

INSTITUTE OF CURRENT WORLD AFFAIRS

WHM - 4
Peruvian Economy and
Foreign Capital

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Mr. Walter S. Rogers
Institute of Current World Affairs
522 Fifth Avenue
New York 36, New York

Dear Mr. Rogers:

It was not until I had read several articles on the new twist in the United States' cold war economic policy in the International Edition of the New York Times and Time magazine ^{1.} that I realized the importance of a pamphlet given to me by Dr. José María Bustamante y Rivero after my interview with him (WHM - 3). Entitled "La Economía Peruana y El Capital Extranjero", the pamphlet was in reality a publication of a speech given by Dr. Mario Polar Ugarteche during the ceremonies marking the opening of the academic year (April, 1954) at the Universidad Nacional de San Agustín de Arequipa.

It must be remembered that the importance of the University in Latin America is political as well as educational. New forms of political and economic thought take root in the latino universities; revolutions start within their walls. The student body, taken as a whole, is a powerful political group. As William Lytle Schurz says in his book Latin America (E.P. Dutton and Co., New York, 1949), "Student life in Latin American universities is very different from that in the United States. University buildings are usually located in the older and crowded part of the city. A campus and the extra-curricular student activities which center around it in American universities are almost entirely lacking. On the other hand, the students are disposed to be very politically minded. As such, they are often a thorn in the side of the political powers-that-be. Universities have sometimes been closed, as in Havana during the Machado regime, in order to check the political activities of students, who are sometimes urged on by liberal-minded professors. In Argentina, the Perón government employed high-handed methods in purging the universities of professors who were suspected of being hostile to its policies. The students are much given to demonstrations and protests, and have several times precipitated political crises against the government. The political history of the republics is replete with examples of their revolutionary activities and of the "martyrdoms" which have resulted from their reckless audacity."

In Arequipa's revolutions of 1834, 1841, 1843, 1849, 1854, 1856, 1865, 1867, 1930, 1931, and 1948, it is certain that the students of San Agustín played an important part. One would certainly not call them a passive audience. The importance of Dr. Polar's speech, then, cannot be underestimated. Although not revolutionary in political terms, it does represent an attack on the customary complacency which afflicts this country. I am quite sure that Dr. Polar's gifted oratory, coupled with the hard facts which he doled out, must have awakened many students to reality.

1. The December 13, 1954 issue of Time magazine featured a full-page spread entitled "New Front in the Cold War."

Last week, an architect friend of mine, Hernán Bedoya Forga, took me over to see Dr. Polar. In addition to being a professor of Peruvian Culture at San Agustín, Polar is Secretary of the Chamber of Commerce and lawyer for the British Ferrocarriles del Sur del Perú. When we arrived at his office, he was just closing a meeting of the Chamber of Commerce. When we were ushered into his office, however, he relaxed in a big chair and became a typical college professor. The office was piled high with stacks of pamphlets, reports, and books; there was an aura of dust and knowledge about the place.



Professor Polar

My first task was to clear up several questions which had arisen during my translation of the article. When I asked for a clarification of a date or an event, Polar would poke about in a pile of papers, rummage through a few reports, and come up with the answers. "I keep most of my facts in my head," he said. "Please do me the favor of not asking me too many dates and technical questions. It would take me days to find the answer."

The conversation drifted around to the problem of Peruvian economy. I asked Polar what he thought lay at the bottom of the country's present difficulties.

"I would say that the lack of satisfactory stabilization of our currency lies at the crux of the matter. We are in a dangerous position as long as we are unable to maintain the value of the sol. If the Government keeps on issuing paper money without sufficient reserves behind it, we will never solve the problem."

I asked him if he thought the change in control of the U.S. Congress would mean more aid to Latin America.

"I am not enough of an expert to make a prediction. Your politics are so confused by issues like McCarthyism and Communism that even the politicians must be a bit befuddled. You know, we understand McCarthy down here. McCarthyism was born here."

"They call me a reactionary," said Dr. Polar. "This is not true. I am simply a realist. I have tried in my articles and speeches to give an accurate picture of the economic and social conditions in my country. I have tried to make my audiences see the necessity of becoming pioneers instead of telling themselves what a potentially rich country they live in. In the U.S., the pioneers had Nature on their side. Here we have Nature against us. It rains where water is not needed - in the selva; but the Coast remains a desert. You can see that we will never succeed in improving Perú if we don't get to work and conquer Nature."

I asked Dr. Polar to give me his impressions of the recent economic conference at Petropolis. He told me that he thought the most important development of the conference was the plan to invest foreign capital directly in private enterprises rather than the old practice of lending funds to the central government. The Government is not a reliable middleman, he said. "I am very glad that the Chilean plan for an inter-American bank did not go through," he said. "A bank of this kind would mean that the larger countries would economically dominate the smaller nations."

As we were leaving, Dr. Polar turned to me and said, "There is a great deal of misunderstanding here concerning the United States. The relationship between Latin America and your country has been deteriorating ever since the Good Neighbor policy was dropped. People here cannot understand why the United States keeps up its high tariff policies, nor why she loans money to dictatorships. It is extremely difficult for me, a pro-American, to explain these things to people who believe that the U.S. is talking more than she is acting."

Sincerely,

William H. MacLeish
William H. MacLeish

PERUVIAN ECONOMY AND FOREIGN CAPITAL

BY

MARIO POLAR UGARTECHE

A few years ago from this same rostrum, I said that Perú was an unknown entity and that we needed to approach reality with open eyes in order to advance toward (the future) with a sure and confident step. It is doubtless that we are advancing and that at times we set a fast pace for a country so young. But it is also doubtless that, as Jean Fourastié¹ would say, we are like a plane flying through a fog without radio or radar. We know that we are moving, for we feel the impact of the wind against our wings; but we have no clear idea as to the forces which push us along, the capacity of our machine, the stops along the road, or even the (location of the landing field) for which we are searching.

Our people are mature and enlightened in that they know what they are and what they can be. In other words, they know their problems and their possibilities. To strive to develop this self-consciousness is one of the aims of the highest importance of any University.

For this reason, when the Rector had the kindness to ask me to deliver the Discurso de Orden² for the inaugural ceremonies of the present academic year, I accepted the offer and the responsibilities which it implies. I believed that as a professor of Peruvian Culture, it was my duty to expound in public several observations which I have accumulated during the past few years - observations in connection with the problem of culture and concerning the economy of Perú and the importance, the advantages, and the dangers of foreign capital.

