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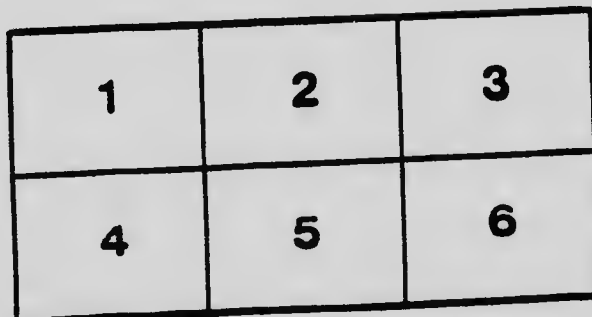
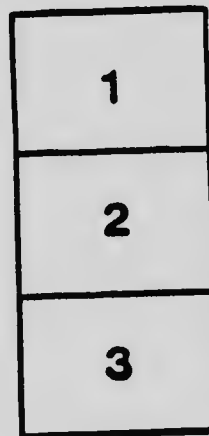
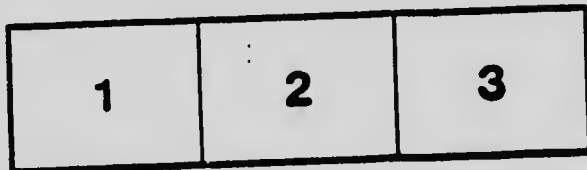
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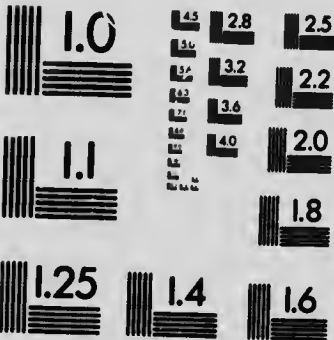
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## PRELIMINARY ECONOMIC STUDIES OF THE WAR

EDITED BY

DAVID KINLEY

*Professor of Political Economy, University of Illinois  
Member of Committee of Research of the Endowment*

No. 17

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## EARLY EFFECTS OF THE WAR UPON THE FINANCE, COMMERCE AND INDUSTRY OF PERU

BY

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## EDITOR'S PREFACE

The purpose of this study is to present in succinct form the effect of the outbreak of the World War on the commerce, industry and finances of Peru. The material was collected by Dr. Rowe in the course of a visit to the country in 1915, and the manuscript was submitted soon after his return. The publication has been unavoidably delayed, but inasmuch as it presents a matter of enduring interest this delay is not of serious moment.

The facts presented show the far-reaching effect of the war in Europe on the life of a people far removed from the theater of the conflict and which at the time maintained a strictly neutral position, although subsequently diplomatic relations with the Central Powers were severed. Conditions in Peru, as set forth in this monograph, illustrate the close interdependence of national interests and the deep and vital concern of every nation in the maintenance of world peace.

DAVID KINLEY, *Editor.*

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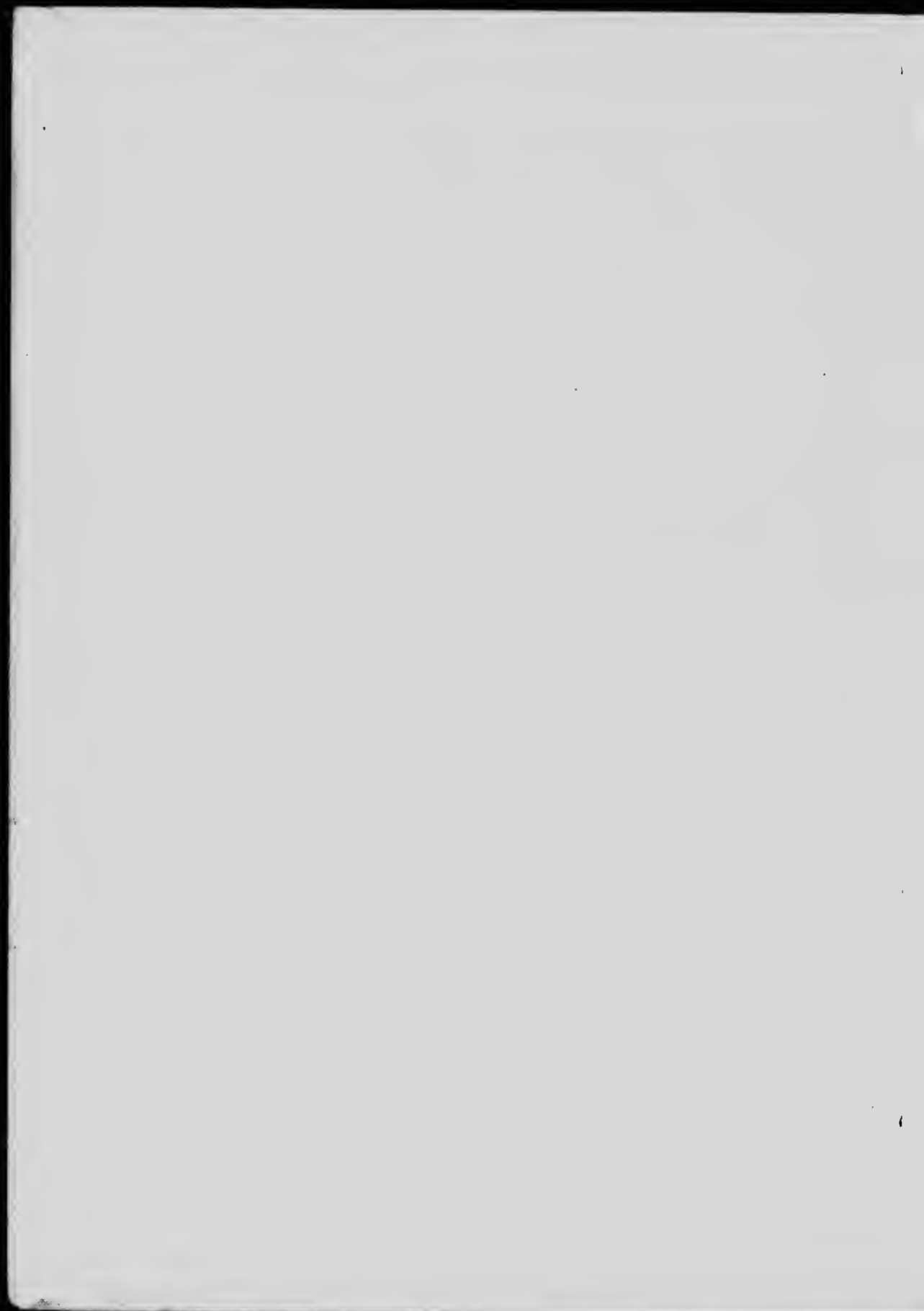


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EARLY EFFECTS OF THE WAR UPON  
THE FINANCE, COMMERCE AND  
INDUSTRY OF PERU



## CHAPTER I

### Conditions Preceding the War

The economic and financial condition of Peru during the year immediately preceding the war was far from satisfactory. Commercial and industrial depression, due to the low price of sugar, rubber, cotton and copper—the staple products of Peru—together with the political disturbances which occurred during the early part of 1914, had created conditions which not only threatened the leading industries, but also placed a severe strain on the financial system of the country.

Of Peru's agricultural products, the most important is sugar. The declining prices of the year 1913 placed this basic industry in a most unfavorable condition. In 1911 Peru produced 178,533 metric tons of raw sugar; in 1912 the output was increased to 192,754 metric tons,<sup>1</sup> whereas the acreage under cultivation increased from 86,880 acres to 91,750 acres and the persons employed from 16,977 to 19,945.<sup>2</sup> During the same period the number of plantations increased from 65 to 81 and the number of sugar mills from 32 to 38. In 1912 the producers received for their output \$4.08 per English hundredweight of 112 pounds of granulated sugar of 96 per cent polarization.<sup>3</sup> In 1913 the price dropped to \$2.80 per hundredweight, and even reached the low figure of \$2.39. Exportation to the United States suffered a severe decline, dropping from 362,671 tons in 1912 to 259,982 in 1913.

**NOTE:** The author desires to acknowledge his deep obligation to the Peruvian Government as well as to the American Minister in Lima, and the American Consuls in Callao, Salaverry and Paita, and to the Chief of the Bureau of Foreign and Domestic Commerce of the Department of Commerce, for data and assistance.

<sup>1</sup> Metric ton is equal to 2,204.6 pounds.

<sup>2</sup> Includes the pasture lands belonging to plantations.

<sup>3</sup> Report of Consul General Handley, Callao, Peru.

During the same period the unfavorable condition of the rubber industry served to accentuate the commercial depression. It has been evident for some time past that the cultivated rubber of the Far East will soon become a menace to the South American product unless the careful scientific methods observed in the East are adopted in South America. The declining prices resulted in the bankruptcy of a number of important companies, and reduced the total export of rubber to \$3,957,591 in 1913, as compared with \$6,343,925 in 1912.

Cotton is second in importance among the agricultural products of Peru. A number of varieties are grown, the most important of which, constituting about sixty-five per cent of the total, is what is known as the "American upland." But a small quantity of the finer grade, known as "sea island" and "mita-fifi," is grown, representing about two per cent of the total. Most of this is grown in the valley of the river Supe. The remaining thirty-three per cent is a product peculiar to Peru, known as Peruvian "full rough" and "moderate rough," with a long crinkly fiber, which is used to mix with wool for the cheaper woolen fabrics.

Fortunately for the country, cotton was more favorably situated in 1913 than in 1912. Prices both for the "semi-rough" variety and the soft "Egipto" were higher in 1913 than in 1912, and production increased nearly fifty per cent, as will be seen from the accompanying table:

Year	Cotton Produced lbs.
1909 .....	38,017,650
1910 .....	33,029,105
1911 .....	38,389,535
1912 .....	37,565,130
1913 .....	52,344,640

In 1913 the export of cotton to the United States increased nearly thirty-three per cent, as compared with 1912; reaching a total of \$1,224,508.

As regard copper, the leading mineral product of the country, the situation in 1913 was fairly satisfactory, although the in-

dustry was by no means in a highly prosperous condition. Nevertheless, although the total output of 1913 was very little in excess of that of 1912 (27,940 in 1913, as compared with 27,813 in 1912) the market conditions were more favorable. Since 1905 copper has gradually assumed a position of leadership in the mineral output of Peru. Up to that time silver had been the leading mineral product. The discovery of economical processes for the utilization of relatively low grade ores has given a tremendous impetus to copper mining throughout South America, but particularly in Peru. Two large American companies are at present operating, one at Cerro de Pasco, extracting from 20,000 to 30,000 tons of ore per month and producing copper in bars to the extent of about 45,000,000 pounds a year. The other company has its plants at Morococha and Casa Palco.

As will be seen from the accompanying table, the mineral output of Peru other than copper is comparatively small.

MINERAL EXPORTS OF PERU (1912)

Minerals	Pounds	Value
<b>Bars:</b>		
Copper, small .....	489,867	\$10,812
Copper and silver .....	44,126,359	8,889,187
Lead and silver .....	376,084	96,290
Silver .....	8,503	82,826
Bismuth .....	609,666	44,944
Blocks, copper .....	63,493	10,150
Borate of lime .....	3,251,950	64,793
Cement, copper .....	187,347	12,123
Coal .....	3,606,603	21,732
<b>Matte:</b>		
Argentiferous copper .....	23,049,013	2,231,764
Lead .....	473,332	23,920
Leadens .....	769,997	51,272
<b>Ore:</b>		
Copper .....	3,930,313	100,674
Copper and lead .....	5,077,929	106,079
Gold, silver and copper .....	116,697	22,147
Lead .....	6,149,530	138,257
Lead and silver .....	11,212,527	744,899
Silver .....	1,849,658	165,251
Silver and copper .....	12,592,779	841,566
Silver, copper, lead .....	10,022	3,942
Silver and gold .....	82,512	17,298
Tungsten .....	372,034	69,989
Residue, mineral .....	5,004,275	64,320
Salt .....	7,729,426	37,523

## MINERAL EXPORTS OF PERU (1912)

Silver, spongy .....	3,003	22,535
Sulphides:		
Copper and silver .....	8,960	27,921
Gold, copper, silver .....	2,295	7,846
Silver .....	152,697	1,078,500
Vanadium .....	6,721,210	742,233
All other .....	234,919	14,852
Total .....	<u>138,263,000</u>	<u>\$15,745,650</u>

The total value of the mineral exports in 1912 was \$15,745,650. Of this amount \$12,093,500 went to the United States. In 1913 the total mineral exports advanced to \$18,519,450 with the same proportion going to the United States. The export of copper alone to the United States in 1913 was \$8,188,791; of silver, \$4,039,764.

The other important articles of production that must be taken into consideration in any review of the economic situation are coca, petroleum, wool and rice.

The coca leaf, from which cocaine is extracted, is used in part in local consumption, although the greater part is exported for the purpose of extracting the drug. The native Indians are addicted to the chewing of the coca leaf, which seems to deaden the nerves of the stomach, enabling them to get along with comparatively little food. The value of the total production of coca leaf in 1913 amounted to \$5,236,000.

