

## GAUCHO BANKING.

BY W. R. LAWSON.

**T**IME was when finance was considered a very cosmopolitan science, but it is beginning to develop ethnological distinctions. Though English and German financiers now co-operate in all important transactions, their methods and points of view are as different as ever. New men are also entering the field of finance, for whom it has all the charm of novelty, and who do not hamper themselves with any of the traditions or hard and fast rules of the old school. The gold mining boom in South Africa provided the Stock Exchange with a new experience, which is briefly summed up in the expressive term, "Kaffir finance." The Americans, when they have occasion to speak of the same kind of feather-headed five cent gambling, call it, contemptuously, "Nigger finance." To the Argentine boom we owe a third branch of the same family, and at present the most interesting of all, which may be distinguished as "Gaucho finance." There are few nicknames which have acquired so practical or so varied a meaning as "Gaucho." The Indian word from which it is said to be derived signifies simply "native." In its original use it was the counterpart of "Gringo"—a slang name for foreigners. Afterwards it was applied by townspeople to country cousins. Whoever lived in camp was a "Gaucho," but the real Gaucho was the Spanish-Indian, who spent his whole life on the pampas, was seldom out of the saddle, and neither intellectually nor morally was far removed from the wild cattle he lassoed.

With the growth of towns, the Gaucho was attracted to the grog shop, and later on he fell into the hands of the politicians. They found him a willing and pliable tool for the rough and ready revolutioneering which was in fashion all over the River Plate till a few years ago. The now important town of Rosario has more than once been occupied

by gangs of "Gauchos," who exercised such a reign of terror in it that foreign gunboats had to be sent up to protect the lives and property of foreign residents. When that game had been played out, the "Gauchito" again advanced with the times, and went into politics on his own account. Universal suffrage gave him a vote, and made him eligible for public office. In the multiplicity of civil and military functions, he had no difficulty in finding plums to his taste. In the army, he could rise to the highest rank without being able to sign his name. In the civil administration, he made an ideal inspector of police (*Jefe politica*); and a police inspectorship at the River Plate has frequently been a stepping stone to the governorship of a province, or even to the presidency.

In these Spanish-American countries the trick of political popularity depends less than with us on a glib tongue and a faculty of rolling off platform paraphrases. The man of the people cannot gather them round him in public halls to tickle their ears with rhetorical thistles. He has to go into the street, and make himself agreeable to them individually. This again suited the "Gauchito." He could, when necessary, ride all round a province and hob-nob with every voter in it. As inspector of police, he could not only know them, but he could find out all their weak points. He could discover how they were to be worked in view of an election. He had daily opportunities of proving to them both the value of his friendship and the awkwardness of having him for an enemy. An able, unscrupulous, energetic inspector of police has a province at his feet. He may do what he likes, and aspire to any high office it has to give him.

When the people see such a man, they instinctively mark him out for a coming Governor. He may either vault into the highest office at a bound, or he may condescend to serve for a few years in the half-way house of *Intendente* or mayor of the provincial capital. Sooner or later, he comes to the governorship, and thence, in due course, to the Senate at Buenos Ayres. The clique of active politicians who direct

the operations misnamed elections are among the first to recognise his power. They would rather have him with them than against them, and once in the official ring his future course is clear and easy. He has to get his share of the spoil, and as much more as he can jockey his confederates out of. All offices, from the highest to the lowest, were, in the Celman days, distributed by this gang among themselves and their hangers-on. Every public dignity, from president to harbour-master of a river port, was scrambled for by them behind the scenes, but never allowed to go past them. This was "Gaicho" politics, and out of it grew very naturally "Gaicho finance." Buenos Ayres has generally been the only centre of opposition to Gaichoism. The revolution of 1880 was an issue between Buenos Ayres and the younger provinces, which hitherto it had dominated by force of money and brains. But now they, too, were acquiring some power of purse, and they had by a long way the best of it in muscle. Appropriating to themselves the catch title of "National Party," they captured the City of Buenos, and made it the national capital, while the province had to start a new capital for itself at La Plata.