I believe that it is an error to consider the problem as a strictly economic one. I think, on the contrary, that it has enormous cultural importance Culture does not arise exclusively from impassioned talk or from conflict between the land and the man; historic man in this period of surprising development of communications and interdependence is subjected - more than in other periods - to powerful external influences which are continually modifying his original structure and accentuating the fundamental racial mixture of his being.

All of the modern universal culture, with its tremendous fascination and the explosive charge of its contradictions, exercises a powerful spiritual pressure on our cultural process. The noble and the coarse, the transitory as well as the permanent oecumenical values are already (influencing) our youth and our culture to a greater and greater extent. Peruvian culture is subjected not only to spiritual and ideological influences but to important economic influences as well. My purpose in this discussion is to examine our actual economic potentiality and to try to measure - as far as possible, of course - the importance of these influences. For culture is not - as some ingenuous young girls are wont to believe - an adornment to be worn on the head like a hat. Culture is, in essence, life; the form and kind of the life of a people are fundamentally cultural problems.

After this introduction, which I have thought to be indispensable as a justification for the incursions of a professor of (Peruvian) Culture into the field of economy, I am going to try to make a brief evaluation of the economy of Perú as an obligatory introduction to the problem of foreign capital.

We have always been told that ours is a fabulously rich country. At least, the men of my generation have been educated under this concept. The myth of the gold of the Incas - which is now worldwide - is in a large part responsible for the idea, in spite of the fact that the chroniclers of that period described with great clarity the simplest kind of life among the Indians of the Inca epoch - when "a little half-roasted corn and half-boiled potatoes served to sustain a family during a whole working day", and when a food production which would appear to have been insufficient was enough for a growing population only because of a paternalistic and absolute administration scrupulously careful to adapt the necessities of life to the possibilities of harvest. The curious thing is that notwithstanding the ancient historians and notwithstanding the low level of life among our people - which all of us are in a position to see - the myth is taking on the appearances of an incontrovertible truth. I realize that in the beginning of our independence, when it was necessary to stimulate the development of a proud national conscience, it was only sensible to utilize this myth as a lever to lift the patriotic spirit. But now that we have gained relative national maturity, the existence of this myth serves only to feed demagoguery. Anyone who does not know the truth about the country - which is the usual case - and who believes in the myth - also common - can ask: "Why is it that if we have such wealth, a great part of our people, especially those of the Andes, support one of the lowest levels of life in the world?" and: "Why do we live so badly if we are so rich?". The answers to these questions, for the believers in the myth, can lead only to demagoguery. Therefore, I believe that we must destroy the legend of our fabulous wealth and fundamentally revise our ideas concerning our potential riches. If we persist

in looking at reality with a (moonstruck) eye, if we fail in the conquest of the future - for one cannot build on dreams - or if we spitefully neglect that which we won after an arduous struggle, we will thus weaken the spirit of initiative. I am convinced that we will secure a better tomorrow for our people only by treading on firm ground, by building on real foundations and not on fragile myths. Our people will be capable of rising above themselves and dominating this wild land if they are stimulated by the spirit of the pioneer instead of the honey-eyed sentimentality of the dreamer. For rich men and nations, thinking can be a luxury; for poor men and nations, thinking is a necessity. We have concrete data with which to measure the real wealth of our country. Perú has an area of around one million, four hundred thousand square kilometers - an area equivalent to that of Italy with her islands, France, Belgium, Holland, England, Ireland, and Iceland. In this enormous area live more than 8,800,000 inhabitants - according to the 1951 figures of the Dirección Nacional de Estadística ^{3.} while the aforementioned European countries, with a similar total area, shelter a population of more than 150,000,000 inhabitants. The comparison serves to make one appreciate the enormous size of our territory as well as the small amount of exploited wealth therein. We reach this conclusion if we take into consideration the fact that the said 150,000,000 Europeans have an average standard of living infinitely superior to the, let us say, nine million inhabitants of our country.

To understand the apparent paradox of nine million people who live in an area of 1,400,000 square kilometers being much poorer than 150 million who live in an area of similar size, it is necessary to take into account the fact that our territory is fundamentally that which our geographers call anecúmene or uninhabitable and inexploitable land, while the land occupied by the aforementioned European peoples is almost completely ecúmene or habitable and exploitable land. The major part of our territory is represented by deserts, abrupt mountains and impenetrable jungles; the useful lands are only a fraction of the total area.

The census of 1940 revealed that our country is essentially agrarian, not only because of the fact that in the land is our major (source of) wealth, but also because the majority of our people make their living by means of agriculture. The Dirección Nacional de Estadísticas calculated that in 1951, 62.4% of the people were living on and by the land. However, the total amount of useful land in Perú - from an agrarian point of view - represents only around 1% of the total area of the country. (From this figure has been excluded the fallow land - some 500,000 hectáreas ^{4.} - such as the natural pastos ^{5.} of the sierra) This means that it would be possible to fit all the land now under cultivation into the Department of Moquegua,

one of the smallest in Perú, and that the remaining 99% of the land lacks immediate agricultural significance. This one fact explains why the Peruvian farmers have such a low average standard of living.

Concrete facts reveal the depth of the problem. The engineer Derteano 6., in a study published by the National Agrarian Society in 1950, proceeded to divide the estimated total income received by agriculture by the total agrarian population, arriving at the average per capita income of 859.00 soles. A lower figure would be difficult to imagine. According to the same calculations, the average income of the farmers taken by regions is even more expressive. In the coastal region, the average was 1827.00 soles per year; in the sierra, 510.00 soles; and in the selva, 631.00 soles. There is, then, a great (difference) between the coast and the other two regions. And even though the average income of the coastal farmers is still quite low, it is high in relation to that of the sierra..... This explains why the development of roads is resulting in a tremendous migration ... from the sierra to the coast, intensified by the larger prospects of profit offered by work in the cities, in the mines, and on the highways.

The reduced area of cultivation with relation to the agricultural population explains the low average income of the farmers. But it does not reveal all the gravity of the problem. The cultivated area with relation to the population of Perú is also very low - 0.16 hectárea per inhabitant - which is to say that we are a country with insufficient agricultural production; and that we do not produce food in sufficient quantity to satisfy the needs of our people. We are deficient especially in wheat, meats, and oleaginous materials. This explains why each year, and in growing quantities, we must import foodstuffs. In 1946 we imported 161,654 metric tons of foodstuffs, while in 1950 the importation of such articles had risen to 315,024 metric tons. Our deficit increases each year at a dangerous rate. Then, too, our population is growing at a rate of 160,000 inhabitants per year, without a proportionate increase in the amount of arable land. In order to maintain the current relationship between the population and the land, taking into account the growth of the former, it would be necessary to increase the amount of cultivated land by 25,000 hectáreas each year, or to basically increase the yield per hectárea. The fact that this is not being done explains the progressive increase of our food production deficit and the growth in the amount of our imported foodstuffs.

