins. The notes of 1 cordoba to 100 cordobas used a wide variety of designs up through the 1940s, but all featured the national coat of arms on their back sides. Almost all of these were printed by the ABNC. Several of the higher values of these years are impossibly rare at least when in decent condition. Between 1953 and 1960 a new series of banknotes appeared that were uniformly 156 x 66 mm in size, i.e., identical to those of current American notes. This set did not include a 2 cordobas note, but it did include both 500 and 1000 cordobas values. The coat of arms was no longer printed on the backs of most of these, and the printer was TDLR. All of these notes carry the signature of the president of Nicaragua, and these are signed by either A. Somoza or his son Luis A. Somoza. This set is at least collectible, although the higher values are rare when in nice condition. These notes are inscribed Banco Nacional, but the demeaning (in my opinion) English-language title has been dropped, as it was on the last bunch of notes with older designs that were printed after 1945.

In 1956 the elder Somoza was assassinated. He was succeeded by his elder son Luis Somoza (1922-67). This individual had a reputation for being milder and less corrupt than his father, but he was seriously obese. Luis Somoza died of a heart attack in 1967, although his presidential term of office had already expired in 1964. The Somozas often used puppet presidents to fill out interim periods between their own terms of office, but throughout the Somoza Era much of the real power lay with the National Guard and the person who controlled it, i.e., either the elder Somoza or his younger son Anastasio Somoza Debayle (1925-80), whom I shall refer to as Somoza Jr. During his 15 years of rule the younger son had a reputation of being more thuggish and more corrupt than was his father.

In 1962 the name of the bank of issue was changed to the Banco Central de Nicaragua. The notes issued in 1962 all bear the designation Series A. The signature that appears on the left side of these notes is that of Luis A. Somoza. A portrait of Somoza Sr. appears on the 1000 cordobas value of this series, and all values feature a portrait of Francisco Cordoba on their backs. The next issue was Series B, and these were dated 1968. They were printed by TDLR rather

than by the ABNC. The signature in this case is that of Somoza Jr., who signed them as A. Somoza. For this series there are no 500 or 1000 cor notes. The notes of Series C are dated 1972 and include values for 2, 500, and 1000 cor. They are all signed by A. Somoza. The 20 cor note depicts on back a vignette depicting the abrogation of the Bryan-Chamorro Treaty. This treaty which was passed in 1916 gave the United States a 99-year lease on the territory of any canal that might be built through Nicaragua as well as the right to establish military bases in that country. This was clearly an infringement of Nicaraguan sovereignty, and the treaty was eliminated in 1970. The same designs are found on the notes of Series D that are dated 1978. Only 20 and 50 cor notes were issued in this series, and they proved to be the last group of notes issued by a *Somocista* regime.

In 1972 the city of Managua was devastated by a very strong earthquake that leveled much of the city and killed about 10,000 people. A great deal of international aid flowed into Nicaragua, but a substantial amount of this was diverted by Somoza Jr. and his cronies. One of their sharpest critics was the newspaper editor Pedro Chamorro (1924-78), who also exposed a corrupt blood bank that was being run by some cronies of Somoza. Eventually Chamorro was murdered, and it is commonly believed that the son of Somoza Jr. was involved in this assassination. Prior to this an armed opposition had been formed as far back as 1961. This was known as the Frente Sandinista de Liberacion Nacional (FSLN). Its founders were Carlos Fonseca (1936-76) and Tomas Borge (1930-2012). Initially the FSLN was engaged in small-scale operations such as bank robberies, but by the later 1970s this had developed into full-scale war with Somoza's National Guard. Very serious fighting took place around the northern city of Esteli, and on July 19, 1979, the day after Somoza Jr. had fled the country, the opposition forces including most especially the FSLN entered the capital city Managua.

Although the Sandinistas rarely used the death penalty, one assassination that they did carry out was that of Somoza Jr. A seven-man hit squad travelled to Paraguay where Somoza Jr. was living in exile, and assassinated him during an assault on his car in 1980 that utilized a variety of weapons including machine guns, grenade launchers, and a bazooka. Although some Latin American dictators such as Juan Peron, Fulgencio Batista, Marcos Perez Jimenez (Venezuela), or Gustavo Rojas Pinilla (Colombia) were able to retire into peaceful exile, this did not prove to be the case for Anastasio Somoza Debayle.