The "Gaicho" *régime*, whose political and financial exploits were lately so full of interest to the world at large, began with the so-called "nationalizing" of Buenos Ayres, nearly ten years ago. Previously, the senior province had furnished the Republic with lawyers, financiers, statesmen and rulers. Everything outside of Buenos Ayres was simply "Gaicho." Since then the tables have been turned, and the "Gaichos," *alias* Nationals, have furnished lawyers, financiers, statesmen and rulers to Buenos Ayres. Most of them came from Cordoba, the oldest and most civilized of the Gaicho provinces. In many respects Cordoba is ahead of Buenos Ayres itself. It possesses the principal university in the Republic—in fact, the only one which approaches the university standard of Europe. It is the only province in which science is officially recognized and cultivated. The city of Cordoba is above any of its provincial rivals in intelligence,

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public spirit and refinement. By rights, it should have ranged itself on the side of Buenos Ayres against the "Gauchos," but that, from its own point of view, would have been impolitic. To lead the "Gauchos" against Buenos Ayres was more tempting than to play second fiddle to Buenos Ayres in an anti-Gaicho campaign.

Thus the two oldest and most cultivated provinces in the Republic came to be pitted against each other in a struggle that has degraded Argentine politics, plunged the finances into dire confusion, and brought the Republic itself into serious peril. Without the leadership of Cordoba, the Gaucho could have done little permanent harm. He would have remained a cowboy until European immigration gradually absorbed him or improved him off the face of the earth. But Cordoba furnished all that he needed to make him a power in politics. It gave him clever tacticians to scheme and pull the wires and run the electoral machine. Cordoba was for years the head-quarters and the intellectual centre of the Gaucho party. Not only did it give them chiefs, but it has repeatedly filled the presidential chair. President Roca was connected with the province by marriage, his wife having been a De Funis, one of the oldest Cordovan families. Juarez Celman, his brother-in-law and successor, stepped out of the governorship of Cordoba into the Presidency. A half-brother of Celman, Don Marcos Juarez, stepped into his shoes as governor, and, if the recent revolution had not disturbed family arrangements, there might have been a third brother in the Argentine dictatorship.

These three typical chiefs of the Gaucho Ring had the whole country, and, of course, the province of Cordoba in particular, honeycombed with smaller rings working into each other. They practically appointed the prefects (*Jefes politicas*), the *Intendentes* (mayors), the syndics of the National and Provincial Banks, and every superior official. With a power more absolute than Tammany Hall ever wielded—for it was seldom disputed, until at last it became intolerable—they controlled the *personnel* of the administration, municipal

and provincial. Whatever was worth having was in their gift, down to the discounting of a fifty-dollar bill, and they gave nothing for nothing. Under the guise of politics, it was a scramble for loot which they and their henchmen carried on. Positions, salaries, contracts, concessions, opportunities for plunder, were the prizes of their patriotism and public spirit. While they were apostrophizing in Congress about the honour of the Republic and the supreme duty of maintaining the national credit, what they were really anxious about was to avoid exposure of the wide difference between their public professions and their private practice. Bit by bit they had to confess their irregularities. The funds of state banks advanced without security to political friends, clandestine issues of bank-notes to far beyond the legal maximum, notes kept in circulation after they had ceased to be legal currency, cedulas manufactured to three times the actual value of the property they were secured on, for the purpose of promoting a land boom—these were the most trifling peccadilloes which the Gaucho financiers had charged against them by their now indignant fellow-citizens.