Formerly, the cost of such importation would have been covered by the divisas 7. arising from the exportation of such materials as cotton, sugar, and wools. But now that the cost of those products has gone down in the international markets, the problem of the scarcity of food (and how to pay for what we need) becomes sharper.

There are countries, such as those of Europe, which are able

to compensate for the weakness of their agricultural industry by means of other resources. This, unfortunately, has not yet happened in our country. Our industrial potential is still low - although it is showing promising growth in Lima and Arequipa where there is electricity for motive power - because the purchasing power of our people is very meager. The mineral wealth, due to considerations which I shall explain later on, depends on factors which are outside our control.

However, the influences of the incipient manufacturing industry of Perú, of mining, and of commerce are raising the average per capita income in our country, even though it has not yet reached a satisfactory level. The Economic Study of Latin America, published in 1951 by CEPAL 8, a Commission of the United Nations Economic and Social Council, calculated the national income of Perú in 1950 to be US\$ 1,200,000,000 9. Keeping in mind the population of Perú in that year and the exchange rate then in effect - S/. 15.00 per dollar - one can calculate that the average income was US\$ 140.00 or S/. 2,100 per person during the year. An average income so low reveals the fact that our actual wealth is very small indeed, even in comparison with other neighboring countries. Thus, the average income in Chile for that same year was US\$ 295.00 per person for the year; that of Brazil, US\$ 207.00; and that of Colombia, US\$ 185.00, according to the estimations of CEPAL. In view of the foregoing facts, I consider that the continuation of the myth of our fabulous wealth is a mockery of truth.

Other information confirms (our true condition). At the Conference of Hot Springs, 620 kilos per annum was fixed as the minimum consumption of food required by a human being. According to the División de Estudios Económicos of SCIPA 10, the average food consumption per person per annum in Perú is only 438 kilos. This means that the consumption per inhabitant must be increased by 28% in order to satisfy the minimum recommended at Hot Springs.

All this reveals with surprising clarity the fact that the fundamental preoccupation of Perú should be the augmenting of her production. We should realize that if production is not augmented, we will not progress in a really satisfactory manner, but will turn down the path of bitter struggle for a better distribution of income. The average income of S/. 2,100 per citizen per year, as quoted from the CEPAL figures, brings one to the conclusion that no mathematically equal distribution of profits will solve our basic problem of a poverty caused by insufficient production and lack of capital.

It is only just to recognize that the standard of living has risen substantially in some sectors of our urban population in the last few years. But if we observe the situation well, we will note that such improvement is felt in the large cities among the circles of businessmen, employees, and workers, but that no such elevation in the standard of living is to be noted among the bulk of the population - among the agrarian proletariat and especially among the great masses of the Indians. The

migratory influxes from the Andes which are invading the outskirts of Lima, Arequipa and other cities of the coastal region are a clear indication that the necessity as well as the prospect of getting higher wages for their work is inducing the Indians to leave their homes. The result is a supersaturation of the populations of these cities with respect to means of livelihood.

Perú hopes to increase her production and consequently her economic capacity, not so much to place herself in a higher position among the concert of nations as to raise the standard of living among her people, which in terms of the average, is terribly low.

However, the task is far from being easy, although it is far from being impossible.

Production can be increased. However, in a general appraisal of our economy, I believe that two adverse factors should be mentioned: topography and distance. Ours is a rough and difficult country. The coast is an archipelago of oases in a sea of sand; the sierra is another archipelago of high valleys in a sea of rocks, hills, and gorges. The isolation of the populated centers is determined not only by the distances - at times enormous - between them, but by a topography which impedes the construction of straight roads, inducing instead the development of serpentine, high-gradient trails. Topography and distance count heavily in the costs of production and selling prices, to the extent that it is often not possible to exploit mines and mineral deposits, in spite of the cheap labor at hand, because of the tremendous cost of transportation. Thus, we know that there are beautiful interandine valleys (being) exploited solely by the primitive methods of their poor inhabitants because of the exorbitant cost of intensive exploitation and transportation to the distant centers of consumption. Hence, road building to us is just as important as irrigation. I should add as a clarifying note that other neighboring countries have developed faster than Perú because, among other things, their topography is one of flatlands, and because their principal centers of production are situated in a great central valley.

In spite of the topography and the distances, it is possible to increase the yearly produce of Perú. Agricultural production, so insufficient in our country, can be enlarged by opening up new fields to cultivation by means of irrigation, or by increasing the economic area where it is not possible to increase the physical area. It is calculated that with modern and adequate techniques, it is possible to increase by between 20 and 30 per cent. the yearly production of fields now under cultivation. A progressive agrarian law, calmly studied, would favor this development, as Dr. Fuentes Llaguno suggested in a lecture given at the Law School.¹¹

Mining production can also be increased, for ours is a land rich in minerals. And finally, new industries can be created or

existing industries expanded.

However, all increase of production requires that there be not only the basic materials - land and water for agriculture, mineral deposits for mining - but that there be markets for the new produce, labor to make it possible, and capital for investment. Our internal market is very small, due to the low purchasing power of our people. There would be, nonetheless, an ample market for increased national agricultural produce, since we (now) have to import meat, cereals, and oleaginous materials. I believe that there would also be a consumers' market for a large series of manufactured articles of light industry which nowadays we must import. But heavy industry would not be justified, in spite of the fact that we have coal in Chimbote and iron in Marcona. Notwithstanding the low cost of labor, the purchasing power of our country is so modest that expensive manufactured articles would lack buyers. In addition, I think that very few Peruvian industries would be in a position to compete with foreign companies outside of our own market. Thanks to the techniques of mass production employed by the large countries, articles are manufactured at a very low cost, a cost which could not be equalled by the small industries. It would be ridiculous to think of establishing automobile or airplane factories in Perú, when it is known that the purchasing power among us is inconsiderable and at times of no account whatsoever (as in some regions of the sierra). One need only remember the temporary crisis which arose a short while ago in connection with the effects of the free importation of foreign goods on our textile industry; it was necessary to raise the tariffs in order to protect the national industry. The industrial development of Perú in that which refers to manufactured goods must keep pace with the purchasing power of the people. Hence, only exceptional national goods (such as certain articles of leather) find a foreign market. It is therefore evident that although the development of manufacturing is of great interest inasmuch as it contributes to the progress of national economy and higher wages, such development cannot be unlimited whenever it depends exclusively on the purchasing power of the population. When one talks of rapid and miraculous progress in industrialization, one is not paying heed to the laws of economics.