Although the Sandinistas ruled as part of a coalition of liberal and left-wing elements, they wasted little time in implementing many of their economic policies. One of the first things that they did was to confiscate all of the properties that had been owned by the Somoza family. The new currency continued to be printed by TDLR, but price controls were proclaimed and restrictions were placed on the use of 500 and 1000 cordoba notes of the old regime. The 50 cor note now portrays Carlos Fonseca rather than the 19th century diplomat Maximino Jerez, and the back of this note depicts a mass rally in Managua on the day of its liberation in 1979. The first Sandinista notes were in Series E. The 50, 100, and 500 cor notes initially were



The 50 cordoba notes of Series D and E that were issued in 1978 and 1979, respectively. The frame designs are identical, but the former portrays Maximino Jerez, a 19th century politician, while the latter has Carlos Fonseca, one of the founders of the FSLN. Note also that on the latter note, the year 1979 is referred to as the Year of Liberation



printed in intaglio in the style of the earlier series, but soon these were replaced by lithographed notes for 10, 20, 50, and 100 cor along with engraved notes for 500 and 1000 cor. These notes were printed in an entirely different style that had no margins, but all of these were still printed by TDLR. The signature of the Minister of Finance has replaced that of the President. The 20 cor note now portrays German Pomanos (1937-79), a Sandinista leader killed in the recent civil war. The 1000 cor note of Series E depicts Sandino himself along with the primitive house in which he was born. This note initially had an exchange value of about \$US 20, and it is fairly scarce when in CU condition, but circulated examples are easy to come by.

The Series F and G notes were dated 1984 and 1985, respectively. Attempts at price controls undertaken when a regime is being subjected to a variety of sanctions that result in severe shortages coupled with also having to deal with the hostility and sabotage of the so-called Contras, is a guaranteed recipe for hyperinflation, and indeed there was a huge



These two 1000 cordoba notes have identical color schemes and the same basic designs. The face portrays Augusto Sandino, while the back depicts his primitive place of birth. The Series E note was first issued in 1980 when the exchange rate was about 20 cordobas to the dollar. By the time that Series G notes were issued in 1987, the exchange was down to about 3000 cordobas to the dollar. Note also that the Series E note has seven digits in its serial, whereas Series G has nine digits. There was also a Series F note and a Series G note printed by lithography instead of intaglio as is the case with this example.



amount of inflation at this time. No notes for less than 50 cor were now being issued. The 500 and 1000 cor notes of Series F are intaglio, while in Series G they are mostly lithographed. Some of the 1000 cor notes of Series G were engraved, but that process was soon dropped. Series G also included a colorful engraved note for 5000 cor that featured a portrait of Benjamin Zeledon (1879-1912), an idealist and military leader who staged a brief revolt against the American-dominated government of his day.



These two 5000 cordoba notes were issued about 18 months apart in 1987 and 1988, respectively. Both had face values of about \$1 U. S., but the first is in the old currency, while the second is in the so-called 2nd cordoba that was valued at a rate of 1000 to the old units. Both were worth about \$US 1 at their times of issue.



These notes were actually issued in 1987, and in that year surcharged notes for 20 K, 50K, 100K, and 500K (i. e., 20,000 to 500,000) cor were also issued. The so-called 1st cordoba was replaced in 1988 by a 2nd cordoba, but the former unit went out more with a whimper than with a bang. By late 1987 and early 1988 inflation was running at as high as 14,000% per annum or 240% per month.



Surcharges for 20,000 1st cordobas and for 200,000 2nd cordobas that were issued in 1987 and in 1990, respectively. The first is on an unissued Series F 20 cor, note, all examples of which were surcharged. Inverted surcharges are frequently encountered on notes that were surcharged in 1989 and 1990.



Things were going very badly in the late 1980s for Nicaragua. The Sandinistas were proving themselves incompetent, and they were facing armed opposition from the so-called Contras. This group was a highly diversified bunch of persons who included ex-Somocistas together with ex-Sandinistas who had become disillusioned by what was happening in Nicaragua. Although the Sandinistas did make progress in some of their education and health programs, there was much criticism of their human rights abuses and their intrusions into traditional societies such as that of the Miskito Indians on the Caribbean coast. In the USA there was also much criticism of the clandestine support that the Reagan administration was giving to the Contras. Although the Sandinistas could be accused of gross incompetence in several of their policies, they were hardly the murderous Stalinists that were portrayed by some individuals in the Reagan administration. In 1989 a peace agreement was finally agreed upon between the Sandinistas and their opponents, which along with other things called for elections to be held in 1990.