The exploitation of the petroleum resources of the country is still in its initial stages, although a number of companies have been operating in the northern departments of Peru for several years, in fact as far back as 1862. The total production during the year 1913 was \$4,429,770. In 1913 and 1914 the most important properties were taken over by the Standard Oil Company, and a thorough reorganization of the methods of exploitation is being undertaken. Everything indicates that the petroleum industry soon will be one of the most important of the country, and will contribute, in no small measure, toward counteracting the unfavorable economic conditions that have prevailed during the last few years. Another product of some



importance is wool, of which the production in 1913 was a little over three and a half million dollars. The greater portion of this, viz., \$3,162,280, was exported. The rice crop, amounting to \$2,127,000 in 1913, is consumed locally; in fact Peru does not produce sufficient for home consumption and is compelled to import considerable quantities each year.

The other products of the country are of comparatively little importance, and may be briefly summarized by citing the total production in 1913:

Grapes .....	\$1,555,000
Coffee .....	849,000
Tobacco .....	428,000
Cocoa .....	100,000

## CHAPTER II

### Government Finances Preceding the War

In order to understand the financial condition of Peru, it is necessary to recall the disastrous influence of the war of 1879, which left the country prostrate and from which full recovery has never been effected. The dire straits to which the government was reduced are fully reflected in the financial history of the period. With an empty treasury the government found it impossible to pay the arrears due the army, as well as other obligations due her citizens arising out of the war. To meet this emergency the government issued what are known as "consolidated notes" to the amount of \$13,303,225, bearing one per cent interest. As these were insufficient to meet the obligations recourse was then had to what are known as "redeemable bonds," bearing no interest, with a yearly amortization quota of \$125,000. Of these \$5,671,050 were issued. The "consolidated notes" together with the noninterest bearing redeemable bonds constitute what is known as the "deuda interna" or "internal debt of Peru." The consolidated notes are quoted on the stock exchange at about 14½ per cent of par, and the redeemable bonds at ten per cent of par. In July, 1914, there remained outstanding \$13,303,225 of the notes and \$4,269,300 of the bonds.

The "deuda externa," or funded foreign debt of Peru, has had a most interesting history, and is intimately related with the formation of what is known as the "Peruvian Corporation."

In 1869, 1870 and 1872 Peru floated a series of loans in England amounting to \$158,864,225. Soon after the war with Chile the desperate condition of the national finances made it impossible to pay the interest on the bonds. By 1890 the indebtedness to foreign bondholders, namely, British, French and

Dutch, amounted to \$268,316,386.38. In view of the prolonged default the bondholders began to bestir themselves in order to save their holdings from complete destruction. After prolonged negotiation an arrangement was entered into with the Peruvian Government, under which the bondholders constituted themselves a company known as the "Peruvian Corporation." In consideration of certain privileges and concessions granted to the corporation the foreign debt was canceled. These privileges and concessions included:

*First*—The cession to the corporation of all the Peruvian state railways for a period of sixty-six years. These railways included the lines operating

Between Mollendo and Arequipa  
" Arequipa and Puno  
" Juliaca and Santa Rosa  
" Pisco and Ica  
" Callao and Chicla  
" Lima and Ancon  
" Chimbote and Sucheman  
" Pacasmayo and Yoman and Guadalupe  
" Salaverry and Trujillo and Ascope  
" Paita and Piura

*Second*—The right to extract and dispose of two million tons of guano from certain guano islands off the coast of Peru. In the original contract of 1890 the amount was fixed at three million tons, but was reduced to two millions because of the failure of the corporation to build certain railway extensions.

*Third*—The right of free navigation on Lake Titicaca, and the obligation to take over the government steamers then plying.

The contract of 1890 gave rise to endless differences which finally led to a revision of the same in 1907. In this contract the attempt was made to simplify the obligations of both parties, as well as to make clear the points hitherto in doubt. This attempt has not been successful and the differences between the government and the corporation have been growing with each

year. The most important change in the new contract is the obligation on the part of the Peruvian Government to pay to the corporation annually, for a period of thirty years, "the sum of £80,000 in monthly instalments, as from July, 1907, while the corporation undertakes the continuation of the Central Railway to Huancayo, of the Southern Railway to Cuzco and of the Pacasmayo Railway to Chilite." In addition the corporation lease of the state railways was extended for seventeen years, "during which period the government will receive fifty per cent of the net receipts (the service of railway obligations up to £8,000,000 being deducted) and the taxation of the corporation railways fixed for thirty years."

The franchises granted to the corporation have not enabled it to pay any dividends on its common stock. The total capitalization of the company is £21,900,000, of which £5,400,000 represents six per cent first mortgage bonds, £7,500,000 four per cent cumulative preferred stock and £9,000,000 common stock. The interest on the bonds has been paid regularly and the dividend on the preferred stock has ranged from  $1\frac{1}{4}$  per cent in 1903-1904 to  $2\frac{1}{2}$  per cent for the fiscal year ending June 30, 1914. The conditions which made necessary the arrangement with the Peruvian Corporation resulted in an almost total eclipse of Peruvian credit, and it was not until within comparatively recent years that the government again found it possible to borrow money in Europe.

The desire of the Peruvian Government to strengthen its navy led to an arrangement with the Deutsche Bank in Berlin under which the necessary funds were advanced for the purchase of two small cruisers. For the payment of interest and liquidation of this loan, the government pledged the net returns of the national salt monopoly, which was administered by a corporation organized for this purpose—La Compañía Salinera del Peru. In 1910 the amount owing the Deutsche Bank together with certain additional obligations into which the government had entered were paid through a loan secured from two French banks. The amount of the loan was £1,200,000 at  $5\frac{1}{2}$  per cent.

In 1911 this loan was converted into funded obligations by an English banking house.

In 1912 the obligations entered into by the government were such that it again became necessary to borrow money. Recourse was had to the *Compañía Recaudadora de Impuestos*,<sup>1</sup> which loaned to the government £1,245,000 at seven per cent. Later in the same year a group of local banks, the *Bancos del Perú y Londres, Alemán, Popular and Internacional* advanced £664,800. In October, 1913, a further loan of £200,000 was secured in Europe, and this was followed in July, 1914, by a second loan for a similar amount. In October, 1914, the government secured from the five leading banks in Lima a further loan of £500,000 in return for the privilege of issuing "circular checks," a form of paper money issued under authority of the laws of August 22 and October 1, 1914.<sup>2</sup> Since October 1, 1914, the government finances have been in an unsatisfactory condition, owing to the rapid decline in customs revenues consequent on the European war. In fact, during the period from January 1 to July 31, 1915, the government has attempted to borrow small sums in various quarters. Although the amounts have been small their total is sufficient to make it impossible to state with accuracy the precise total of the indebtedness of the country.

It is evident from the foregoing review that the national debt of Peru is relatively small. The available data bring the total to \$22,039,128. This would seem to be a comparatively small amount for a country of such varied resources, but, as we shall have occasion to see, it represents a real burden owing to the mortgaging of so considerable a portion of the government's assets to the Peruvian Corporation, and to the further circumstance that each of the more recent loans has involved the further mortgaging of national resources. A review of the financial system of the country, together with a discussion of the effects of the European war thereon, will fully explain this situation.

<sup>1</sup> For description of this company, see page 12.

<sup>2</sup> For further description of these notes, see page 25.

## CHAPTER III

### Financial System and Effect of the War Thereon

The fiscal system of Peru rests on the customs revenues, on certain internal revenue taxes on alcohol, spirituous and malted liquors, sugar and matches, and on the salt, tobacco and opium monopolies.<sup>1</sup> No attempt has ever been made to build up an adequate system of real and personal property taxes, nor is there anything approaching a real income tax.

One of the peculiarities of the Peruvian system is that the collection of all taxes, with the exception of customs dues, is placed in the hands of a private company known as the *Compañía Recaudadora de Impuestos* which collects the taxes, reserving as commission one per cent of the proceeds after deducting from the gross receipts the cost of collection. Under the contract entered into with the government in 1913, the company collects the following taxes:

1. Tax on alcohol, spirituous and malted liquors.
2. Tax on sugar intended for local consumption.
3. Tax on matches.
4. Registration taxes.
5. Tax on income from stocks and bonds.
6. Stamped paper tax.
7. Licenses in Lima and Callao.
8. Transfer taxes.
9. Sale of stamped paper for payment of fines imposed by the courts or by administrative authorities.
10. Mining tax.
11. Sale of paper for customs declarations.
12. Local taxes on consumption of vinous and spirituous liquors.
13. Port charges.

<sup>1</sup> These taxes have been supplemented recently by the introduction of export taxes on copper, sugar and borax.

The same company administers the state monopoly of tobacco and opium. The salt monopoly is administered by another company—the *Compañía Salinera*. This company is allowed £20,000 annually by the government for expenses of administration. The commission which it receives, and which enables it to pay a dividend of twelve per cent, is arranged on a sliding scale and based on gross receipts from the sale of salt. The scale is as follows:

First year .....	3½ per cent
Second " .....	3 " "
Third " .....	2½ " "
Fourth " .....	2 " "

The original contract entered into in 1910 was made for a period of four years, and would naturally have expired in 1914. In Article 2 of the contract there is a clause providing for the continuation of the contract until the government has repaid the amount advanced to it by the company. Inasmuch as such repayment has not been possible, the contract continues under the terms stated, viz., a two per cent commission.

The relative importance of the various sources of income is shown in the following table.

	1912	1913
Customs revenues .....	\$7,376,887	\$7,019,220
Alcohol tax .....	1,612,111	1,687,606
Sugar tax .....	493,798	473,403
Tax on matches .....	140,600	169,779
Salt monopoly .....	1,191,410	1,259,484
Tobacco monopoly .....	2,101,483	2,194,411
Opium monopoly .....	91,616	84,034
Denatured alcohol tax .....	97,501	94,848
Mojonazgo* .....	521,828	545,550
Sale of guano .....	15,615	16,456
Fines imposed by police courts .....	185,652	2,870
Departmental incomes .....	67,442	62,972
Income from docks and wharves .....	32,023	22,871
Consular fees .....		326,752
Postal revenues .....		698,358
Telegraph .....		168,457
Miscellaneous revenues .....	2,720,234	1,538,414
	<hr/>	<hr/>
	\$16,648,110	\$16,414,485

\* A municipal tax, similar in many respects to the French "octroi," imposed on wines and spirits, also on agricultural products on entering the city. It also includes peddlers' license taxes, which are imposed by the municipality.

We have had occasion to refer to the fact that the years 1912 and 1913 were years of industrial and financial depression in Peru. The low price of copper and of sugar had placed the leading industries of the country in a precarious condition, and these unfavorable economic circumstances were further aggravated by unstable political conditions. Guillermo Billinghurst was elected President of Peru in 1912. Soon after his accession to power differences developed with the national Congress which became more acute during the course of the year 1913. A situation finally developed which led the Congress to express its opposition by refusing to vote the budget for 1914. The President thereupon declared that in view of this refusal he would regard the budget of the previous year as in force, and proceeded to act accordingly.

In February, 1914, a military uprising led by Colonel Benavides forced the resignation of President Billinghurst and exiled him from the country. The Congress thereupon proceeded to elect Colonel Benavides, whose rank was raised to that of general, to the provisional presidency of Peru pending a new election.

Whatever may have been the rights or wrongs of the situation, the political unrest and uncertainty incident to this violent change served to aggravate the commercial depression from which the country was suffering.

The outbreak of the World War found Peru, therefore, in the most unfavorable economic, financial and governmental situation to withstand the strain which the European conflict involved. Under the most favorable conditions, Peru is a country financially dependent on Europe. Her merchants have been accustomed to long term credits, her banks are in the main financed by European capital. In order to avoid confusion, we will confine the present discussion to the effect of the war on government finances, reserving for a subsequent section the analysis of the effect on general commercial and financial conditions.

The immediate effect of the war was to bring about a violent



decline in customs receipts as well as a marked, although less serious, decline in the revenues from other sources. The extent of this decline is readily seen from the following tables: <sup>1</sup>

CUSTOMS RECEIPTS AND INTERNAL REVENUES

Source of Revenue	Last 6 mos., 1913	Last 6 mos., 1914
Alcohol tax .....	\$988,204	\$813,404
Excise tax .....	92,703	97,666
Sugar tax .....	296,468	210,337
Dues paid to captains of ports .....	6,117	4,683
Denatured alcohol tax .....	49,413	51,069
Opium monopoly .....	45,877	31,815
Tobacco monopoly .....	1,200,240	1,106,640
Lighthouse .....	8,761	6,885
Matches .....	90,630	71,494
Mines .....	109,794	89,337
Stamped paper .....	75,988	63,942
Customs house paper .....	20,670	11,760
Patents .....	198,235	125,400
Registry of property .....	29,521	24,909
School taxes, including		
Dept. incomes .....	415,733	371,800
Police, Callao .....	3,760	3,269
Revenue stamps .....	68,192	51,920
Mine revenue stamps .....	4,188	1,787
Contributions and fines on alcohol .....	4,876	3,422
<b>Total .....</b>	<b>\$3,759,349</b>	<b>\$3,182,322</b>
Decrease, \$577,027		

Total customs receipts, 1913.....	\$6,109,650
Total customs receipts, 1914.....	4,692,799
Total customs receipts, 1st 6 mos., 1914.....	3,082,456
Total customs receipts, 2d 6 mos., 1914.....	1,610,343
Total customs receipts, 1st 4 mos., 1915.....	845,631

CUSTOMS REVENUES

	1914	1915	Decrease
January .....	\$510,509	\$220,756	\$289,753
February .....	462,982	152,151	310,831
March .....	569,992	226,373	343,619
April .....	595,857	246,351	349,506
May .....	468,470	177,340	291,130
June .....	474,646	208,441	266,205
	<b>\$3,082,456</b>	<b>\$1,231,412</b>	<b>\$1,851,044 (60%)</b>

<sup>1</sup> For these figures the author desires to express his obligation to the Honorable William W. Handley, Consul General of the United States at Callao, Peru.