The growth of our mining industry depends almost exclusively on the foreign markets. The cold war between East and West and, above all, the Korean war, caused such a rapid rise in the quotations in the so-called strategic materials, that even minerals of low quality were exploited. The easing of international tension and the (signing of) the truce in Korea caused, on the other hand, a fall in prices. And - although it is painful to say it - a firm world peace would mean a very serious economic crisis for those South American countries whose incomes and holdings principally come from mining. A larger utilization of those (raw) materials for peacetime manufacture would be the solution. However, it is important to note that the development of the mining industry - although it is protected by a national Code - depends fundamentally on the growth and stability of foreign markets which we cannot control. I find a good deal of wis-

dom in that phrase which was coined as a sort of watchword in Venezuela a few years ago when the oil boom was at its height: "Hay que sembrar el petróleo!" ¹²..... A prosperity based only on the laws of chance, a prosperity which can be ruined by the exhaustion of the basic materials or by scientific discovery of more effective substitutes, is a dangerous prosperity. The profits obtained by these (South American) countries from the exploitation of minerals and hydrocarboniferous materials must be invested to the utmost in arable land - an investment resulting in a wealth more stable and evidently more permanent.

The problem of a labor force, necessary in any growth of production, is not a serious one. We know that eventually there will be a scarcity of labor in the coastal agricultural districts when work at the mines is increased or the program of public works intensified. But we also know that this demand for labor contributes to the rise in the wage level, that machines will eventually replace muscles, and that certain regions of the country contain more people than can actually be supported by the present means of livelihood Thus, while in Scotland a shepherd and his dog can care for a flock of three hundred sheep, in our sierra a whole family dedicates itself to watching over a few animals. In reality, Perú has in the sierra a large population surplus which has not as yet been even partially utilized. As in the days of the Incas, mass migrations of peoples in the form of mitimaes ¹³ are attracting the surplus populations of the overpopulated centers, preparing the Indian for a new way of life. We must favor the immigration of qualified foreigners (who can) help the Indians in this preparation. There are many examples of the power of assimilation of new techniques on the part of well-treated aborigines.

The most serious problem in the whole program of the basic growth of national production is the lack of sufficient capital. The national assets are small, especially those in the form of capital which can be put to work immediately The index of capitalization is still very low. Furthermore, the nation's capitalists are in general timid and faint-hearted. In some circles in Lima and in the provinces, they are beginning to risk long-term investments. However, the common thing is to find the savings, especially the small savings of the provincials, invested in real estate - very frequently in already existing urban property - or being doled out in fractions in the form of loans with mortgageable guarantees to solve the temporary (financial) difficulties of the borrowers. This popular system of investment is, in general, bad for the money lender who, because of the growing devaluation of our currency, receives at the end of the contract a sum of money whose purchasing power is much reduced. One can easily deduce, therefore, that loans with guarantees are good only when the borrower does not pay. Then, the lender has a chance to keep the mortgaged property for a nominal fee after a few unsuccessful public sales.

But aside from being timid, our national economy is evidently insufficient to accomplish a broad plan of production growth. The Bancos de Fomento ¹⁴ - such as the Industrial, the Agrícola, and the Minero - lack sufficient funds to finance

the full amount necessary for the plan. It is true that recently the small savings of the middle classes are being invested in the stocks and bonds of the large business concerns, a fact which reveals a certain amount of progress. But neither the movement nor the amount of the funds are ample enough. Thus, when projects calling for (private) enterprise and long-term investments are found to be necessary - projects such as irrigation works, electric plants, etc. - the State, the great capitalist, is asked to carry them through. However, the funds of the National Budget are usually allotted for the support of those services already existing, because of which the balance of unallotted money is never very high, except when by chance the revenues from taxes and customs duties exceed the chronic optimism of the legislators and show a surplus in their figures.

It is true that there is an ardent desire for progress and for the elevation of the standard of living; that in order to satisfy this desire, the people have asked the Government for irrigation projects, electric plants, roads, hospitals, etc.; and that in order to calm the clamor for higher wages the (Government) has resorted to the course of collective reclamations - a course which does not always prove successful, since a general rise in wages without a corresponding rise in production results in inflation in the last analysis.

All this clearly reveals the necessity of increasing production as the fundamental base for all general progress. But as national economy is insufficient, one must think inevitably of foreign capital. And here we arrive at the Gordian Knot of the problem.

Many writers class the Latin American countries in the "semi-colonial" (category), since a great part of their principal sources of production is not in the hands of the natives but rather in those of foreigners. It is doubtless that a large influence of foreign capital exercised over the economy of a country increases the subordination of that country. But it is also evident that without foreign capital, few are the possibilities of obtaining a basic augmentation of production and, consequently, a positive rise in the standard of living.

We are dealing with a problem which must be seen in all its crudeness and without euphemisms Shouting worn-out slogans is not going to solve the problem. Sentimental flags have been faded by time without having led us to any satisfactory results. It is time, then, to stop thinking about the magnitude of the problem and start looking for practical solutions.

It could be said that we are up against a painful and

dramatic dilemma: either we maintain our relative independence and resign ourselves to the low level of life among our people, or we accept a greater dependence on a foreign (nation) but basically improve the standard of living of the population.

With our traditional proclivity for absolutes - an unconscious remnant of our ancestral past - we divide ourselves into supporters or opposers of one plan or another, without realizing that the best solutions are often compromises based on concessions which are conveniently elastic yet stable.

I know that the subject with which I am concerning myself is explosively controversial and I do not hope to give you any incontrovertible solution However, I wish to express my thoughts to the best of my ability in the hopes that they will be a contribution towards a better explanation of the problem.

I know that it is not pleasing to any Latin American to belong to a society of men working for foreign masters. But this is an extreme case which is not to be found in reality (save in rare exceptions) except in pre-election speeches when public opinion expresses a desire for heroic solutions, or in periods of crisis. I believe in heroes and martyrs. I believe that thanks to them there are frequently useful galvanizations. But I also believe that at times we take for heroes and martyrs hysterical men filled with passion - and perchance goodness - who at heart are ingenuous (people) with an underdeveloped sense of responsibility. The subject (of foreign capital) should be considered during periods of (relative) calm; it should be considered in the Universities - though with an eye towards ultimate publication among the masses - as one deals with problems in the laboratory, since only by detailed analysis can we establish with any clarity the elements of composition.

