

SOUTH AMERICAN STATES AS DEFAULTERS.

It is anomalous that the governments of the South American States, which comprise the most productive regions of the earth, have a unique record as defaulters in their financial obligations. "Where the climate's sultry," says Byron, one of the meanest of crimes is more common than elsewhere. A philosophic historian has also pointed out that the peoples in lands exceptionally blessed by the ease with which life may be sustained, are characterized by indifference to their personal honour and the obligations of public life.

Confirmation of this reproach to human nature may be found in the financial record of the Republics of Central and South America. They borrow money as though the interest and principal would be supplied as easily as are their bodily needs by Nature.

As a rule, these States are controlled by men of a mixed race, Spanish-Indian, both of which races are deficient in the qualities essential to a business man.

In the following statements, the references are to what has occurred within the last two years, in most cases to the events of this year. Were the narrative to include earlier periods, we should have to recall the scandals of Peru, Chili, etc., early last century, and the Baring panic largely caused by loans to Argentina and other States, which were uncollectable. Argentina, since then, has improved its credit.

VENEZUELA in two respects leads the world, first in its indescribable wealth of natural resources, next, in the effrontery with which default has been made and continues to be made in its financial obligations and transactions carried out by, or with the help of the government that are distinctly fraudulent. The presence of German and British gun boats in Venezuelan waters, a few years ago, was requisite to compel the government to pay its own debts and to protect the properties and financial interests of foreigners. A railway built by a German company was practically confiscated by the Government, which used it as though it were public property. Cattle were taken from private ranches and not paid for. Lands bought from and paid to the Government were seized by the succeeding government and declared to be again public property! Processes of law by foreigners against natives were useless. Venezuela and its neighbours are a hotbed of revolution. Presidents succeed each other after civil war and each president confiscates the properties sold by his predecessor, repudiates his public debts and alters the terms of public contracts with profound contempt for the individual rights of foreigners. An ex-president was once a citizen of New York, Mr. William White, who led a successful revolution as "Signor Guzman Blanco." On being in turn ejected, he went off as a millionaire many times over. The government officials of all

grades are indescribably, criminally corrupt. In Trinidad, from whence Venezuela receives its chief imports, the revenue cutters of that State are regarded as pirates. They seize vessels, confiscate their cargoes, sink them and their crews, hand over half the cargoes to the authorities and receive half as a reward, so they thus get three-fourths of every cargo they seize! Our informant speaks from direct, personal knowledge.

The river Orinoco runs 1,000 miles through the country, the lands on each side for scores of miles being fertile beyond description. But enterprize, development, trade, settlement are blighted by the rapacity of successive governments born of revolution.

Venezuela is a typical South American Republic. It required the war vessels of Germany and Great Britain to compel the government to pay its debts, and enable private debts to be collected. This extraordinary work is to be undertaken by the United States.

GUATEMALA also has a revolting reputation as a defaulter. For this conduct it has no excuse, as its natural resources are more than ample for yielding a revenue to maintain its credit. The Council of Foreign Bondholders, quite recently, wrote:—

"Nothing can be more discreditable than the conduct of the Guatemala Government who, on two occasions in one year, authorized and instructed their accredited representatives to enter into arrangements for the settlement of debt, neither of which was carried into effect."

The following illustrates the style in which these States deal with their debts. In 1902 the proposal was, that coupons of December 30, 1902, and June 30, 1903, were to be paid at 1½ per cent., and subsequently at 3 per cent. and all arrears to be funded into new bonds. This cut down revenue from these bonds by three-fourths to one-half. The new rate of 3 per cent. was not to come into operation until June, 1907, and no sinking fund to be provided until 1909. This arrangement was an act of repudiation to a large extent, yet, even this compromise was not carried out.

HONDURAS is regarded as surpassing all other States in dishonest effrontery. It has been in default since 1873! All appeals for payment have been simply ignored. Some time ago, Dr. Angel Ugarte visited London on behalf of the Government and offered to recognize the debt as \$1,619,600 (£323,920) the actual debt being \$26,992,850 (£5,398,570) and the arrears \$70,000,000! He argued that, as the bonds had fallen to 6 on the Stock Exchange, the debt be redeemed on that basis. According to this idea, a government has only to default long enough to get its bonds down to zero, then it may settle a huge debt for a mere fraction of its amount.

URUGUAY, a year ago, made an arrangement of a defaulting nature.