## DECLINE IN REVENUES

	Total Receipts		Increase 1914	Decrease 1914
	1913	1914		
January .....	\$477,582	\$510,509	\$32,927	\$ .....
February .....	465,505	462,982	.....	2,523
March .....	487,788	569,992	82,204	.....
April .....	569,218	595,857	26,639	.....
May .....	558,404	468,470	.....	89,934
June .....	499,608	474,646	.....	24,962
July .....	460,762	422,591	.....	38,171
August .....	550,837	186,672	.....	364,165
September .....	447,985	217,678	.....	230,307
October .....	594,237	288,320	.....	305,917
November .....	460,869	262,147	.....	198,722
December .....	536,855	232,935	.....	303,920
Totals .....	\$6,109,650	\$4,692,799	\$141,760	\$1,558,621

CUSTOMS REVENUES AT THE INDIVIDUAL PORTS, 1914

Months	Paita	Eten	Pacasmayo	Salaverry	Callao	Pisco	Mollendo	Ilo	Total
January	\$29,947	\$21,739	\$14,595	\$29,495	\$320,551	\$16,446	\$75,952	\$1,784	\$510,509
February	23,712	19,182	9,837	21,224	302,467	15,848	69,376	1,336	462,982
March	25,068	24,514	11,018	28,480	374,230	11,416	92,593	2,673	569,992
April	27,532	19,863	6,109	25,802	412,488	23,814	79,476	773	595,857
May	29,213	20,072	13,564	20,397	305,359	12,092	65,766	2,007	468,470
June	27,687	19,294	9,948	18,201	312,935	15,858	69,615	1,108	474,646
July	20,674	13,195	4,738	17,574	275,907	16,840	72,414	1,249	422,591
August	14,629	9,910	4,427	9,890	115,347	7,703	22,696	2,070	186,672
September	13,443	11,980	3,363	7,625	136,590	14,920	28,231	1,526	217,678
October	10,566	8,291	2,386	14,075	208,922	11,421	32,081	578	288,320
November	12,184	9,725	3,125	8,777	195,634	5,608	26,798	296	262,147
December	20,971	10,570	2,984	9,171	151,987	6,872	29,534	846	232,935
	\$255,626	\$188,335	\$86,094	\$210,711	\$3,112,417	\$158,838	\$664,532	\$16,246	\$4,692,799
1915	\$169,114	\$98,848	\$27,443	\$147,230	\$2,165,096	\$81,317	\$348,016	\$7,557	\$3,044,621

These figures show that the decline in customs revenues alone in 1914 as compared with 1913 was thirty-three per cent. If, however, we compare the last six months of 1913 with the last six months of 1914, the decrease amounts to forty-seven per cent. The first four months of 1915 show a decline of over sixty per cent, *i.e.*, \$2,139,340 for the first four months of 1914 as compared with \$845,631 for the similar period of 1915.

Furthermore, to aggravate the situation, the credit of the government practically disappeared. The most important government assets had been mortgaged—the state railways and guano deposits to the Peruvian Corporation, the alcohol tax for the interest and liquidation of an existing loan, the salt monopoly for the construction contract of the Ucayali Railroad. In July, 1915, the government was making frantic endeavors to borrow small or large sums in every possible quarter. Sugar planters were receiving requests for payments of taxes in advance, customs house brokers were asked to pay dues in advance of the receipt of merchandise. For loans of any amount, the government was prepared to accept the most onerous terms. On July 27, for instance, a temporary loan of £44,000 was secured from a German sugar house at eight per cent, and a bonus a valuable perpetual concession was given for the construction of a pier and railway at one of the northern ports. The question confronting the authorities was the payment of current expenses, as the salaries of many government employes, including teachers in the public schools, were in arrears for a considerable period.

The newly elected President, Dr. José Pardo, assumed office in August, 1915, and immediately began to put into effect plans for securing increased revenue from taxation. The first measure presented to the Peruvian Congress was an export tax on minerals and other national products. The rates as finally adopted by the national Congress are as follows:

1. *Copper:*

When London standard quotation is £60 to £65 sterling,

a tax of 15s. per ton of 1016 kilos gross weight is incurred, increasing 2s. for each pound increase in price.

2. *Gold:*

If over ten grams, £2 sterling per kilo fine gold.

3. *Silver:*

When  $23\frac{1}{2}d.$  to  $24\frac{1}{2}d.$  per standard ounce Troy, a tax of 6d. per kilogram; from  $24\frac{1}{2}$  to  $25\frac{1}{2}$ , 1s. per kilogram; from  $25\frac{1}{2}$  upwards, 2s. per kilogram.

Export taxes were to be payable in ninety days drafts on New York or at shippers' option in the equivalent in drafts on London. No exchange rate had as yet been fixed. The Chamber of Commerce was to fix copper and silver prices weekly, based on London quotations. The export tax came into force at once.

4. *Sugar:*

When the price of sugar was quoted at 11s. 6d. sterling, on board ship at the port of shipment, a tax of 6d. sterling for each hundredweight of one hundred pounds, ninety-six per cent polarization, was imposed.

5. *Cotton:*

The tax on cotton exported from Peru was based upon the Spanish "quintal" (hundredweight) gross weight, placed on board at the port of shipment.

*For Peruvian Rough Cotton.* When the price attained the figure of  $7\frac{1}{2}d.$  per pound, a tax of  $7\frac{1}{2}d.$  per Spanish quintal of one hundred pounds was imposed. For each halfpenny increase in price per pound the tax was increased by  $2\frac{1}{2}d.$  per quintal.

*For Semi-Rough and Mitafifi Cotton.* Five pence per quintal when the price reached 7d. per pound placed on board at the port of shipment, rising  $2\frac{1}{2}d.$  per quintal for each halfpenny increase per pound in the price of the product.

*Smooth Cotton.* Starting from the price of  $5\frac{1}{2}d.$  to

6½*d.* per pound, 6*d.* per Spanish quintal of one hundred pounds. From 6½*d.* to 7½*d.* per pound, 1*s.* per quintal. From 7¾*d.* per pound, 2*s.* per quintal.

6. *Wool:*

When the quotation in Liverpool for washed wool of first quality from Arequipa reaches 11*d.* or more per pound, the tax is 2*s.* per each quintal of one hundred Spanish pounds, gross weight.

6. *Hides:*

*Wet.* Three farthings per kilogram.

*Dry.* One and one-quarter pence per kilogram.

The Peruvian Government contemplated floating a foreign loan for the purpose of meeting a number of outstanding obligations. Pending the negotiation of this loan the proceeds of the export tax were to be used as follows:

	Peruvian Pounds <sup>a</sup> Soles <sup>b</sup> Centavos <sup>c</sup>
<i>Internal Debt:</i>	
For the service of vales of consolidation issued under the law of June 12, 1889.....	25,000.0.00
For the service of amortizable bonds created by the law of December 17, 1898.....	25,000.0.00
	50,000.0.00
<i>Peruvian Steamship Company:</i>	
For amortization and interest of the first loan...	30,000.0.00
Interest on bank loans, acceptances and advances by the National Tax Collecting Company.....	25,000.0.00
	55,000.0.00
<i>Post Office Debts:</i>	
Due to foreign post offices for money orders and territorial transit of mails.....	10,000.0.00
<i>Treasury Obligations:</i>	
15% on £78,400.0.00, value in circulation.....	11,760.0.00
<i>Departmental Treasury Drafts:</i>	
25% on £65,565.0.34, value of the drafts drawn by the treasuries.....	16,391.2.58
<i>Loans by W. R. Grace &amp; Co. Syndicate:</i>	
6½% interest on £85,320.3.08, balance of the first loan of December 3, 1913 (£200,000).....	5,545.8.20
6½% interest on £196,666.6.66, balance of the second loan of July 3, 1914 (£200,000).....	12,783.3.33
	18,329.1.53

<sup>a</sup> Peruvian pound is equal to \$4.86, American gold.

<sup>b</sup> Each sole represents 50 cents, American gold.

<sup>c</sup> Each centavo is equal to ½ cent, American gold.

FINANCIAL SYSTEM AND EFFECT OF THE WAR THEREON 21

	Peruvian Pounds Soles Centavos
<i>Loan by Gildemeister &amp; Co. (Law No. 2111):</i> 25% on \$41,811.4.99, value of the notes Nos. 5 to 16, and 21, due during the present year.....	10,452.8.75
<i>Banco del Peru y Londres:</i> 10% interest on £77,696.6.90, advances on account current .....	7,769.6.69
<i>Banks' Loan of November 20, 1912 (£654,800):</i> Interest at 8% on the following balances:	
Banco del Peru y Londres.....	243,131.7.64 19,450.5.41
Banco Alemán Transatlántico...	81,384.2.35 6,510.7.38
Banco Internacional .....	2,555.6.62 204.4.53
	26,165.7.32
<i>Banco Alemán Transatlántico:</i> Loan of £180,000.0.00 (Law No. 2111): Service of interest at 8% on £36,000, which constitutes the bank's gold deposit with the Junta de Vigilancia.....	2,880.0.00
<i>Banco Popular:</i> Loan of £25,500 (Law No. 2111): Service of interest at 8% on £55,000, which constitutes the bank's gold deposit with the Junta de Vigilancia.....	440.0.00
<i>Interests for Bank Loans, Acceptances and Advances of the National Tax Collecting Company:</i> For the balance due this service.....	4,000.0.00
<i>Bank Loan of £500,000 in Circular Bank Notes:</i> 10% of the net revenue derived from the tobacco tax, intended for the amortization of the above loan, as per Art. 7 of Law No. 1982.....	32,000.0.00
<i>Peruvian Corporation Limited:</i> 25% of the annual payment of £80,000 stipulated in the contract of 1907.....	20,000.0.00
<i>Caja de Depósitos y Consignaciones (Judicial De- posits Bank):</i> For the service of amortization and interest on the loans made by this institution.....	5,273.9.73
Grand Total .....	270,462.6.60

In order further to increase the national revenues a system of inheritar: taxes has been imposed in accordance with the following schedule:

Inheritances of not more than \$120,000 from parents to children.....	1%
Inheritances of not more than \$120,000 from children to parents.....	1%
Inheritances from very distant relatives or strangers.....	10%

These rates of taxation were applied only to inheritances not exceeding \$120,000, while on inheritances above this amount the rates increased until on \$240,000 or more, two per cent is the lowest tax paid and eleven per cent the highest. In the case of daughters receiving an inheritance not exceeding \$2,400 an exception was made, as well as in the case of bequests received by charitable or public institutions. The highest rates were exacted when natives, as well as foreigners residing outside of Peru, inherit property in Peru. It was expected that this new system of inheritance taxes would mean a considerable increase in national revenues.

Although the war in Europe rendered the financial situation more acute by greatly diminishing the ordinary revenues, the needs of the country are beyond the present sources of income. In no part of the country does real estate pay its due share toward the support of the government. Were this supplemented by a comprehensive income tax it would be possible to dispense with many of the present indirect taxes which weigh most heavily on the poorer classes. In fact, under the present financial system of Peru, the laboring classes are compelled to bear the heaviest burden of taxation whereas the wealthy escape with a totally inadequate contribution to the public treasury.

It is contended by many that with comparatively little effort the government could effect considerable economies within the present budget. While this is undoubtedly true, it is doubtful whether the savings to be effected would be sufficient to restore equilibrium to the national budget. In the meantime large sums are required to meet such pressing necessities as public education, sanitation, hospitals, and asylums for the defective. These can be secured only through an improved fiscal system, which will at the same time strengthen the credit of the country.

It is to be noted in this connection that expenditures for military and naval purposes represent a heavy burden on the Peruvian treasury. The accompanying table sets forth the relative amounts expended by the national government for educational and for military purposes. It is true that the local subdivisions



—the departments—supplement the expenditures for public education by sums which are relatively small and totally inadequate to meet the requirements of a well organized system of national education.

Date	Total Income	Education	% of Total Income Ex- pended for Education	Army and Navy	% of Total Income Ex- pended for Army and Navy
1906	\$12,181,036	\$133,587	1	\$2,189,673	17.9
1907	13,021,233	1,300,886	9.9	2,295,762	17.6
1908	14,567,573	1,301,129	8.9	2,450,261	16.8
1909	14,805,436	1,388,876	9.3	2,741,803	18.5
1910	13,461,777	980,588	7.2	2,406,103	17.8
1911	.....	.....	.....	.....	.....
1912	15,915,125	144,677	0.9	2,431,492	15.2
1913	.....	.....	.....	.....	.....
1914	17,242,483	144,065	0.8	3,168,739	18.3
1915	13,837,756	1,271,444	9.1	3,519,563	25.4

Until some final settlement is reached with reference to the status of the province of Tacna-Arica, it is not likely that Peru will be willing to make any considerable reductions in her military expenditures.