It is true that we need capital and that, as our own economy is insufficient, we must resort to the outside world to solve our problems of improvement. But in asking for that foreign capital, we must be careful that it comes to us under conditions favorable to us. It can come as direct aid from a foreign government, as amortizable loans, and as private investment. In one form or another, we need it. Indeed, we need it to such an extent that there was not one indo-americano or latino-americano country - as you like - at the last Pan American Conference in Caracas that did not ask for foreign capital, the form of the requests depending on the leftist, centralist, rightist, or indefinite character of the governments represented.

The interesting fact is that the capital is coming. We must, therefore, consider the following propositions:

1. We must be careful not to acquire loans for superficial projects. We must not exceed our possibilities of payment when the firms sustained by foreign capital go into operation, since otherwise inflation will spoil the fruits which those firms harvest.
2. We must make sure that foreign investments leave for Perú something more than money for payrolls and taxes; we must stimulate the reinvestment of part of the profits.
3. We must favor the formation of mixed enterprises made up of foreign and national funds with the participation, if possible, of private savings.
4. We must be careful that the foreign enterprises, under any circumstances, submit to the legislation and the judicial authorities of Perú.

I know that I could easily draw up a larger list with more exacting conditions. By doing that, however, I would be losing track of reality, for I know also that capital - be it national or foreign - is neither moral nor immoral, but rather amoral. By the cold logic of its essence, it will follow as the waters of the rivers the line of least resistance. For this reason, it will give preference to those countries which offer better prospects for profit and promise more ample guarantees of economic and social stability. Think, then, about private investments. No investor living in an industrial country can be forced by his government to create sources of wealth (in other countries). Therefore, it is up to the underdeveloped countries - as Foster Dulles has said - to attract investments.

But if the Latin American countries who have accepted being called - with justice - backward countries begin to compete for those investments, conceding larger and larger privileges and advantages, they can reduce and not enlarge the profits which they hope to gain from foreign capital. There exists no common policy among the States of our hemisphere concerning foreign investments. On the contrary, each one of our countries is guided by its own initiative, facilitating the existence of batidos en detalle ^{15.}, as I believe they are called in military jargon.

In some countries ^{16.}, they are proceeding to nationalize foreign enterprises. It could be that this measure is in response to a deep popular conviction that there are reasons of a moral order which justify it. It is evident, however, that such a policy, in the areas where it has been applied, has constituted a formidable sentimental success but a profound economic failure. The workers who abandoned the shafts and tunnels of the mines to blaim and obtain nationalized (property) have exchanged despair and desire for a new awareness of power - perhaps temporary - and a new collection of hopes, but they have not succeeded within the State organization in improving the quantity of food in their homes, in which

poverty and need have increased. The reduction of production, the result of the fight between the little Davids and the Goliaths - the latter did not let themselves be overtaken by the slingstones - has paralyzed the economy of those countries on the road to nationalization. Their currencies have lost their purchasing power in an alarming manner, which means that sooner or later, poverty will increase the depth of the problem. What is quite strange is that these same countries demand foreign capital to revive their wealth. It is possible that because of strategic reasons they will be able to obtain aid from the great powers - aid contingent on specific ends. But it is very doubtful that they will be able to attract foreign private investment. The surpluses of the national savings of the great industrial countries are overflowing the dams of their frontiers and are following - like the rivers I mentioned - the line of least resistance. It is not very probable that an influx of lifegiving capital will come to the rescue of the rebel countries. The popularity of certain measures is not an indication of their success. What is important - to my way of thinking is not so much to calm the passions of the people as to satisfy their real needs. Our countries lack sufficient power and independence to venture alone into risky economic experiments, especially when the very foreign capital needed for them impulsively shuns or retires from aggressive measures.

In contrast, other more mature countries have approved special laws or have promulgated statutes for foreign investors, guaranteeing the integrity of the investments; permitting their re-exportation after a reasonable period of time; exempting from importation duties capital which is brought into the country in the form of machinery, equipment, or implements; facilitating the free exportation of profits; permitting the revalorization of assets - in matters concerning taxable goods - in accord with the variations in the exchange rate; guaranteeing not to raise the established rates of taxation within periods of ten years; exonerating the frozen prices of new industries from government interference, etc.. Measures such as the aforementioned are really tempting for the foreign investor. However, I believe that loose competition between the backward countries to attract capital reduces in the end the advantages which these countries could obtain from such investment.

It is my opinion that the people of South America will obtain larger advantages from foreign capital only if they succeed in unifying their policy concerning foreign investments, fixing common norms for the handling of this capital. Foreign private investors do not respond merely to demonstrations of hospitality; what they want are certain cold proofs of profit. Since none of our Latin American countries have much significance when considered separately, it is logical to think that their possibilities (of gain) would be infinitely better if they unified their criteria with respect to investment policy - if they fixed common norms for the acceptance of foreign capital within rational boundaries. Think about what President Eisen-

hower has just said - that the numerous Latin American republics, taken as a whole, make up the principal source of supplies for the U.S. outside its own boundaries and the second largest world market for its manufactured items and surplus products.

The above is a revealing fact which must be kept in mind. Moreover, for a better comprehension of our problems, we must take into consideration the fact that while our countries need foreign capital, the great industrial countries also need - now more than ever - supplementary sources of raw materials, consumers' markets for their production surplus, and investment markets for surplus internal savings which cannot easily find placement within their own saturated markets. The Industrial Revolution which started in the last century started also an era of growing interdependence. Eric Johnson, ex-President of the Chamber of Commerce, declared at one time that to construct an automobile, 300 materials from 56 different countries were needed. Furthermore, the basic diet of an English working man-based on Argentine beef, Dutch butter, and Egyptian, Australian or New Zealand wheat (illustrates a fact which drives home the point) that autarchy has disappeared in the powerful countries (of the world). Even Russia which occupies one-sixth of the world's land area, does not have all the strategic material which she requires, nor do many of those (materials) which she possesses exist in sufficient quantities for her needs. The famous Christmas Pudding of Queen Victoria, concocted out of ingredients from every corner of the British Empire, was an advance notice of the growing interdependence in which we find ourselves (today).