In February, 1988 a new cordoba was introduced, and the older notes were exchanged for the new notes at a rate of 1000 to 1. Although these notes were dated 1985, they were in fact issued three years later. The

denominations ranged from 10 to 1000 cordobas, and the term "cordobas nuevos" was not used. The 100 cor note portrays the young poet Rigoberto Perez Lopez (1929-56), who was the assassin of Somoza Sr. All notes are lithographed except for the first printing of the 1000 cor notes that are engraved. These are in the FA serial number block, but they seem to be much scarcer than the later notes of this value that are lithographed and bear numbers in the FC block. Inflation continued to rage, however, the nicely engraved 5000 cor note of Series G was subtly overprinted so that it could be used as a 5000 cor note in the new cordoba currency. In 1989-90 five of the values of the notes dated 1985 were surcharged with new values ranging from 10,000 cor to one million cor. Various errors including inverted surcharges are often found on these notes.

Contemporary with these surcharged notes were four different small-size notes (135 x 59 mm) that were lithographed by a more local firm. Portrayed are two 19th century figures, Cleto Ordonez (1778-1839) and Jose D. Estrada (1787-1869), the latter best known for his victories against the American filibusterer William Walker in the 1850s. The 20K and 50K cor notes were issued in 1989, while the 5 and 10 million cor notes were released in 1990. These notes circulated side-by-side with the surcharged issues used in the last binge of hyperinflation in Nicaragua. Although often considered as Sandinista issues, the notes of 1990 were actually issued by the newly installed government of Violeta Chamorro.



These colorful but rather crudely lithographed notes are the last of the hyperinflation notes for Nicaragua. Shortly after issue they were exchanged for one and two cordobas oro, valued at 20 and 40 cents U. S., respectively.



The elections held in Nicaragua in 1990 were by all accounts regarded as honest. Daniel Ortega and the FSLN lost out to Violeta Chamorro, the widow of the murdered editor Pedro Chamorro, who headed a

coalition of diverse parties. One of the first priorities of the new government was to end the runaway hyperinflation. Substantial foreign assistance was necessary to stabilize the currency, but that was soon forthcoming from a wide variety of sources. A new unit, the cordoba oro, was established. It was valued at five million of the cordobas of 1988, or five billion of those used prior to that date. Initially it was hoped that the value of this new unit could be set equal to that of the U. S. dollar, but in 1991 a rate of five *cordobas oros* to the dollar was established.

The hyperinflation that Nicaragua had endured between 1979 and 1991 was more severe than that experienced by any other Latin American republic over a comparable amount of time. In effect the exchange rate for the cordoba had gone from ten to the dollar at the beginning of 1979 to 25 billion to the dollar by late in 1991. Over a total of 13 years this amounts to a rate of 430% per annum or about 15% per month. Since no coins had circulated for several years, fractional notes in the new currency were needed and large numbers of 1, 5, 10, and 25 centavos notes were issued. These remain extremely common today. Ironically the same three individuals who signed the 5 and 10 million cordoba notes also signed these items a few months later.

In addition to the fractional notes, normal size notes were also issued for ½, 1, 5, 10, 20, 50, and 100 in cordobas oros. This designation continued for the notes of 1991 and 1992, but the meaningless term oro (= gold) was dropped for all later issues. Various figures from Nicaraguan history appeared on these notes including Augusto Sadino on the 20 cor and Pedro Chamorro on the 50 cor note.



These post-inflation notes issued in 1997 and 1991 honor Jose Santos Zelaya, who served as president from 1893 to 1909, and Pedro J. Chamorro, whose murder in 1978 helped trigger a nationwide revolt against the Somoza regime.



Miguel Larreynaga (1772-1847) who advocated Central American independence early in the 19th century appeared on the 10 cor, while the well-known journalist and poet Ruben Dario (1867-1916) appeared on the 100 cor note.