## CHAPTER IV

### Commercial and Industrial Situation Created by the War

We have had occasion to review briefly the commercial and industrial conditions during the years immediately preceding the war. Weakened by a series of years of economic depression, Peru was in no position to bear the exceptional strain produced by the war. It is not surprising, therefore, to find the country compelled to adopt drastic measures in order to prevent the complete ruin of her financial institutions as well as her commercial and industrial enterprises.

The measures adopted may be divided into the following classes:

- a.* Declaration of bank holidays and moratoria.
- b.* Measures relating to the issuance of what are known as circular checks.
- c.* Measures relating to the exportation of gold and silver.
- d.* Measures relating to the price of necessaries of life.
- e.* Measures relating to the status of labor.
- f.* Measures relating to taxation.
- g.* Reducing the expenditures as authorized by the budget.

#### A. DECLARATION OF BANK HOLIDAYS AND MORATORIA

The worldwide financial panic precipitated by the war threatened the solvency of all the banking institutions of Peru and led to the promulgation of an executive order dated August 2, 1914, declaring the third, fourth and fifth days of that month holidays. On August 5 a further order was issued declaring the sixth and seventh holidays.

The following day—August 6—the first moratorium was declared for a period of thirty days. The decree provided that during this period the obligation to pay banking and commercial

debts should be limited to five per cent of the total amount owed. On August 7 a further decree was issued modifying the foregoing as follows:

1. Requiring the banks to pay all depositors whose balance did not exceed £5.

2. On balances exceeding £5 the banks are required to pay five per cent of the total, provided that the minimum to be paid shall be not less than £5, and the maximum £150.

On September 10 a further moratorium of fifteen days was decreed, which was again extended on September 25, for a further period of eight days, expiring on October 3, 1914. It may be added that by law of September 8, 1914, the Congress specifically authorized the President to declare such moratoria as he might deem necessary.

On October 4 the President decreed a fourth and final moratorium for a period of ten days, *i.e.*, until October 13. On that date a further decree was issued which, as modified by the law of December 19, 1914, provides that notes, bills of exchange and debts for merchandise received should be paid in monthly quotas of five per cent during the first two months and ten per cent thereafter. Obligations not included in the foregoing, and for which no collateral security existed were to be paid in monthly quotas of fifteen per cent. With reference to bank deposits, Article 4 of this law requires that such deposits be paid in monthly quotas of ten per cent. It is furthermore provided that tenants who made no payments because of the moratorium should be permitted to pay arrears, due from July 1 to September 30 in four monthly quotas of twenty-five per cent each.

#### B. THE "CHEQUES CIRCULARES" (CIRCULAR CHECKS)

The financial panic produced by the war led to the immediate withdrawal of gold and silver currency from circulation. While the moratoria served to save the financial institutions from ruin, they accentuated the feeling of uncertainty and alarm and emphasized the tendency to hoard gold. An unusual demand for

safes and strong boxes was noticeable throughout the country. The lack of circulating medium became so marked that the banks appealed to the government for power to remedy the situation, for without some remedial measures they would have been unable to meet their obligations at the expiration of the moratorium.

At the urgent request of the banks a series of measures was passed providing for the issuance of what are known in Peru as "cheques circulares," or circular checks. The first of the laws relating to the subject was passed on August 22, 1914. Under this law the banks were authorized to issue circular checks payable to bearer to an amount not exceeding £1,100,000. Under Article 1 of this law the legal reserve against such issues was fixed at thirty-five per cent in gold and sixty-five per cent in real property, mortgages and warehouse warrants. A subsequent law, that of October 1, 1914, reduced the requirement of gold reserve to twenty per cent, the remaining eighty per cent to be distributed as follows: thirty per cent in mortgage "cedulas" assessed at their face value, ordinary mortgages assessed at seventy-five per cent of their face value, real property owned by the bank assessed at seventy-five per cent of its market value or warehouse warrants, fifty per cent in negotiable paper acceptable to the supervising committee established by the law. This supervising committee is composed of two members designated by the national Congress (one representing the majority and the other the minority party), one member designated by the President, one representative of the banks and one representative of the Chamber of Commerce of Lima.

The law of August 22, 1914, furthermore provided that the banks should loan to the government £100,000 of the checks thus issued, the loan to bear interest at seven per cent. Under Article 7 of the law of October 1, 1914, the amount of this loan was raised to £500,000 and the interest reduced to six per cent. As a guarantee of the payment of principal and interest, the government mortgaged twenty per cent of the net receipts of the tobacco monopoly.

Acceding to the urgent demands of the banks, the national Congress, in the Act of October 1, 1914, authorized the banks to increase the issue of "cheques circulares" by an amount not exceeding £1,100,000, thus making their total issue £2,200,000. In addition, the National Savings Bank, which is managed by the National Charity Foundation (Sociedad de Beneficencia) is authorized to issue circular checks to an amount not exceeding £300,000. Thus the total issue authorized by law is brought up to £2,500,000. The law, furthermore, provides (Art. 9, law of August 22, 1914) that all checks must be withdrawn from circulation "six months after the close of the war between France, England and Germany."

From the outset these checks have been received with great reluctance by the retail trade, owing, in large part, to the undermining of public confidence in the banks, and to the fear that the checks would not be redeemed at the time indicated. In the country districts the laboring population has absolutely refused to accept this paper money, demanding the payment of wages in the silver *sole* to which they have been accustomed. The inevitable result has been the gradual depreciation of the Peruvian paper pound. In August, 1915, this depreciation amounted to sixteen per cent.

#### C. MEASURES RELATING TO EXPORTATION OF GOLD AND SILVER

On August 8, 1914, the national Congress passed a law forbidding the exportation of gold and of minted silver.

#### D. MEASURES RELATING TO THE PRICE OF NECESSARIES OF LIFE

On August 10, 1914, the Congress passed a law empowering the national executive to take such measures as might be deemed necessary to prevent the undue rise in the price of articles of primary necessity. Other than to undertake a series of inquiries as to prevailing prices, no measures have been taken by the President in pursuance of the power vested in him by the above-mentioned law.

### E. MEASURES RELATING TO THE STATUS OF LABOR

With the outbreak of the war and the consequent paralyzation of commerce and ocean transportation facilities, the mining enterprises began to reduce their labor force. Similar reductions were made in many of the cotton mills. The low rate of wages prevailing in all the industries of Peru makes it practically impossible for the laborer to set aside anything for periods of emergency.

Early in 1913, when the industrial depression, especially in the mining industries, had made itself felt in all sections of the country, the President, in pursuance of powers vested in him by the Congress, issued a decree requiring industrial establishments to give notice to the local authorities whenever for reasons of an economic or industrial character they were planning to discontinue operating the plants.

On August 9, 1914, in order to extend further protection to the laboring classes, the President issued a decree requiring employers to give to their working men at least twenty-four hours' notice of dismissal, and to file, in writing, with the subprefect of the department the reasons for such reduction and the names of the laborers discharged.

### F. MEASURES INTENDED TO INCREASE THE ORDINARY REVENUES OF THE GOVERNMENT

The violent decline in customs receipts and other ordinary revenues immediately after the outbreak of the war led to an attempt to increase revenues by increasing certain existing taxes and introducing new forms of taxation. These measures were as follows:

1. Requiring corporations and joint stock companies to place a special stamp of the value of two centavos (one cent) on each page of the ledgers and other books which they are required to keep according to the provisions of the Code of Commerce. Letter copy books are exempt from this requirement.

2. Raising by twenty per cent the price of all tobacco sold by the State Tobacco Monopoly.
3. Increasing the tax on all vinous, malt and spirituous liquors and on alcohol.
4. Increasing to six per cent the tax on the income from mobile capital.

#### G. REDUCING PUBLIC EXPENDITURES

In an attempt to make the budget balance, a law was passed reducing by thirty per cent the items of the national budget.

#### EFFECT OF THE WAR ON DOMESTIC AND FOREIGN TRADE

Owing to the dependence of Peru on foreign countries for most of the manufactured articles consumed in the country, it is exceedingly difficult to deal with the effect on internal commerce without at the same time discussing the situation created by the dislocation of international trade.

Owing to the lack of official data, the condition of domestic trade does not lend itself to statistical treatment. Immediately after the outbreak of the war, the domestic commerce of the country received two staggering blows: first, the sudden cutting off of the European credits to which the merchants had, for generations, been accustomed and, secondly, the almost complete disappearance of regular ocean communication with Europe. To this must, of course, be added the general feeling of distrust toward the banks, the uneasiness created by the appearance of inconvertible paper money in the form of "cheques circulares" and the further discouragement incident to a rapid and steady fall in international exchange. In this emergency Peruvian commerce turned to the United States in the hope and expectation of securing the relief which Europe was unable to give. The general reluctance on the part of American manufacturers and merchants to extend the same credits which their European competitors have been accustomed to extend, has been a source of severe disappointment to the merchants of Peru. They point with pride to the fact that bankruptcies are of less frequent oc-

currence in Peru than in the United States, and that the percentage of loss by European merchants in their dealings with Peru has been exceedingly small. They point to the fact that England's commercial position in South America in general, and in Peru in particular, has been built up on the basis of the ninety day draft, and that in recent years German manufacturers have not hesitated to extend six months' credit.

While a few American manufacturers have been willing to extend credits to a restricted group of merchants, the general tendency has been to refuse to meet the requirements of the Peruvian market. This situation has served to render more acute the difficulties of the local situation. Merchants find their stocks reduced without any immediate prospect of replenishing them. While their fixed charges remain the same the total sales are constantly diminishing in volume and amount. To add to the difficulties of the situation, the internal commerce of Peru, which has always been conducted on credit, has suddenly been placed on a cash basis. The ensuing paralyzation was almost complete, the retailers in the country districts limiting their purchases to the articles that are urgently required for the daily consumption of the people. Fortunately, credit is still being extended for certain articles, such as native cotton goods and the cheaper grades of textiles. Before any return to the former system of liberal credits can be expected, Peru will have to await a return of general confidence in the financial future of the country.

We have had occasion to refer to the general effect of the war on international trade, but it is important to supplement these general considerations with specific data.

Peru is a country consuming but a very small percentage of the articles which it produces. Any curtailment of the foreign market, therefore, immediately reacts upon the entire internal situation. It is this complete dependence on the foreign market, combined with the fact that all the important national enterprises are dependent on foreign capital, that gave to the European war such a disastrous influence on Peru's foreign trade and upon her domestic financial and commercial condition.



The immediate effect of the war was the complete paralyzation of all foreign trade. In spite of the fact that the nations at war needed some of Peru's leading products, especially copper, sugar and wool, the presence of belligerent cruisers in the Pacific made shipments impossible. The result was the immediate curtailment of production in the mines and the accumulation of large stocks in those industries, such as sugar and cotton, in which immediate curtailment was impossible. The only industry in which no marked decline was noticeable was in the cotton spinning factories, which produce the coarser grades of fabric for local consumption. In this industry the leading manufacturers, in order to keep their labor force together, made a determined effort to tide over the crisis without closing down their plants and in this effort were largely successful.

Following this temporary period of paralyzation, during which all the industries of the country suffered equally, the European situation soon began to show its effect in a markedly different way in different industries. It is necessary, therefore, to consider these industries separately.

### *Sugar*

In the discussion of economic conditions immediately preceding the war, we had occasion to refer to the unsatisfactory condition of this industry during the years 1911, 1912 and 1913. Immediately after the outbreak of the war the price of sugar rose violently and although there has been a slight decline within recent months the present price (August, 1915) means a handsome profit to the producer. The price fluctuation is shown in the following table:

	White Price per Quintal (101,416 lbs.) F. O. B., Part of Shipment	Granulated	Mascabado
1914			
July .....	\$2.64	\$1.92	\$1.41
August .....	4.80	4.20	2.48
December .....	4.44 to 4.64	2.58	....
1915			
July .....	4.27 to 4.44	3.12	2.10

Inasmuch as some 20,000 laborers are employed in this industry, it will readily be seen that the extraordinary prosperity of the sugar industry will contribute considerably toward the industrial recovery of the country. As a considerable section of the cotton lands can be converted to sugar production, there is a widespread tendency to extend sugar cultivation. The total export in 1914<sup>1</sup> was

Class	Metric Tons	Value
White .....	7,045	\$571,877
Granulated .....	145,335	11,190,045
Mascabado (Chancaca) .....	24,288	1,095,013
Total .....	176,668	\$12,856,935

The only serious handicap to the producer at the present moment is the inordinately high freight rate to Liverpool and to New York. The normal rate to Liverpool is about \$6.69 per ton. At the present time (August, 1915) the quoted rates range from \$17 to \$19.44 per ton. With the scarcity of bottoms there seems to be no immediate prospect of an improvement in this situation.