I have brought these considerations up for discussion because I believe that without a clear comprehension of this interdependence, we would have difficulty in understanding our own problems. For this reason - although I am abusing your attention and kindness - I am going to permit myself to examine briefly the evolution of world economy from the 19th century until today.

In the past century, the underdeveloped countries interested the great industrial powers only as a source of supply of raw materials, because the manufactured articles which they made were consumed, almost entirely, within the rich countries, and because the poor countries did not create any interest as consumers' markets owing to their very low purchasing power. In other words, the production of manufactured goods in the 19th century had not reached the point where it was felt necessary to open new consumers' markets. From the moment in which the backward countries - also known as países-campo - became the providers of raw materials for the industrial countries or países-máquina, the latter looked only for safe sources of supply at the cheapest (possible) price, in order to augment their margins of profit. This was the cause of the colonial policy of the great powers in the past century, the conspicuous cause of many conflagrations. Our South América, defended by the Monroe Doctrine, could not be parcelled out again into colonies; but it began to feel the pressure from the industrial enterprises of the great powers desirous of

obtaining our raw material at a lower cost. Although our situation was better than that of the colonies, as a result of competition, still the development of that general sentiment known as anti-imperialism could not be prevented. The low costs of our raw materials means, inevitably, low wages and consequently a low standard of living for our workers. The movie industry, in revealing in its films the high standard of living among the workers of the great powers, has contributed to the deepening of the resentment; it is difficult to imagine the thoughts of the barefoot Indians who emerge from the tunnels of the mines and see on the screens of the movie houses well-fed, well-shod workers who are in the habit of falling in love with daughters of millionaires. The destructive forces which can be engendered by these revealing contrasts is difficult to measure. Notwithstanding, it must be remembered that certain mines of low grade yield can be exploited only because of cheap labor, since the cost of exploitation in rough and difficult regions and the expenses of transportation reduce, and at times render impossible, the prospect of (financial) gain. Exploiting a mineral deposit in the State of Oklahoma which is close to a highway or railroad is not the same thing as (opening) a mine..... in the volcanic inferno of the Andes. In spite of these considerations, it is logical to imagine that the sentiments of a barefoot miner who has come into contact with the (outside) world through the medium of North American films, would not be precisely those of the dove of peace, as German Arciniegas¹² would say. These fabricators of dreams can engender, surely without wishing it, true (and vivid) dramas.

The imperialism of the 19th century, as a result of the same forces which (originally) loosed it, is now undergoing a rapid and evolutionary transformation. The countries which formerly looked only for raw materials in the underdeveloped States, are searching now, due to the almost miraculous growth of their (the industrial countries) production, for new consumers' markets, since otherwise they run the risk of drowning in their own abundance of manufactured goods

This phenomenon can be best understood in the light of the economic history of the U.S. from 1914 up to the present.

North America, in entering the First World War, had to make an extraordinary effort, not only to arm its troops but also to supply the armies and the (civilian) population of the Allies. In order to accomplish this, it transformed many industries of peace into industries of war, built new factories, and stimulated its production in general. At the end of the fighting, and when the North American Congress, turning its back on Wilson's thesis and the League of Nations, initiated the policy of isolation, the industries of war were transformed into industries of peace, and North America began to produce on a scale unknown up to that time. As Europe was devastated by the war and was (without funds), the demand for American merchandise at first exceeded the supply, a fact which resulted in a truly extraordinary industrial (boom). It is true that the unsatisfied demand inflated the prices of this merchandise; but, as there was also a demand for workers, the rate of growth of profits and wages was even larger than that of the prices,

so much so that in spite of the inflation of (the latter), the North American standard of living rose, together with the index of savings. This was the period of great prosperity in which it was thought that sooner or later every American worker would end up having a car at his door, not to mention radios, electric stoves, and refrigerators in his house. The large foreign market for the primary and manufactured goods of the U.S. was an extraordinary stimulant to its productivity; and the Great Republic of the North, in spite of its idea of isolationism, began to depend on foreign consumers' markets, since without them it would have been impossible to bring its potentialities to such an unsuspected height. Even in 1929, Mr. Hoover, President of the Union, predicted prosperity without interruption, and, as he was an engineer, he was believed. However, that same year, there occurred the great rupture, the unexpected "crash", also known as the crisis of over-production. The value of stocks began to decline violently on the

Stock Exchange. A little later, many banks and industrial enterprises failed. A good part of the savings of the middle classes, invested in stocks, bonds, and (trusts?) melted away as though they had been subjected to great heat. Many millionaires were converted into beggars and the financial panic, considerably accentuated by the effects of its causes, touched the country to its roots with a melodramatic wave of suicides.

In the resulting confusion, investigations were begun as to the cause of crisis; and soon it was discovered that it was due to the fact that North American merchandise had begun to be without a market.

Europe had stanchd the wounds which the war had inflicted upon her. Her fields and her factories were again in production; and although she needed and would continue to need North American products and merchandise, her (lack) of dollars reduced considerably her buying power. Therefore, North American products were accumulating in the warehouses of her ports and in her areas of production, lacking the power to be moved. If one takes into account the fact that in this same period millions of men in the world could scarcely satisfy their bare necessities, one must arrive at the conclusion that the so-called crisis of super-production was (in reality) a crisis of sub-consumption due to insufficient purchasing power on the part of the bulk of the world population.

In order to counteract the effects of violent deflation, production was partially destroyed and artificial scarcities created to maintain the level of prices Thousands of pigs in the Chicago area were slaughtered without having satisfied human needs. In Brazil and Spain, hundreds of tons of coffee and oranges were thrown into the sea. This heroic measure of self-defense naturally provoked a wave of protests of a moral character; hunger was raging in many areas of the world at the same time that produce was being destroyed. From the crisis of super-production due to sub-consumption arose a grave problem of unemployment. It was impossible to maintain former levels of production. Many factories were closed,

while others reduced their work to the minimum. The unemployment problem, generally affecting all countries, grew to alarming proportions. The number of unemployed numbered millions. To solve this situation, to prevent a part of the population from starving or from destroying the established social order in their despair, a plan of relief was evolved whereby those who were employed helped (to sustain) those without work.

The experience of the two crises - first that of over-production, later that of unemployment - brought to light two conclusive facts: that the interdependence of countries is the same for each individual nation and that isolationism is nothing but a sentimental dream; and that the great countries can maintain their industrial growth and can improve the standard of living of their peoples only insofar as they are capable of enlarging their foreign markets.

