

Financial Plan for Latin-America

MR. BRYAN'S INTERESTING PROPOSAL

The following is an extract taken from a financial letter issued by the City National Bank of New York, June, 1915, concerning the financial plan referred to in an address delivered by Mr. Bryan at a banquet to the Uruguayan delegates to the recent Pan-American Financial Conference, and printed in another part of The Commoner under the heading, "Aiding Latin America":

"The most important proposal that developed during the financial conference between the secretary of the treasury and the delegates of the Central and South American republics is one which has passed unnoticed by the newspapers and has found no place in the official record of the conference.

"Secretary of State Bryan presented a proposal at a dinner given by General Edward C. O'Brien, formerly minister of the United States to Uruguay, in honor of the minister of finance of Uruguay and the members of the Uruguayan delegation, looking to an interchange of credit by the government of the United States with governments within the Pan-American Union that might desire to take advantage of the arrangement. The secretary of state was careful to say that he threw out the suggestion he was about to make quite in a personal and unofficial way, obviously guarding against its being regarded at this time as an administrative measure or as representing even the views of any of his colleagues.

"His premise was that the development of several of the South American republics was greatly hindered by the lack of credit which would enable those countries to borrow on any reasonable basis. He cited instances of governments paying eight per cent, and he could, of course, have cited many such instances, and some where the rate would have been even higher. He very properly regarded this lack of credit and consequent lack of national initiative as a great loss, not alone to the countries and the people of the nations being considered, but quite as well to the people of the United States.

"This interchange of credit was to be accomplished by taking from a South American nation its obligation bearing four per cent interest and giving such a country a like amount of United States bonds bearing three per cent interest. Our government, however, instead of making the one per cent difference in interest rates, would devote this to the amortization of the South American bonds, which by investing the sinking fund at three per cent would be accomplished in 47 years.

"Making allowance for all the difficulties that will be immediately thought of in the consummation of such a scheme, it still deserves to be pronounced not only a daring but a really brilliant conception. It is daring because it goes beyond the conventional in government finance, but it is brilliant because it appeals to the imagination as offering something that while attended by difficulties is not impossible of realization, and if carried through successfully would be an historic act of statesmanship. The benefits to the states that took advantage of such an opportunity for useful and practical purposes would be obviously very great, as they would not only pay a lower rate of interest than that to which they have been accustomed, but they would be under no necessity of making additional provision for the payment of the principal. On the other hand the United States would be nothing out of pocket if our South American

neighbors always made their annual payments promptly.

"The idea is unusual, and the secretary of state advanced it with some hesitancy, apparently with misgivings that his hearers might regard it visionary, but it is no farther removed from the authority of precedent than some of the recent measures of David Lloyd-George, which while creating astonishment at first have since caused the entire financial community of England to do him homage and to protest against his retirement from the position of chancellor of the exchequer. In fact, the interchange of credit that Great Britain is now making with her allies furnishes a complete example of what Mr. Bryan proposes. While we are not facing the same kind of an emergency as confronts Great Britain, it will not be denied that the establishment of friendly and mutually helpful relations between the United States and the other countries of this hemisphere is an end in which this country is tremendously interested, and for which we can afford to lend definite and tangible assistance.

"It is not a proposition for the sole benefit of our neighbors. Every dollar wisely expended in the development of these countries will yield benefits to the United States. An essential part of such a program, of course, although Mr. Bryan did not touch on it in his brief presentation, would be that our government should be entirely satisfied with the purposes for which each loan was to be incurred, that those purposes should be designed for the internal development of the countries borrowing, and that that development should be of a character, generally speaking, which would tend to increase their commerce and make them more prosperous and valuable neighbors in the international family.

"The difficulties to be dealt with would relate to this undoubtedly delicate task of discriminating among the proposals that might come up from the different governments, of prescribing terms and conditions, and of managing possible cases of default and neglect. Private lenders do not hesitate to discriminate in dealings between countries that are strong and weak financially, and to make terms and conditions for security accordingly, but a government anxious to treat all alike might find embarrassment in so doing.

"Nevertheless, we would repeat that the secretary of state has made the most interesting and stimulating suggestion that has come from the conference. It may have been regarded by the group of gentlemen who listened to it as an after-dinner stretching forth of the hand of fellowship and friendliness, somewhat Utopian so far as prospects of practical conclusion might be concerned, but is worth examining much more closely than as a mere after-dinner address. It is in fact, a plan to which the secretary of state has given careful thought, and instead of being merely an after-dinner ebullition of friendliness, it is quite possible that it represents the most astute and enlightened statesmanship."

MR. BRYAN'S DISCOVERY IN CREDIT

That only those may hope to trade successfully with South America who lend South America capital, as Great Britain, France, and Germany have done, and that otherwise ships, trade ambassadors, and English printed literature are commercially wasted, is an economic truth which now begins to impress the political imagination. The problem in its first aspect is how

South America shall be "financed." Private capital is notoriously conservative. Toward South America it has been unenthusiastic, for one good reason among others that there has been an endless demand for capital at home. The American lender never found it necessary to seek a foreign borrower; on the contrary, American borrowers have always sought foreign lenders, for this also is a borrowing nation, or was until the war began.