#### *Cotton*

In sharp contrast with the condition of the sugar industry, cotton raising in 1913 and during the early months of 1914 was in an exceptionally flourishing condition owing to the high prices on the Liverpool market. As will be seen from the accompanying table, prices began to decline with the outbreak of the war, and have continued a steady downward course.

#### PRICE OF COTTON, JULY, 1914, TO JULY, 1915 (PER POUND)

	Grade Semi-Rough	Grade Fair Egipto	Grade Sea Island
1914			
July .....	14 cents	14 $\frac{1}{4}$ cents	26 cents
September .....	11 $\frac{1}{4}$	12 $\frac{3}{10}$	25 $\frac{1}{4}$
October .....	10 $\frac{1}{8}$	11 $\frac{1}{2}$	
1915			
July .....	8 cents	(no quotations)	(no quotations)

<sup>1</sup> See Report of Wm. W. Handley, Consul General of the United States at Callao.

The main reason for the lack of quotations is the fact that the rapid rise in freight rates has made practically prohibitory the export of cotton. Prior to the war the rate to Liverpool, via Panama, was \$24.30 per ton. At the present time (August, 1915), the only quoted rate is \$48.60 per ton, which makes shipping impossible at the present market price of cotton. As a result of this situation cotton producers are facing a severe crisis, with the prospect of having to market the present crop at prices that will not repay the cost of cultivation.

It may be added that during this entire period the native cotton fabrics have maintained their prices unchanged, the quotation for plain sheeting being fifty-five centavos (about twenty-six cents) per yard.

The export of cotton during 1914 was as follows:

	Kilograms
Egyptian (Peru soft) .....	16,627,244
Semi-rough .....	4,429,137
Mitafifi .....	1,778,354
Sea Island .....	1,261,673
Lint .....	133,073
Waste .....	34,000
Total .....	24,263,481

Figures for 1915 are not as yet available, but these will show a marked decline in the amounts exported.

### *Wool*

Wool raising, like sugar production, has profited by the war. In the mountainous districts the natives raise not only sheep but also secure wool from the vicuña and llama, but mainly from the alpaca. Of the latter, Peru exports from 3,000 to 5,000 tons annually, which represents three-fourths of the world's supply.<sup>1</sup> The price of alpaca wool immediately before and since the outbreak of the war has been as follows:

<sup>1</sup> See Otto Wilson: "South America as an Export Field," U. S. Bureau of Foreign and Domestic Commerce, 1914.

1914	Price per Pound
May .....	25½ cents
July .....	26
December .....	28
1915	
January .....	37
May .....	37

The fact that the total export of alpaca wool is comparatively small, amounting to \$1,573,681 in 1913, explains why the favorable condition of the wool market has not had a marked effect on the general economic condition of the country.

### *Copper*

In the introductory discussion of conditions in Peru immediately preceding the war, we had occasion to see that the condition of the copper market was only fairly satisfactory. With the steady decline in price toward the end of 1913 the situation became distinctly unfavorable. Although there was a slight recovery early in 1915, the downward movement soon resumed its course until in July, 1914, the rate for fine copper in bar delivered in New York was 13.50 cents. The first effect of the outbreak of the war was completely to demoralize the copper market. In August, 1914, the nominal quotation was 12.20 cents U. S. average, but the few sales that were effected were in many cases as low as ten cents. This situation continued for several months, and it was not until January, 1915, that the copper market showed real signs of recovery. Transactions were then effected at the market quotation of 13.50 cents per pound. Since January the copper market has been steadily strengthening until July, when the market quotation rose to 19.75 cents, where it remains at the present time (August, 1915). The copper companies are now operating at full capacity, their main difficulty being to secure adequate steamship facilities for the transportation of their product. Freight rates for copper bars have risen from \$8.75 per ton in July, 1914, to \$12.50 per ton in July, 1915. The extent to which copper production was

curtailed immediately after the outbreak of the war is readily seen when we compare the production of 1913 with 1914.

## COPPER PRODUCTION

Long Tons (2,240 lbs.)

Fine Copper	1913	1914
In bars .....	20,039	23,134
In matte .....	4,396	670
In ore .....	2,893	1,266
	<u>27,328</u>	<u>25,070</u>

Much of the curtailment was due to the lack of shipping facilities. At the present time the production has returned to normal, and with the increase of means of transportation it is evident that the output soon will be largely increased.

*Silver*

The condition of the silver market during the three years 1912-1915 has been exceedingly unsatisfactory, but as Peru exports only between \$150,000 and \$250,000 of this metal annually (1913—\$232,163; 1914—\$167,616), the effect on general industrial conditions has been hardly noticeable.

*Petroleum*

The increasing output of petroleum promises to be an important factor in bringing about a new era of prosperity in Peru. In 1914 Peru's export was as follows:

	Tons	Value
Benzine .....	28,759	\$2,989,848
Gasoline .....	885	132,111
Crude petroleum .....	107,536	1,202,681
Total .....	<u>137,180</u>	<u>\$4,324,640</u>

*Rubber*

The production of rubber, which has been the great staple product of the Amazon region of Peru, has been passing through a severe crisis during the last few years. This has been due

largely to the fact that the cultivated rubber of the Far East, with its larger product per tree, has been gradually crowding out the cruder methods of production used in South America. The relation between the production of plantation rubber and the cruder methods of production prevailing in South America is shown in the following table:

PRODUCTION IN METRIC TONS

	Plantation	Jungle Rubber	Total
1905 .....	145	60,800	60,945
1906 .....	510	65,500	66,010
1907 .....	1,000	68,000	69,000
1908 .....	1,800	63,200	65,000
1909 .....	3,600	65,400	69,000
1910 .....	8,200	61,800	70,000
1911 .....	14,100	61,900	76,000
1912 .....	28,500	70,500	99,000
1913 .....	42,000	73,000	115,000
1914 .....	64,000	60,000	124,000

Within a comparatively few years cultivated rubber will probably completely displace the jungle product.

The rapid decline in price from 1911 to 1914 made the situation more acute than it had been for many years, and brought about marked stagnation in the rubber industry. While the rise in price since the outbreak of the European war would, under ordinary circumstances, have had a stimulating effect on this industry, the lack of adequate means of transportation has prevented Peru from securing the full benefit of this rise. Not only have the freight charges from Callao to Liverpool become almost prohibitive, but there has been such a lack of available bottoms that it has been impossible to ship the accumulated stock.

Imports of articles manufactured from rubber to Peru and exports of crude rubber from Peru in 1914 are as follows:

IMPORTS

	Peruvian Pounds
Rubber and manufactured elastic gums.....	7,650
Ordinary and dressing rubber combs.....	4,212
	<hr/>
	11,862

## EXPORTS

	Kilos	Value
White raw rubber .....	13,392	£p. 1,628.8.53
White raw rubber, in planks .....	39,968	4,985.3.56
Rubber .....	681,227	172,184.5.17
Low grand Putumayo .....	285,260	29,288.1.58
Sernamby raw rubber .....	1,118,016	214,033.4.96
Sernamby rubber .....	134,221	23,671.3.71
	<u>2,272,084</u>	<u>£p. 445,791.7.51</u>

## CHAPTER V

### Effect of the War on Wages and Labor Conditions

It is at first glance somewhat surprising that in spite of the long continued industrial depression in Peru, the laborers in the mines and in the sugar and cotton plantations have suffered relatively little. It is true that unskilled and even skilled labor in the cities—especially in Lima and Callao—has felt severely the effects of the crisis, and the records of the "Sociedad de Beneficencia" of Lima show that there has existed widespread suffering. This has been particularly true of the dock laborers in Callao, where, since the outbreak of the war, there has been great scarcity of shipping, resulting in a large number of unemployed. This labor is not mobile, and although the sugar planters and the great mining enterprises need additional men, the wages in these two industries are not comparable with those earned by the stevedores, and they are, therefore, unwilling to make the change.

The conditions in Lima and Callao can not, therefore, be regarded as typical of the republic.

The following table will show the number employed in the several industries during the years 1912 and 1913:

1912.....	18,000 laborers employed in mining.
1913.....	21,000 laborers employed in sugar.
1913.....	2,500 in cotton and woolen mills of Lima.

#### LABOR CONDITIONS IN THE MINES

Immediately preceding the outbreak of the war, the price of fine copper had fallen to 13<sup>3</sup>/<sub>10</sub> cents per pound, and had led the principal companies to reduce their output. The immediate effect of the war was further to emphasize this depression, due in great part to the paralyzation of shipping facilities. In order



to understand the effect on labor conditions must be borne in mind that the unskilled labor in the mines is exclusively native Indian, and that the daily wage under the most favorable conditions does not exceed one and one-half soles (72 cents) per day. These laborers belong to two categories:

*First.* The "enganchados." These are laborers secured by contractors who advance certain sums to the laborers (from 10 to 50 soles, or \$4.80 to \$24) which enables them to transport their families and purchase certain necessities of life in the cold "sierra," or mountainous districts. These men receive from 58 to 72 cents per day and at the end of each month one-third of their monthly wages is deducted to repay the money advanced.

*Second.* The "trabajadores libres" or free laborers, to whom no advances are made, and who receive the same pay (58 to 72 cents per day) but from whose wages it is not necessary to make any reductions to repay advances.

Both classes of labor receive free of rental a house (or rather hut) about twelve by seventeen feet, to which a small kitchen is attached. Supplies are purchased from company stores, which are managed in Peru with greater regard to the welfare of the laborer than is the case in most other countries. In fact, the most important of the mining companies—the Cerro de Pasco Mining Company—has pursued a most enlightened policy in this respect, maintaining the necessities of life at the lowest possible price at a time when falling exchange is increasing the cost of living in all parts of the republic.

All of the companies have had considerable difficulty in securing sufficient labor, and rather than lose their labor force they continued operating, in some cases even at a loss. Although some reduction was made in wages, such reduction did not amount to more than five or ten cents in the daily wage. It is evident that, at best, a wage of from 58 to 72 cents keeps the laborer close to the margin of existence. Furthermore, the companies feared losing their labor force if any considerable reduction were attempted.

Soon after the outbreak of the war the price of all metals, and especially of copper, began to rise and the companies soon began to increase their labor force. At the present writing<sup>1</sup> the most important companies are gradually approaching full capacity. The greatest difficulty with which the companies have to contend is the lack of adequate shipping facilities for the marketing of their product. As soon as this obstacle is overcome the companies will be working at the fullest possible capacity.

With the improvement of conditions the miners have again secured their normal wage of one and one-half soles (72 cents) and the companies are now looking for additional labor. It is not likely, however, that the improved market conditions will lead to a rapid rise in wages, owing to the lack of organization of the laboring population. In fact, a few years ago the leading mining companies reached an understanding by which they are to refrain from competing with one another for labor and under which a scale of wages was agreed upon.

Although the wage of the unskilled laborer is exceedingly low, the most important of the mining companies<sup>2</sup> has adopted a liberal policy in caring for its laborers. Improved housing facilities have been provided, also adequate and gratuitous medical service, and the company stores managed for the benefit of the laborer rather than with a view to profit. The scale of wages in the copper mines is as follows:

	Per Day	
	Soles	Dollars
Miner .....	1.20 to 1.50	0.58 to 0.72
Helper .....	1 to 1.20	0.48 to 0.58
Timberman .....	3.50	1.68
Timberman helper .....	2.00	0.96
Mechanic .....	3.50	1.68
Motorman .....	5.00	2.40
Blacksmith .....	3.00	1.44

In the smelters the average wage is considerably higher, being at least 2½ soles or \$1.20 per day.

<sup>1</sup> August, 1915.

<sup>2</sup> Cerro de Pasco Mining Company.

### WAGES ON SUGAR PLANTATIONS AFFECTED BY THE WAR

Although the war has had a marked effect on the sugar industry, inaugurating a period of high prices and relative prosperity, the laborers have failed to derive any real profit therefrom. The labor system on the sugar plantations is almost exclusively one of "enganchados," *i.e.*, laborers who are brought together by contractors who advance to them funds necessary for their equipment. The laborers are thereby obligated to repay these advances through the assignment of a certain percentage of their daily wage. It is evident that this system is one that lends itself to very great abuse and it has required great vigilance on the part of the government to prevent such abuses. Nevertheless the abolition of the system would mean a real advance in the status of the laboring population.

Owing to the fact that employment on the sugar plantations is intermittent, it is necessary at certain seasons of the year to transport large numbers of laborers to the plantations. The usual plan is to pay them from 60 centavos (29 cents) to one sol (48 cents) per day, and to allow to each family a ration of two pounds of rice and one pound of meat per day. In addition the laborers are housed free of charge.

Although at the present moment<sup>1</sup> the sugar planters are reaping large profits, the situation of the plantation laborer shows no sign of improvement, unless it be the fact that his ration today represents greater value than before the war owing to the rise in price of the necessaries of life.

### COTTON PLANTATION LABOR AS AFFECTED BY THE WAR

Since the outbreak of the war the cotton raising industry has been in a condition of marked depression. The closing of many European mills led to a violent decline in price, and the lack of shipping facilities made it practically impossible to market the product even at these low prices. Fortunately, the

<sup>1</sup> August, 1915.

local cotton factories have been able to use a considerable portion of the product.