Neither the U.S., England, Germany, nor any industrial country can absorb all of its production of manufactured goods. It is evident, therefore, that the social and economic stability of the industrial nations depends to a greater and greater extent on foreign markets. This is the most important economic phenomenon of our century; the great countries can no longer remain indifferent to the poverty of the under-developed areas. Upon the wellbeing and stability of the latter depends the wellbeing and progress of (the rest of the world). A great development of civil production in the Estados-máquina can be possible only if the Estados-campo are aided in the elevation of their purchasing power, which is to say the elevation of the standard of living of their inhabitants. Aid from the great countries to the backward countries, when viewed in this light, does not seem so much an act of charity as it does one of vital necessity (as far as the rich nations are concerned).

President Roosevelt, who rose to power at the beginning of the aforementioned crisis, had a clear idea of the changes which were being brought about by the impact of reality on the imperialist phenomenon. Because of this, he fought against the isolationism in his country. When the Second World War broke out, he declared that the United States was "The Arsenal of Democracy", realizing that it was of vital importance to start thinking of the problems of peace in the future even before the North American soldiers had unlimbered their guns overseas. The Four Freedoms of the Atlantic Pact which applied to all nations laid down a program of boundless hopes and aspirations. From the Atlantic Pact arose the weapons of peace - the United Nations, the Marshall Plan, the International Bank of Reconstruction and Development, the Point IV Program, etc..

During World War Two the U.S. increased its production capacity in an extraordinary form, as it had to supply the troops and civilian populations of the allied countries with armaments, food, etc. Thanks to that fabulous expansion and to the Lend Lease program which facilitated aid to the Allies, it was possible first to contain and then to destroy Hitlerism.

But when the peace "broke out" - as someone said with cruel irony - the countries devastated by the war had to think not only of satisfying their most urgent needs which had accumulated during the war, but also of rebuilding their production capacity, especially that of their industries, since a great part of their factories had been damaged or destroyed. Europe needed American aid as much during the rehabilitation period as she did during the war. For the second time in this century, North America found itself compelled to increase her production to unthought-of levels to satisfy the demand from overseas. Moreover, Europe, economically drained by the effort of war, began to feel a scarcity of dollars - dollars with which to pay for the materials she so urgently needed. Thus, England saw herself compelled to sacrifice a great part of her investments in (South) America in order to buy that which her people needed in order to survive; in the famous "Andes Pact", ^{18.} she handed over to Argentina the extensive net of British railroads in that country in return for frozen meats which she needed to calm the hunger of her people. Such a situation cannot be prolonged indefinitely without causing on one hand the economic exhaustion of Europe and on the other the collapse of North American industry because of an excessive production which cannot be absorbed. For this reason, the Marshall Plan was designed to aid those countries devastated by the war. The Plan not only helped the Old World to emerge from the crisis which afflicted it by facilitating the importation of food and machinery urgently needed to rebuild her production, but also temporarily lessened the danger of a super-production - sub-consumption crisis in the U.S.. The Marshall Plan, which can be described as aid in dollars with round-trip tickets, was not a simple charitable program. It was an economic plan inspired by the principle which we may call the "I am helping you so that you can help me" principle, since it was of as much vital importance to the United States as it was to Europe.

The problem, however, was only temporarily resolved. As soon as Europe had rebuilt her production capacity, she began to compete with the U.S. in the international markets. Thus, after several years of absence, English, German, and Japanese merchandise appeared in the Latin American markets.

To emerge from the crisis, to improve the standard of living of their people, all the large countries are considerably increasing their production capacity. Upon the maintenance of this dynamic rate of production depends their wellbeing and stability. However, because of the progress of technology, production is rising at a more rapid rate than are the populations of the industrial countries. If the underdeveloped countries are not helped to increase the purchasing power of their inhabitants, then economic crisis and subsequent unemployment will appear as a distinct danger on the horizon.

For this reason, in 1947 a Chancellor of Perú^{19.} asked for a Marshall Plan for Latin America; for this reason, the Point IV Program arose as a plan of aid for backward countries; for this reason, the International Bank of Reconstruction and Development and the Export-Import Bank have granted long-term and easily amortizable loans so that the Estados-campo can augment their production capacity and consequently their purchasing power; and for this reason, there is a vital interest in the investment of the surplus savings of the Estados-máquina in underdeveloped countries as an effective means of stimulating their development and converting them into large consumers' markets. The various Economic Missions from different countries who have recently been visiting the capitals of the Latin American countries are a proof of this interest.

At the present time, the development of production in our hemisphere is being stimulated through direct aid involved in the Point IV Program, through long-term loans, and by means of the investment of private capital in our Republics.

Direct aid is still maintained in modest terms. We have a right to ask for it, for during the war we contributed in an effective form towards ultimate victory by accepting ceiling prices for our strategic materials. If we had let the law of supply and demand function freely, we would have had at the end of the conflict savings and divisas in much greater amounts than those actually recorded - money which we could have used to satisfy our urgent needs. But we accepted ceiling prices, contributing thus towards the winning of the war. Now that the prices of machines and manufactured items which we need have risen considerably, it is only just that we should ask for more effective direct aid.

According to a recent report given by President Eisenhower to the North American Congress on this year's Budget, little more than 129 million dollars have been (earmarked) for economic, technical, and military aid to the Latin American countries. Of this total, 105 millions will be destined for military aid and only US\$ 24,300,000 for economic and technical aid. This distribution, similar to those of past years, is generally considered to be insufficient, though - as I will explain later - there are reasons for its present insufficiency. In many sections of Latin America, military aid serves only to reduce the indispensable economic and technical aid. Moreover, it serves to increase fears and suspicions between neighboring countries, to strengthen the armies as political factors, and to increase the national Budgets in matters of defense items. Latin American countries, according to President Eisenhower, have invested more than 38 million dollars in a program of hemispheric defense.

One must take into account, however, that the amount of direct aid has been reduced because of the enormous effort of the U.S. in the Korean war and because of the effort of the armaments race caused by the cold war between East and West. The expenditures for defense absorb the energy of the Union to such an extent that its funds available for direct aid must be inevitably reduced. However, if one considers the

real importance of that aid, as much for the great nations as for the small countries, one will entreat that it be enlarged, especially if one remembers the sacrifices which we made during Democracy's darkest hours. At least it should be suggested to the United States that if her defense expenses are diminished, due to a relaxation of international tension, her money should be invested in more solid aid to foreign countries - aid as urgent and necessary as the aforesaid military defense. The armament industries are now limiting the production of articles of peace and are maintaining - together with the armies - a high level of employment. If all those industries suddenly shifted to the production of items for civilian use, they would stumble over the very dangerous obstacle of an inadequate consumers' market. If the armies were demobilized, the index of unemployment would rise alarmingly. Because of this, it is sensible to think that if peace is possible, the growing profits which are being made in the defense industries should be invested in reproductive outside aid and not - as several myopic taxpayers in the U.S. have asked - in an attempt to reduce taxes. A deflation caused by lack of foresight would have consequences as grave as those of a war.