But South America has somehow to be financed. If American trade is to supplant European trade, American capital must supplant European capital. Where is it to come from? Wall street had no answer. Mr. Bryan had one all the time. At a recent dinner in honor of Uruguay's minister of finance, attending the Pan-American conference at Washington, he suggested a plan whereby the United States government might undertake to supply South America with cheap capital—almost an unlimited amount. It was a very simple plan. The borrowing South American republic would deliver to the United States government its 4 per cent bonds, against which the United States government would issue and sell 3 per cent bonds. The difference of 1 per cent between the interest paid by the South American borrowers to the United States government and the interest paid on the United States government bonds would be devoted to a sinking fund, which in forty-seven years would redeem the debt.

This suggestion has been warmly received by the National City Bank of New York, whose interest in South America is enthusiastic. In its June letter it says:

"Making allowance for all the difficulties that will be immediately thought of in the consummation of such a scheme, it still deserves to be pronounced not only a daring but a really brilliant conception. It is daring because it goes beyond the conventional in government finance, but it is brilliant because it appeals to the imagination as offering something that, while attended by difficulties, is not impossible of realization, and if carried through successfully would be a historic act of statesmanship."

The difficulties are obvious, indeed; but provided they were all overcome the objection would survive that a swapping of credit between the United States Government and the South American republics, in order to supply our neighbors with an abundance of cheap capital, for the ultimate sake of trade, would be in fact to subsidize Pan-American trading. One who is not biased against subsidies in principle at all may yet ask why the United States government should subsidize Pan-American trade. The government's bonds would have to be bought by American investors. Out of our fund of common capital great quantities would be loaned to South America at 3 per cent, for which American borrowers would be only too willing to pay more. There now exists in this country a demand for rural credit up to 5 or even 6 per cent which can not be satisfied in a generation.—New York Times.

HONOR IN "THE ENEMY'S COUNTRY"

Mr. Bryan's after-dinner proposal of an exchange of credits for government bonds between the United States and Latin-American countries in need of financial support, is interesting as a general proposition. It has proved to be revolutionary as a practical suggestion.

The proof of this is to be found in its reception by Mr. Vanderlip and the National City Bank. There, in the heart of Wall street, it is found

to be "worthy of the fullest discussion." It "deserves to be pronounced not only a daring but a really brilliant conception." It "represents the most astute and enlightened statesmanship." If carried through successfully, "it would be a historic act of statesmanship."

There is no cause for wonder that such commendation from such a source should shock the Times almost beyond expression and the Evening Post altogether beyond expression. It is shocking all around to have a "happy-thought" financier ever taken in Wall street as an astute and enlightened statesman in finance. At this rate we may soon expect the guarantee of bank deposits to be received there as a "really brilliant conception" and the 16-to-1 campaign as "a historic act of statesmanship."

Wall street is no longer the "enemy's country." We began to suspect that when it finally received the federal reserve act with open arms, including the Bryan stamp thereon. It is now the home of friends, and its idol is the invader of 1896.—New York World.

BRYAN'S FRIENDS AND ENEMIES

[St. Louis Republic June 10.]

It is a pity that the rabid Bryanites and the rabid anti-Bryanites could not be sent off together to some hitherto quiet place out of earshot of the rest of us, there to talk each other into helplessness. We see nothing that either win; can accomplish by their tumult and their shouting except to make it still harder for the administration to meet the greatest crisis in American history since the civil war.

The rabid supporters of Mr. Bryan are expressing their loyalty and devotion—which is well. But this talk of conspiracies and opposition within the ranks of the party is childish. Mr. Bryan has had rivals and enemies—of course. What strong man ever lacked them? And none other that we can call to mind ever, in his own lifetime, conciliated so many former opponents and won them to friendship and support as William Jennings Bryan.

But the overeffusiveness of some of Mr. Bryan's supporters is a small thing, after all, beside the gall and wormwood served up by those who dislike him. They are saying, with various degrees of picturesqueness of phrase, that his resignation is a fortunate thing for the country and that he was a misfit in the office of secretary of state.

The criticism may be summarily dealt with, without discussion of the question whether Mr. Bryan, with his great powers as a popular leader and teacher, is adapted to the field of diplomacy. For Mr. Bryan is not secretary of state now; he is a private citizen. He did not seek the portfolio; it was offered to him. That he strove to render loyal and faithful aid to the administration so long as he was a part of it has been questioned by no one. In view of his fidelity to the duties of his office as he conceived them and his voluntary relinquishment of it without rancor or bitterness, these sneers at his fitness for it are neither courteous nor direct. He left the department of state with the good will of every member of the cabinet, followed by warm and affectionate expressions of regret from the president and with cordial good wishes for his late chief on his own lips. The great question on which he and the president parted company specially needs discussion on its merits, uncomplicated by personalities. The over-solicitous friends and bitter enemies of the secretary could do nothing better than to emulate his own example of courtesy and good nature.