In spite of the gradual increase in the price of raw cotton the high prevailing freight rates have made it extremely difficult to market the product in Europe. In spite of this depressed condition, however, the wages of labor on the cotton plantations have suffered no decline. This is due in large part to the increasing demand for labor on the sugar estates. Furthermore, owing to the fact that employment on the cotton plantations is more intermittent than on the sugar estates, the rate of wages is higher, ranging from one sol, 20 centavos (58 cents) to one sol, 50 centavos (72 cents) per day.

## CHAPTER VI

### Effect of the War on International Trade

The imports into Peru during the five years preceding the outbreak of the European war are shown in the accompanying table. When compared with the exports it will be seen that the balance of trade has been steadily favorable to Peru: <sup>1</sup>

Year	Imports	Exports
1909 .....	\$20,891,327	\$31,554,382
1910 .....	24,206,187	34,380,009
1911 .....	26,484,257	36,145,271
1912 .....	25,027,814	45,871,504
1913 .....	29,591,451	44,409,610

During the last six months of 1914 and the first six months of 1915 both imports and exports suffered a severe decline.

Until the commercial depression, which began to make its full effect apparent in 1913, the exports of Peru to the United States increased with great rapidity. In 1913 the export trade suffered a severe setback, due in the main to the unfavorable condition of the rubber, sugar and copper markets. With the outbreak of the war the export trade was temporarily paralyzed, although it began to recover toward the end of 1914, and was well on toward normal conditions during the early months of 1915. The distribution of Peruvian exports amongst the leading countries is as follows:

#### DISTRIBUTION OF EXPORTS

	1911	1912	1913	1914
United States .....	\$10,187,997	\$17,495,279	\$14,741,839	\$14,807,895
United Kingdom .....	12,017,921	13,734,561	16,539,110	15,912,116
Chile .....	6,332,381	5,157,534	5,847,139	6,231,200
Germany .....	2,776,765	3,205,496	2,963,884	1,598,804

<sup>1</sup> Report of Wm. W. Handley, United States Consul General at Callao, Peru.

Early in 1915 the export trade began to improve, due to the worldwide demand for sugar and copper.

The situation during the latter part of 1914, which is the most recent period for which figures are available, shows clearly the effect of the war on Peruvian exports. The exports<sup>1</sup> to the United States during the last five months of 1914, as compared with the similar period of 1913, were as follows:

## EXPORTS FROM PERU TO THE UNITED STATES

	1913	1914
August .....	\$668,439	\$1,263,275
September .....	962,735	752,873
October .....	1,064,853	765,531
November .....	1,111,482	999,594
December .....	1,164,345	841,153

The principal articles of export, and the amounts shipped each year were as follows:

## PRINCIPAL EXPORTS

	1912	1913	1914
Cotton .....	\$5,075,110	\$6,912,529	\$7,026,090
Sugar .....	6,784,505	6,717,039	13,204,745
Rubber .....	6,365,508	3,970,159	2,228,945
Straw hats .....	2,105,358	577,828	255,810
Wool (alpaca) .....	1,037,042	1,573,681	1,762,225
Copper .....		8,413,415	7,151,785

Similarly, the effect of the war on Peru's import trade can be followed. The distribution of this trade during the years 1912, 1913 and 1914 was as follows:

## DISTRIBUTION OF PERU'S IMPORT TRADE

	1912	1913	1914
United States .....	\$5,763,425	\$8,530,523	\$7,633,719
United Kingdom .....	6,648,368	7,769,225	6,505,363
Germany .....	4,521,729	5,132,039	3,144,434

<sup>1</sup> Otto Wilson: "Forecast of Trade with South America," U. S. Bureau of Foreign and Domestic Commerce.

During the last five months of 1914 the imports of Peru from the United States showed the following decline, as compared with the similar period of 1913 :

## IMPORTS OF PERU FROM THE UNITED STATES

	1913	1914
August .....	\$581,766	\$500,869
September .....	536,320	237,522
October .....	575,140	387,588
November .....	589,274	350,780
December .....	634,478	552,598

Imports from other countries show even a more marked decline. Although specific data are not available, the indications are that 1915 will show some recovery in imports, especially from the United States. There is no lack of demand for American manufactures, but recovery is being delayed by reason of the reluctance of the American manufacturer to adapt himself to the credit conditions of the Peruvian market. This reluctance has been a source of keen disappointment to the merchants of Peru. They have found themselves cut off from the European sources of supply, due primarily to the lack of adequate transportation facilities and to the inability of the European manufacturers to continue the long term credits to which the Peruvian manufacturers have been accustomed. In this emergency the business men of Peru have turned to the United States for relief, hoping and confidently expecting that the American manufacturer would utilize the opportunity to displace his European competitor. The failure of the American manufacturer to respond to the emergency has not only been a source of disappointment, but has given rise to widespread criticism. An examination of the situation will disclose that the failure of the American manufacturer to respond to the needs of the Peruvian merchant has been due, in part, to certain peculiarities of the industrial and financial organization of the United States, and, in part, to the lack of those facilities for credit information which the European manufacturer has enjoyed for many years and which were developed as a result

of long continued effort and considerable sacrifice. The British and German manufacturer has been able to secure complete and adequate credit information concerning every Peruvian merchant through the German and British banks established in Lima, with branches in most of the important cities of the country. It is to be noted in this connection that the problem of securing accurate information concerning the financial standing of merchants in Peru, as well as the other countries of South America, is far more difficult than in the United States. Inquiries concerning financial standing are resented by South American merchants as an intrusion upon their private affairs, and it is, therefore, impossible for an ordinary commercial agency to secure in a short time the information needed by American manufacturers as a basis for the extension of long term credits. This information can best be gathered through the commercial departments of well organized banking institutions. Not only will such banks be in a position to furnish the American manufacturer with the needed information, but they can perform the further service of discounting the notes of Peruvian merchants, given in payment of the purchases of American products. In other words, the present situation demands the development of new financial machinery which will enable the American manufacturer to offer to the Peruvian merchant the same facilities which he has heretofore enjoyed in Great Britain, Germany and the other countries of Europe.

It is evident from the foregoing discussion that one of the great needs of the present moment is the establishment of American banks with an organization adequate and capital sufficient to meet the needs of the present situation. The emphasis on capital investment is important because of the fact that the industrial and social progress of the country is dependent almost exclusively on foreign capital. The rate of wages of the laboring classes is so low that there is little or no saving on their part. Furthermore, the addition to the nation's working capital through the savings of the middle classes is also comparatively small. The question of increased working capital for the coun-



try is, therefore, a matter of vital importance, and any American bank which is to perform the services of which the country stands in need must be prepared to make a considerable capital investment in the country. A start in this direction has been made through the establishment of one American bank in Lima. This will be followed by other institutions, thus building up in Peru a financial organization equal to that enjoyed at the present time by the manufacturers of Great Britain and Germany.

#### EFFECT OF THE WAR ON TRANSPORTATION FACILITIES

In no department of the commercial life of Peru has the effect of the European war been felt with greater violence than in the facilities for the transportation of the leading national products—minerals, sugar, cotton—to the markets of Europe and the United States. It is safe to say that had Peru enjoyed adequate transportation facilities at reasonable rates, since the outbreak of the war, she would have been able to extricate herself from the disastrous depression which has hung as a cloud over the country. With the advance in price of the staples—copper and sugar—Peru has found herself confronted not only with rapidly advancing freight rates but with such a scarcity of available bottoms that the marketing of her products has become exceedingly difficult.

As regards freight rates, it is only necessary to note the contrast between the rates of July, 1914, and July, 1915, to appreciate the situation. Owing to the greater risks of navigation the rates from Callao to Europe have advanced to a far greater extent than those from Callao to New York and even at the rates quoted it has at times been exceedingly difficult to secure bottoms for shipments. The advance in rates from Callao to New York via Panama from the period immediately preceding the war to the present has been as follows:

## CALLAO TO NEW YORK VIA PANAMA

	July, 1914 Per Ton of 2,240 lbs.	July, 1915 Per Ton of 2,240 lbs.
Sugar .....	\$8.10	<sup>a</sup> \$12.50
Copper in bars .....	8.75	12.50
Cotton .....	23.75	<sup>b</sup> 30.00
Hides .....	25.00	30.00
Wool .....	23.75	<sup>c</sup> 30.00
Ores <sup>d</sup> .....	13.75	15.00

## CALLAO TO LIVERPOOL (VIA MAGELLAN)

Sugar .....	£1.10.0	<sup>e</sup> £4.0.0
Copper bars .....	(Open rate. All copper from Peru going to United States)	
Cotton .....	4.15.0	<sup>f</sup> 10.0.0
Hides (dry) .....	4.15.0	
Hides (wet) .....	3.15.0	9.0.0
Wool .....	4.10.0	<sup>g</sup> 12.0.0
Ores .....	1.10.0 (up to value of £10 per ton)	4.0.0 (up to value of £25 per ton)

<sup>a</sup> Although this is the published rate the companies are asking as high as \$15.

<sup>b</sup> Although this is the published rate the companies are asking as high as \$38.

<sup>c</sup> Although this is the published rate the companies are asking as high as \$40.

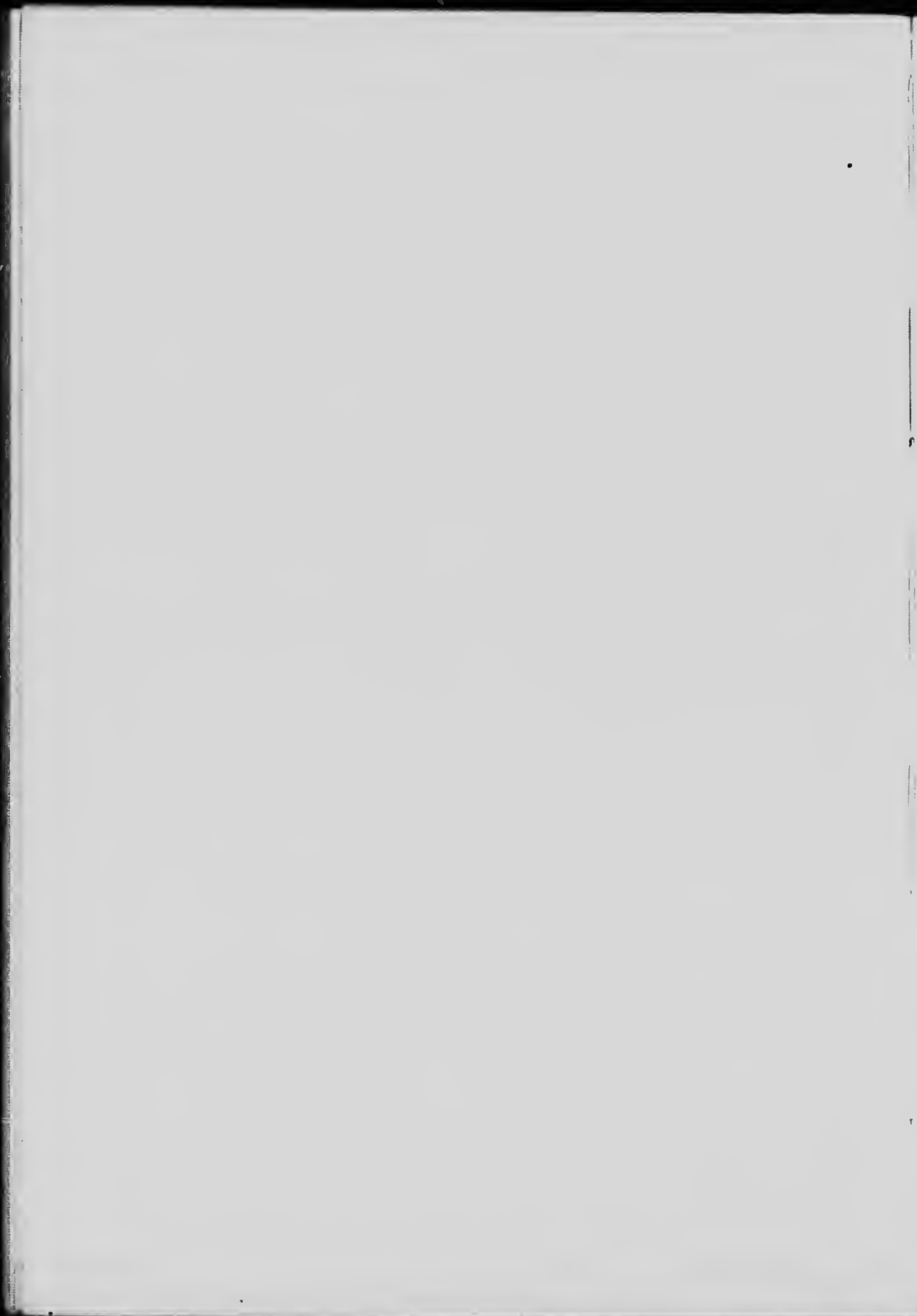
<sup>d</sup> Up to value of \$125 per ton.

<sup>e</sup> Although this is the published rate the companies have been asking as high as £5.10.0.

<sup>f</sup> Although this is the published rate the companies have been asking as high as £12.0.0.

<sup>g</sup> Although this is the published rate the companies have been asking as high as £14.0.0.