We can also receive indirect aid from the U.S., if that country liberalizes its importation laws and removes the customs barriers which now defend its own production. In this way, Latin American countries would receive better prices for the raw materials which they export.

The long-term loans, especially those granted by the International Bank of Reconstruction and Development, because of their comfortable quotas of amortization and interest, have, among other things, this advantage: the debtor nations can capitalize and nationalize the investments. However, care must be taken that the said loans are invested in really reproductive works and that the programs for repayment of (the loans) are within the capabilities of the debtor countries. Otherwise, a violent demand for divisas to cover the payments on the loans will destroy the equilibrium of the balance of payments, causing monetary devaluation and the dangerous processes of inflation capable of destroying the advantages already obtained.

Up to now, Perú has obtained very little from the International Bank. Of the US\$ 424,315,000 lent to ten South American countries up to October 31, 1953, only \$3,800,000 have gone to Perú - less than 1%. The celebrated agreement concerning the payment of the English bonistas 20. has removed the last obstacles which heretofore limited those loans. However, one must remember that our possibilities of obtaining loans depend in a large part on our ability to present well-thought-out and economically feasible projects The requirements of the International Bank are sensible in this respect, if one remembers the famous "champagne loans" of the third decade of this century.

Finally, our economy must be vitalized by private foreign investments. In fact, the influence of such investments can already be noted in our foreign exchange holdings. It is

evident that the powerful nations have just as much interest in seeing that capital gets to our countries as we do in receiving it. The difficulty in investing surplus capital in the country in which it originated as well as the advantages obtained from the stimulation of the buying power of the underdeveloped countries are two factors which promote that interest. The report of the Randall Commission and of the group headed by Milton Eisenhower both recognized this fact. However, as private ~~investments~~ investments follow the rule of private initiative, it is logical that the tendency of the private investor to search for larger and surer profits comes before an interest in safeguarding the equilibrium of international economy. As long as our countries do not settle upon a unified policy concerning private capital and persist in the current competition to attract capital, private investments will continue to follow the line of least resistance. It is logical that such capital should look for profit, but it is also logical that the underdeveloped countries should ask for a balanced distribution of the profits. This will be possible only when the countries of our hemisphere - surmounting international differences and inevitable jealousies - fix the bases for a uniform policy concerning private capital, thus preventing the possibility of a batido en detalle. The Chilean plan approved at Caracas, whereby the American nations would hold an Economic Conference, opens the possibility that this problem will be fully dealt with. I am convinced that only when the Latin American countries form a common front will they be able to talk familiarly with the investor nations, will they be able to obtain for their peoples not the lion's share, which has always been claimed by the capitalists, but at least a more generous and equitable participation in the profits.

Dr. Polar then urges his audience of students to realize that without hard work, the potentialities of the country will never become realities. He closes with the following words:

Perú is living in a trance of dawn. We know that inside our frontiers our future lies sleeping. We know too that it will not be an easy task to awaken it. But this must not discourage us. Let us prepare for the conquest of tomorrow like pioneers, confronted with a land still unconquered, equipped with little more than courage and a few worn-out tools. Let us prepare for this task in the full knowledge that our resources are not large, but that the will to do is a formidable tool when the blood breathes youth into the heart and there is a new ability to make the most of it with hard work. Each dawn means a promise. Let us, therefore, travel into the dawn, thinking that the sky is clear and that the stones and pebbles on the road will bruise our naked feet still more. And tomorrow? Bueno, tomorrow we will enjoy the company of a society which has conquered the possibility of wearing shoes.

FOOTNOTES

1. Jean Fourastié - a contemporary French writer on economics
2. Discurso de Orden - the speech of honor in the ceremonies marking the beginning of a new academic year.
3. Dirección Nacional de Estadística - a governmental fact gathering agency in Lima.
4. Hectárea - 2.471 acres
5. Pasto - a yellowish bunch grass which grows on the pampas and hills of the highlands.
6. Derteano - an engineer of the Sociedad Nacional Agraria who has been working on this problem for several years.
7. Divisas - foreign currency holdings.
8. CEPAL - Economic Commission for Latin American Countries
9. Dr. Polar's facts are at odds with those of Preston James in his book entitled Latin America (Odyssey Press, New York, 1950). James quotes the average annual income per capita at \$32.00 and the estimated population of Perú as of 1950 at 8,400,000.
10. SCIPA - Interamerican Co-operative Society for Agricultural Produce.
11. Fuentes Llaguno - lawyer and ex-Rector of the Universidad Nacional de San Agustín de Arequipa
12. "¡Hay que sembrar el petróleo!" - "We must sow petroleum yet!" - a reference to the importance of oil above all else in Venezuela.
13. Mitimaes - a system of enforced migration of communities employed by the Incas to insure the preservation of the peace in the outlying provinces and to get the maximum production out of all available land.
14. Bancos de Fomento - banks of development; agencies which make loans to individuals or groups for the purpose of mining or agricultural exploitation, etc..
15. Batidos en detalle - piecemeal attacks - individual skirmishes.
16. Nationalizing countries - Bolivia and Argentina are the countries referred to here. The Goliaths, at least those of Bolivia, are the three families which controlled the production of tin in Bolivia but did their banking elsewhere - Patiño, Hochschild, and Aramayo.
17. Germán Arciniegas - a contemporary Colombian writer.
18. Andes Pact - arranged during the years of 1947 and 1948.
19. Chancellor of Perú - an official of what would correspond to our State

Department. His name is García Sayan.

20. and 21. - During the thirties, Latin American high pressure salesmanship, especially that of Perú, induced English and American investors to sink money into the various countries. Perú's President Augusto B. Leguía was highly instrumental in the campaign. The English bonistas referred to, discovered too late that Perú could not pay back their loans. It was not until last year that an agreement was reached whereby the English gave up their claim to the accumulated interest and even settled on a lower figure of payment, according to Dr. Polar. Before the agreement, however, the International Bank took a dim view of sinking more funds into Perú, especially when it remembered the loans made to this country in the thirties which resulted in graft, personal profit, and a good many cases of champagne.

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