The current 100 cor notes are on paper rather than polymer plastic, although four values of this set are printed on the latter substance. Both sides of these notes honor the poet Ruben Dario. The face depicts the Dario Monument in Managua, while the back side shows the Leon Cathedral where the poet is buried. One of these notes also mentions the centenary of the introduction of the cordoba as the currency unit of Nicaragua. It would seem, however, that most citizens of this country would want to forget its extremely bumpy ride during the years 1979-91.



So far as I know, all issues of Nicaraguan banknotes issued since 1991 remain valid as currency. Nicaragua continues to suffer from a variety of economic problems and the income spread between the wealthiest people and the poorest people in this country remains among the widest found in any Latin American republic. The new cordoba that started out with a value of five per dollar is today trading about just about 30 to the dollar. Over 27 years this amounts to a rate of depreciation of about 6.8% per annum, which is just about what the current inflation rate is in that country.

In recent years Nicaraguan banknotes have been printed by several firms in a variety of countries. These include TDLR and Harrison in the United Kingdom, the CBNC in Canada, Oberthur in France, and Giesecke & Devrient in Germany. In addition to the persons already mentioned, other persons portrayed have been the Indian chief Diriagen who resisted the Spanish in the 16th century, Rafaela Herrera who resisted the British in the 1760s, and Jose Santos Zelaya, who was president from 1893 to 1909 and resisted pressure from the Americans for a canal route and other concessions.

New issues of banknotes were issued in 2002 and again in 2006, but all of these remained printed on paper. In 2007 provisions were made for printing some of the notes on polymer plastic, but the notes themselves were not issued until 2012. These notes also have the same width, but their lengths vary with denomination. In 2014 a second version of these notes was issued, but some of these differ from the first set only in the figures in the transparent windows. The 100 and 500 cordobas notes are still on paper rather than on polymer plastic. No portraits are featured, but the 100 cor note depicts the Dario Monument on its face and the Leon Cathedral (where Dario is buried) on its back. The 500 cor note depicts the crude house where Sandino was born on its face. Very recently two different designs of notes for 1000 cordobas have been issued. One of these features poetry by Ruben Dario on both sides, while the other features a vignette of Hacienda San Jacinto, a feature that has previously appeared on several Nicaraguan banknotes. Both are largely bluish green in color.

Violeta Chamorro served as president until 1997. She was followed by two individuals each serving five-

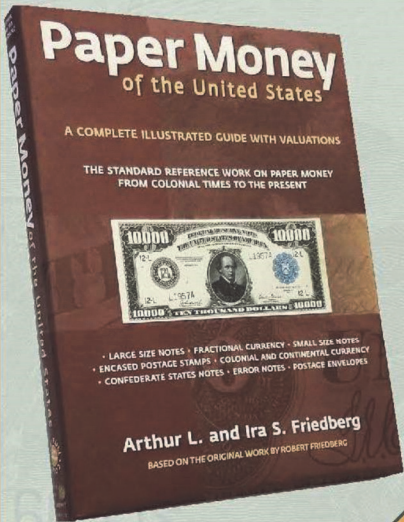
year terms, but in 2007 Daniel Ortega was elected president, and he has served in that office ever since. A law was passed allowing for the re-election of a sitting president, and he has taken advantage of that provision. Ortega today, however, is much less Marxist in his views than previously was the case. The big issue in Nicaragua these days is does the country want to attempt the construction of a canal? This would be quite beyond the capabilities of the Nicaraguans themselves, but the Chinese are expressing a significant amount of interest in such a project. The San Juan River that drains Lake Nicaragua is too narrow and shallow to serve as a canal, and so a ditch would have to be dug between the Caribbean and the lake in the low relief land of southeastern Nicaragua. Lake Nicaragua itself would also require channelization, since it is mostly fairly shallow. A lock system would then be required between the western end of the lake and the Pacific Ocean. All in all this would be an enormous project, and there would be numerous environmental factors to be considered.

P. S. The past year has been a truly disastrous one for me. In addition to the previously mentioned robbery which by the way included all of these Nicaraguan notes – now recovered, an even worse experience occurred in late December. At that time I fell on black ice and broke both my left arm and my left hip. I was hospitalized for almost two months. Since October of last year I have also been taking blood thinning drugs such as warfarin. Hopefully this ordeal will come to an end, but I still have a very sore left arm and I often now walk with a cane. I do hope to see many of you again in Kansas City in June.

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