## APPENDICES



## APPENDIX A

### Trade with United States

#### IMPORTS OF MERCHANDISE FROM PERU <sup>a</sup>

Articles	Quantities		Values	
	1913	1914	1913	1914
Articles the growth, produce or manufacture of the United States, returned (free) .....			\$39,054	\$11,251
Art works (free) .....			1,022	216
Chemicals, drugs, dyes and medicines (free) .....			2,568	600
Chemicals, drugs, dyes and medicines (dut.) .....			79,778	61,023
Coke, tons (free) .....		648		2,757
Copper, and manufactures of—				
Ore, matte and regulus (copper contents): lbs. (free) .....	10,637,861	10,822,341	1,741,406	1,617,793
Pigs, ingots, bars, plates and old, lbs. (free) .....	40,219,500	46,803,222	4,778,842	6,597,499
Cotton, unmanufactured, lbs. (free) .....	4,871,835	6,455,946	841,984	1,141,308
Fertilizers: Guano, tons (free) .....	7,389		74,809	
Hats, bonnets and hoods, composed of straw, chip, etc. (dut.) .....			59,778	97,782
Materials for (dut.) .....			1,514	
Hides and skins (except fur skins), lbs. (free) .....	867,234	934,893	250,339	263,837
Household and personal effects (free) .....			3,215	3,537
India rubber, crude, lbs. (free) .....	352,347	1,016,500	303,292	427,002
Iron and steel, manufactures of—				
Wire, and articles made from (dut.) .....			5,978	
Ivory, vegetable, lbs. (free) .....	479,475	634,180	18,645	15,419
Minerals, crude (free) .....			9,192	120
Oils: Mineral—				
Crude, gals. (free) .....	16,736,715	20,710,023	411,439	566,535
Refined, gals. (free) .....	6,379,280	12,111,642	402,696	867,020
Paper, and manufactures of: Books, music, maps, etc. (dut.) .....			14,695	
Sugar cane, lbs. (dut.) .....	13,672,216	8,981,684	325,013	181,519
Vegetables: Beans, bush. (dut.) .....		7,638		18,391
Wool:				
Unmanufactured, lbs. (free) .....		164,199		40,954
" (dut.) .....	932,559	244,613	292,518	77,924
Hair of the Angora goat, etc., unmanufactured, lbs. (dut.) .....		766,327		234,570
All other free and dutiable articles .....			7,602	8,066
Total free of duty .....			\$8,898,360	\$11,502,486
Total dutiable .....			768,219	673,237
Total imports of merchandise .....			\$9,666,579	\$12,175,723

<sup>a</sup> "Trade of the United States with Other American Countries, 1913-1914," U. S. Bureau of Foreign and Domestic Commerce.

EXPORTS OF MERCHANDISE TO PERU<sup>a</sup>

Articles	Quantities		Values	
	1913	1914	1913	1914
<b>Abrasives—</b>				
Wheels, emery, and other.....			\$1,528	\$1,042
All other .....			5,003	3,140
<b>Agricultural implements, and parts of—</b>				
Plows and cultivators .....			42,063	68,062
All other .....			16,319	13,687
<b>Animals—</b>				
Cattle (No.) .....	40	42	1,745	4,200
All other .....			835	2,702
<b>Asbestos, manufactures of .....</b>			1,991	4,287
<b>Asphaltum, manufactures of .....</b>			3,163	300
<b>Athletic and sporting goods .....</b>			1,717	3,645
Babbitt metal (lbs.) .....	10,447	23,112	2,316	4,940
Blacking .....			6,091	4,626
Brass, manufactures of .....			13,927	6,665
<b>Breadstuffs—</b>				
Bread and biscuit (lbs.) .....	72,022	19,818	4,444	1,776
Oatmeal (lbs.) .....	20,019	27,688	1,225	1,446
Preparations of, for table food .....			9,096	8,627
Wheat (bush.) .....	190,305	21,433	105,300	19,729
Wheat flour (bbis.) .....	94,343	118,159	374,059	464,948
Broom corn, manufactures of .....			11,172	5,400
Brushes .....			1,319	977
<b>Cars, carriages, other vehicles, and parts of—</b>				
<b>Automobiles, and parts of—</b>				
Automobiles, passenger (No.) .....	70	36	55,646	31,362
Parts of .....			2,550	5,982
Carriages (No.) .....	34	10	5,270	1,400
<b>Cars, passenger and freight—</b>				
For steam railways .....			98,405	22,885
For other railways .....			89,964	110,518
Bicycles, tricycles, etc. ....			1,679	1,609
Wagons (No.) .....	18	60	2,036	5,568
Wheelbarrows, pushcarts and hand trucks .....			9,396	7,079
All other .....			1,317	7,859
Cement, hydraulic (hbis.) .....	92,983	77,923	123,177	109,902
<b>Chemicals, drugs, dyes and medicines—</b>				
Acids .....			3,059	4,782
Calcium carbide (lbs.) .....	349,740	652,200	12,258	22,787
Medicines, patent or proprietary .....			199,585	197,320
All other .....			83,461	85,432
<b>Clocks and watches, and parts of .....</b>			3,139	2,631
Coal, bituminous (tons) .....	9,209	96	27,636	433
Confectionery .....			8,404	6,198
Copper, and manufactures of .....			65,755	35,954
<b>Cotton, manufactures of—</b>				
<b>Cloths—</b>				
Unbleached (yds.) .....	1,000,554	1,181,504	68,710	76,253
Bleached (yds.) .....	209,476	169,840	14,692	14,990
Colored (yds.) .....	556,487	594,334	42,072	47,218
Waste, cotton (lbs.) .....	28,446	454	1,631	36
<b>Wearing apparel—</b>				
Corsets .....			10,327	4,949
Knit goods .....			11,196	11,105
All other .....			34,678	40,975
All other .....			15,925	20,634

<sup>a</sup> "Trade of United States with Other American Countries, 1913-1914."

## EXPORTS OF MERCHANDISE TO PERU—Continued

Articles	Quantities		Values	
	1913	1914	1913	1914
Dental goods .....			\$8,319	\$7,135
Earthen, stone and china ware—				
Bricks—				
Building (M.) .....	350		2,565	
Fire (M.) .....	200	554	9,880	16,772
Earthen and stone ware .....			5,201	6,362
All other .....			5,772	3,511
Electrical machinery, appliances and instruments—				
Dynamos, or generators .....			108,816	12,081
Insulated wire and cables .....				25,406
Lamps—				
Arc (No.) .....	49	30	990	641
Incandescent—				
Carbon filament (No.) .....	37,010	26,675	4,536	3,647
Metal filament (No.) .....	53,018	20,524	19,801	4,186
Motors .....			83,288	68,350
Static transformers .....				8,532
Telephones .....			2,906	5,079
All other .....			160,224	118,333
Explosives—				
Cartridges .....			34,061	17,508
Dynamite (lbs.) .....	108,506	619,004	11,825	56,284
All other .....			17,953	26,221
Fibers, vegetable, and textile grasses, manufactures of—				
Cordage (lbs.) .....	924,910	646,801	82,204	56,800
Twine .....			4,693	4,083
Fire extinguishers .....			200	1,585
Fish—				
Salmon, canned (lbs.) .....	513,311	301,374	34,129	10,001
Canned fish (except salmon and shellfish) .....			2,208	1,243
Shellfish .....			17,145	8,057
Fruits—				
Apricots, dried (lbs.) .....	22,254	10,300	2,441	1,363
Peaches, dried (lbs.) .....	24,100	15,350	1,659	1,041
Prunes (lbs.) .....	49,333	35,415	3,087	2,608
All other, green, ripe, or dried .....			2,466	2,008
Prepared or preserved .....			12,155	7,300
Furniture of metal .....			1,219	4,026
Furs and fur skins, dressed, etc. .....			2,090	3,396
Glass and glassware—				
Bottles, vials, demijohns, carboys and jars .....			1,065	218
All other .....			16,881	18,768
Grease, lubricating .....			19,297	24,351
Household and personal effects .....			1,517	8,245
India rubber, manufactures of—				
Belting .....			26,308	26,919
Boots and shoes (pairs) .....	1,650	550	2,810	2,150
Tires .....			4,303	7,427
All other .....			8,088	7,650
Ink .....			3,594	3,614
Instruments and apparatus for scientific purposes .....			6,403	12,353
Iron and steel, and manufactures of—				
Pig iron (tons) .....	292	140	5,475	2,470
Bars or rods of steel (lbs.) .....	2,446,391	3,596,098	41,800	63,254
Bolts, nuts and washers (lbs.) .....	186,423	199,833	6,508	8,366
Builders' hardware—				
Locks .....			10,222	10,599
Hinges, and other .....			44,243	37,925
Car wheels (No.) .....	474	208	3,239	1,818
Castings, n.e.s. .....			19,624	25,326
Cutlery .....			7,508	7,339

## EXPORTS OF MERCHANDISE TO PERU—Continued

Articles	Quantities		Values	
	1913	1914	1913	1914
Enamel ware—				
Lavatories and sinks .....			\$8,785	\$7,774
All other .....			1,078	2,230
Firearms .....			22,180	14,633
Machinery, machines and parts of—				
Air-compressing machinery .....			2,514	10,710
Cash registers (No.) .....		36	1,071	5,065
Cotton gins (No.) .....	50	52	23,157	18,695
Elevators, and elevator machinery .....			15,303	6,385
Engines, and parts of—				
Electric locomotives (No.) .....			1,035	.....
Internal combustion—gasoline—				
Marine (No.) .....	91		7,547	14,835
Stationary (No.) .....		60	13,841	12,023
Traction (No.) .....			73	5,965
Steam—				
Locomotives (No.) .....			80,540	96,116
Marine (No.) .....			1,139	.....
Stationary (No.) .....			17,486	2,350
All other (No.) .....	18	0	7,031	3,395
Parts of .....			39,325	71,138
Laundry machinery .....			3,134	1,052
Metal-working machinery .....			40,651	35,294
Milling machinery (flour and grist) .....			1,404	2,102
Mining machinery .....			258,870	300,202
Printing presses .....			14,330	13,792
Pumps, and pumping machinery .....			51,473	43,998
Refrigerating machinery .....			6,378	30,181
Sewing machines .....			67,334	136,193
Sugar-mill machinery .....			20,531	19,004
Textile machinery .....			1,693	.....
Typesetting machines, linotype and others .....			5,915	25,008
Typewriting machines .....			67,578	40,315
Windmills .....			4,924	3,764
Woodworking machinery—				
Sawmill machinery .....			6,336	3,155
All other .....			6,133	30,286
All other machinery, and parts of .....			132,669	140,888
Nails and spikes—				
Railroad spikes (lbs.) .....	160,358	59,700	3,831	1,552
Wire (lbs.) .....	807,780	800,429	22,654	18,952
Pipes and fittings (lbs.) .....	6,229,475	6,793,102	152,655	162,283
Rails for railways (tons) .....	6,439	4,840	181,553	141,320
Railway track material, etc., except rails and spikes .....			61,748	51,488
Safes (No.) .....	55	92	2,493	5,065
Scales and balances .....			14,480	18,855
Sheets and plates—				
Iron, galvanized (lbs.) .....	4,495,375	1,575,696	131,352	49,399
Steel—				
Plates (lbs.) .....	1,289,099	499,207	24,988	9,441
Sheets (lbs.) .....	2,514,795	5,995,723	61,662	158,801
Stoves, ranges, and parts of .....			4,904	4,630
Structural iron and steel (tons) .....	508	657	25,593	31,898
Tin plates, terneplates, and taggers tin (lbs.) .....	650,801	346,023	25,266	12,983
Tools—				
Axes (No.) .....	25,851	24,028	15,471	15,249
Hammers and hatchets .....			3,664	4,233
Saws .....			5,681	4,469
Shovels and spades .....			2,407	5,164
All other .....			56,708	60,212



## EXPORTS OF MERCHANDISE TO PERU—Continued

Articles	Quantities		Values	
	1913	1914	1913	1914
Wire, and manufactures of—				
Wire—				
Barbed (lbs.)	1,108,765	1,607,148	\$27,886	\$40,420
All other (lbs.)	104,740	577,057	4,828	12,466
Manufactures of—				
Woven-wire fencing			3,111	1,005
All other			10,044	17,170
All other manufactures of			231,357	181,538
Lamps, chandeliers, etc. (except electric)			27,048	27,742
Lead, manufactures of			8,437	9,257
Leather, and manufactures of—				
Leather and tanned skins—				
Belting			8,100	14,052
Patent			10,528	17,063
Upper—				
Calf (sq. ft.)	84,221	63,812	10,004	15,751
Glazed kid (sq. ft.)	230,553	221,713	54,047	40,703
All other			1,403	
Manufactures of—				
Boots and shoes—				
Children's (pairs)	3,210	9,049	3,085	10,704
Men's (pairs)	49,070	38,812	144,000	137,800
Women's (pairs)	6,602	10,015	13,778	25,502
Harness and saddles			7,850	5,488
All other			6,017	4,313
Malt (bush.)	10,749	8,331	11,010	8,025
Meat and dairy products—				
Meat products—				
Beef products—				
Beef, canned (lbs.)	122,477	37,141	14,020	4,009
Beef, pickled and other cured (lbs.)	33,140	20,398	3,313	1,947
Tallow (lbs.)	209,248	152,904	14,700	11,515
Hog products—				
Bacon (lbs.)	17,258	47,191	2,628	7,095
Hams and shoulders, cured (lbs.)	64,575	61,360	9,800	9,494
Lard	4,622,077	3,804,701	558,043	452,543
Pork, pickled	9,000	22,423	992	2,422
Lard compounds and other substitutes for lard (lbs.)	501,155	194,192	40,140	17,337
Sausage (lbs.)	13,399	18,729	1,002	2,547
All other meat products—				
Canned			4,823	2,362
All other			2,390	1,398
Dairy products—				
Butter (lbs.)	6,079	9,716	2,070	2,927
Cheese (lbs.)	16,174	6,488	3,084	1,157
Milk, condensed (lbs.)	322,462	530,847	24,802	39,345
Motor boats (Nos.)	8	5	11,562	12,844
Musical instruments, and parts of—				
Player pianos (Nos.)	1	4	285	2,052
All other (Nos.)	15	14	4,371	3,098
All other, and parts of			2,424	1,901
Naval stores—				
Rosin (bbls.)	8,270	3,473	55,507	22,795
Turpentine, spets. of (gals.)	42,575	34,975	21,523	17,006
Oilcloth			2,226	1,716
Oils—				
Mineral, refined or manufactured—				
Illuminating (gals.)	395,580	573,826	53,160	73,357
Lubricating and heavy paraffin oil (gals.)	257,700	312,914	59,164	67,939
Naphthas, etc.—Gasoline (gals.)	3,170	13,823	795	3,812
Residium, etc.—				
Gas oil and fuel oil (gals.)	7,157,180		104,445	
All other (gals.)	5,108,367	10,837,652	78,734	258,233
Vegetable			7,999	3,665

## EXPORTS OF MERCHANDISE TO PERU—Continued

Articles	Quantities		Values	
	1913	1914	1913	1914
Paints, pigments, colors and varnishes—				
Dry colors .....			\$6,208	\$5,511
Ready-mixed paints (gals.) .....	3,095	9,587	5,207	12,355
Varnish (gals.) .....	1,161	907	1,322	1,481
All other (including crayons) .....			4,112	708
Paper, manufactures of—				
Bags .....			4,005	5,480
Books, music, maps, engravings, etc. ....			34,887	28,906
Carbon paper .....			1,251	1,704
Paper hangings .....			1,247	3,081
Playing cards .....			2,578	1,849
Printing paper—				
News print (lbs.) .....	826,920	773,528	19,419	18,472
All other (lbs.) .....	95,378	135,980	4,958	4,697
Wrapping paper (lbs.) .....	24,711	11,777	1,450	639
Writing paper and envelopes .....			20,382	16,068
All other .....			13,388	11,376
Paraffin and paraffin wax (lbs.) .....	1,272,844	589,804	50,266	22,745
Paste .....			143	1,261
Pencils (except slate) and pencil leads. ....			3,340	3,940
Perfumeries, cosmetics and all toilet preparations .....			46,231	44,791
Phonographs, graphophones, gramophones, and records, and materials for .....			36,180	17,407
Photographic goods—				
Cameras .....			2,872	2,749
Motion picture films (lin. ft.) .....	63,075	7,260	1,534	780
Other sensitized goods .....			9,104	11,544
All other .....			4,208	1,703
Plated ware, except cutlery and jewelry .....			8,192	6,343
Refrigerators .....			903	3,912
Roofing felt and similar materials .....			7,904	3,633
Seeds .....			413	1,171
Silk, manufactures of .....			1,251	3,344
Soap—				
Toilet or fancy .....			9,948	6,868
All other (lbs.) .....	486,647	324,097	22,616	15,060
Spirits, wines, malt liquors, etc.—				
Malt liquors in bottles (doz. qts.) .....	283	739	463	1,080
Whiskey, rye (pf. gals.) .....	1,207	628	2,566	1,369
Wine (gals.) .....	1,617	660	851	325
All other .....			2,335	319
Straw and palm leaf, manufactures of .....			2,177	218
Surgical appliances (not including instruments) .....			20,891	34,438
Tin, manufactures of .....			2,726	4,080
Toys .....			1,244	790
Trunks, valises and traveling bags .....			2,161	758
Type (lbs.) .....	23,160	13,775	8,706	5,629
Vegetables—				
Potatoes (except sweet) (bush.) .....	512	1,438	382	1,358
Canned .....			14,536	7,197
All other .....			413	1,919
Wood, manufactures of—				
Lumber—				
Boards, planks and deals—				
Fir (M. ft.) .....	46,844	53,983	602,407	630,598
Oak (M. ft.) .....	246	436	20,268	28,566
White pine (M. ft.) .....	21	68	949	4,204
Yellow pine—				
Pitch (M. ft.) .....	229	1,129	9,198	42,032
All other (M. ft.) .....	370	174	15,075	7,596
Poplar (M. ft.) .....		62	.....	2,827
Redwood (M. ft.) .....	747	2,132	22,630	52,939

EXPORTS OF MERCHANDISE TO PERU—*Continued*

Articles	Quantities		Values	
	1913	1914	1913	1914
Wood, manufactures of— <i>Continued.</i>				
Lumber—				
Boards, planks and deals— <i>Continued.</i>				
Spruce (M. ft.) .....	142	217	\$2,470	\$3,555
All other (M. ft) .....	38	83	2,863	6,715
Railroad ties (No.) .....	166,922	359,709	67,563	124,084
Shooks—				
Box (No.) .....	584,337	240,605	42,702	22,621
All other (No.) .....	800	1,600	2,472	4,555
Staves (No.) .....	04,454	43,610	12,784	7,543
Furniture .....			69,454	68,291
Trimmings, moldings and other house finishings .....			1,365	236
All other manufactures of .....			66,453	55,100
Wool, manufactures of—				
Wearing apparel .....			1,101	1,993
All other .....			1,785	1,909
Zinc, manufactures of .....			1,452	470
All other articles .....			30,970	20,014
Total domestic exports .....			\$7,325,455	\$7,115,514
Foreign exports, total .....			16,448	25,738
Total .....			\$7,341,903	\$7,141,252

The following figures show the trade of Peru with the United States before the war, and in each month of 1914 since the war:<sup>1</sup>

Month	Exports to U. S.		Imports from U. S.	
	1913	1914	1913	1914
January-July .....	\$5,852,733	\$6,647,515	\$4,581,938	\$3,847,130
August .....	668,439	1,263,275	581,766	500,869
September .....	962,735	752,873	586,320	237,522
October .....	1,064,853	765,531	575,140	387,588
November .....	1,111,482	999,594	589,274	350,780
December .....	1,164,345	841,153	694,478	552,598
Total for year.....	\$10,824,587	\$11,269,941	\$7,608,916	\$5,876,487

<sup>1</sup> Otto Wilson: "Forecast of Trade with South America," U. S. Bureau of Foreign and Domestic Commerce.

## APPENDIX B

### Trade with Countries of the World

#### IMPORTS<sup>a</sup>

Country	1911	1912	1913	1914
Argentina .....	\$42,698	\$34,054	\$13,263	\$9,404
Arica .....		6,998	6,245	5,686
Australia .....	1,116,720	1,164,251	631,290	909,150
Austria .....		685	1,293	1,895
Barbados .....		131		
Belgium .....	1,626,494	1,192,284	1,866,916	1,334,537
Bolivia .....	5,547	3,849	1,327	16,767
Brazil .....	43,369	14,784	19,858	7,863
Canada .....				
Chile .....	389,799	951,136	1,035,554	435,543
China .....	<sup>b</sup> 75,676	753,285	769,668	639,561
Colombia .....		11,591	45,179	6,415
Costa Rica .....		22,283	33,014	21,540
Cuba .....	78,109	112,985	158,990	127,113
Denmark .....		452	78	2,265
Ecuador .....	62,120	96,189	85,492	55,914
France .....	1,410,009	1,547,574	1,363,191	758,034
Germany .....	4,608,026	4,521,729	5,132,038	3,144,434
Great Britain .....	8,375,581	6,648,368	7,769,225	6,505,363
Holland .....		209	45,951	112,514
Honduras .....				1,113
India .....		1,620	274,303	270,969
Italy .....	971,323	1,237,876	1,236,739	979,932
Jamaica .....		1,142		1,327
Japan .....	114,731	112,659	62,878	60,565
Martinique .....				
Mexico .....	39,925	45,042	17,277	
Nicaragua .....		248		1,244
Norway .....				1,171
Panama .....	11,486	7,266	7,411	25,845
Paraguay .....				1,123
Portugal .....	102,561	117,063	86,192	34,973
San Domingo .....			24	
San Salvador .....		24,713	20,747	19,513
San Thomas .....				
Spain .....	387,637	421,624	355,494	303,978
Sweden .....			267	2,294
Tacna .....		2,576	7,616	2,649
Trinidad .....		841	2,255	739
United States .....	6,082,352	5,763,425	8,530,525	7,633,719
Uruguay .....	12,164	2,707	11,168	7,936
Venezuela .....				
Miscellaneous .....				20,650

<sup>a</sup> El Comercio Exterior del Peru, \$4.86 equivalent of one pound.

<sup>b</sup> Figures for Hong Kong.

## APPENDICES

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## EXPORTS

Country	1911	1912	1913	1914
Argentina	\$	\$1,652	\$7,621	\$139,740
Arica	118,158	107,795	139,171	181,331
Australia	130,189	.....	141,326	.....
Austria	.....	.....	5,725	6,891
Barbados	1,896	.....	948	.....
Belgium	494,650	322,369	1,212,555	396,863
Bolivia	730,903	558,200	639,591	420,317
Brazil	.....	23,221	38,501	5,229
Canada	224,368	.....	.....	942,480
Chile	6,332,381	5,157,534	5,847,139	6,231,200
China	.....	185	267	.....
Colombia	76,380	37,884	23,906	39,759
Costa Rica	.....	.....	471	.....
Cuba	.....	3,791	180	.....
Denmark	.....	.....	.....	.....
Ecuador	248,094	143,759	241,673	356,034
France	1,902,446	2,730,698	1,566,495	742,827
Germany	2,776,766	3,205,495	2,966,889	1,598,804
Great Britain	12,017,921	15,734,561	16,539,115	15,912,116
Guatemala	.....	10,206	.....	.....
Holland	.....	13,273	12,743	104,665
Honduras	.....	292	.....	29
India	.....	.....	.....	.....
Italy	13,210	11,849	7,557	49,791
Jamaica	.....	.....	.....	710
Japan	2,202	214	6,682	63
Martinique	.....	.....	.....	870
Mexico	.....	1,166	3,305	267
Nicaragua	.....	.....	.....	.....
Norway	.....	.....	.....	.....
Panama	107,529	116,990	55,754	46,078
Paraguay	.....	.....	.....	.....
Portugal	.....	.....	578	2,308
San Domingo	.....	.....	.....	.....
San Salvador	.....	2,916	.....	773
San Thomas	.....	.....	8,471	554
Spain	299,471	14,998	95,047	11,854
Tacna	.....	58,748	61,008	86,814
Trinidad	.....	.....	680	199
United States	10,187,997	17,495,276	14,741,639	14,807,895
Uruguay	119,897	114,118	43,021	15,916
Venezuela	.....	4,321	972	1,439
Sweden	.....	.....	486	.....
Miscellaneous	.....	.....	254,581	507,603

## APPENDIX C

### Imports and Exports<sup>a</sup>

Year	Imports	Exports
1908 .....	\$25,850,716	\$26,663,266
1909 .....	20,919,268	31,596,583
1910 .....	24,206,188	34,425,984
1911 .....	26,484,257	36,090,095
1912 .....	25,027,814	45,878,004
1913 .....	29,591,451	44,409,610
1914 .....	<u>23,463,740</u>	<u>42,611,459</u>

<sup>a</sup> Otto Wilson: "South America as an Export Field," U. S. Bureau of Foreign and Domestic Commerce, 1914.

### PERUVIAN COMMERCE (1913)<sup>a</sup>

Items	Total Trade
Imports .....	<sup>b</sup> \$29,631,033
Exports .....	<sup>b</sup> 44,469,011
Copper .....	<sup>c</sup> 8,188,791
Cotton .....	<sup>c</sup> 7,615,313
Sugar .....	<sup>c</sup> 6,874,739

<sup>a</sup> Commerce Reports, Jan. 2, 1915.

<sup>b</sup> Figures include gold and silver.

<sup>c</sup> In 1909, the latest year of record, the United States took 81 per cent of Peru's exports of copper, 10 per cent of cotton, and 8 per cent of sugar.

### EXPORTS OF PERU<sup>a</sup>

The principal products of Peru are minerals, sugar, rubber, cotton and wool, and in 1913 were exported in the following amounts:

Minerals .....	\$18,519,450
Sugar .....	7,237,500
Cotton .....	4,197,750
Rubber and gums .....	4,825,000
Wool .....	<u>2,653,750</u>
Total exports .....	<u>\$37,722,950</u>

<sup>a</sup> Otto Wilson: "Forecast of Trade with South America," Bureau of Foreign and Domestic Commerce, 1915.