Reckoning from 1886, when the boom may be said to have started, the “Gauchos” have had a splendid innings. Like mustangs turned into a clover-field, they gorged themselves, kicked their heels, and ran amuck amid all the luxuries with which Europe could supply them on credit. Pampa lands, which, not many years ago, were to be had almost for the taking, became suddenly worth forty, fifty, sixty thousand dollars per league. Suburban lots, which, being neither in town or country, found only a rare buyer at a few cents per square metre, bounded up to dollars per metre. In the cities, rents were doubled, often trebled, and a house might be sold half a dozen times in a month with a fabulous profit to every seller in succession. Petty shops flared up into palaces of stucco and plate-glass. Modest houses gave place to Parisian hotels, glittering at every turn with mosaics, bronzes and Italian frescoes. “Baracas” and “depositos” were filled to bursting with imports bought on four or five years’

credit, and considerable quantities of which have had to be returned unopened to the disgusted European exporter.

These, however, were merely the mild commonplace features of the Gaucho boom. They are ordinary incidents of all booms ; only the Gauchos threw into them a brilliant prodigality all their own. Worse than the prodigal, for they were not content with squandering their unearned increment, they flung it about like children. The Paris Exhibition brought their frenzy to a head. It was quite a common thing then for supporters of the Gaucho Ring to get from one of the State banks letters of credit for sums up to \$100,000. The money was gaily spent among cocottes and other merry-makers in Lusatia, but it still stands in the bank books at the debit of the privileged borrower. This "free banking" boom has had much worse effects than the land boom itself. It is something peculiarly Gaucho, and not to be met with in any other financial crisis on record. It is beyond dispute that both the National and the Provincial Banks were systematically milked during the speculative mania. They were free banks in the freest sense of the term, for any Gaucho who had the political open sesame to them could ask for almost anything he pleased, and it would be given him so long as there was a piastre left in the till.

Persons accustomed to the banking methods of Europe, and who have had some experience of the gauntlet a borrower has to run in getting even a small overdraft from the orthodox British banker, may doubt the possibility of such happy-go-lucky borrowing as prevailed during the Gaucho jubilee. But they must remember that the Argentines were very young in the banking business, and their natural aptitudes do not lie much that way. They are clever in some branches of science, medicine especially ; but no one would join Mr. Gladstone more heartily in relegating political economy to Jupiter and Saturn. For them it has never existed anywhere else. In banking they are almost as ingenuous as the West Indian niggers, who, for a long while after they were put on wages, fancied that when a white man



needed money, he had only to go to the bank for it. Such too was the Gaucho idea, with this important difference, that the Gauchos had the power to put it in practice. In the three fat years which brought on the crisis, they all had banking credits according to their degree. While the chiefs borrowed by the quarter million dollars or more, the sutlers got each his two or three thousand dollars. Not only were all of them liberally treated, but no red-tape difficulties were thrown in the way. The borrower had simply to give his own note of hand. There was not even any farce gone through of making Dick guarantee Harry, or Harry sign along with Dick. Very likely the Gaucho banker knew his customers well enough to be aware how little they could help each other if it came to a pinch with them. He considerately saved their time and his, and took from them their single names. But he made them undertake to pay off the loan by instalments—5 per cent. per quarter. That arrangement has, perhaps, secured a few repayments, which would otherwise have been lost; but its main advantage has been that it called the bankers' attention, at an earlier period, to the growth of his bad debts.

The banking losses of the country have been enormous—far more so than we have hitherto had any suspicion of in Europe. The difficulties of both the National Bank and the Provincial Bank of Buenos Ayres were long matters of common repute. They were admitted to be one of the most urgent reasons for a new loan. The Treasury itself might have struggled on for a short while longer, but the two Government banks could not, without substantial relief, maintain even a show of solvency. Failing further help from abroad they may have to get practically *carte blanche* to increase their note issues. That will be the last resort, however, and it will be a desperate one. Not a single responsible minister or a serious politician but would be sorry to see it done; still let us not forget that it can be done, and done very easily. It would be a popular measure with the shopkeepers and tradespeople at large, who, strange to say, are hard pushed for small currency.

What astonishes one more than anything else in travelling through this topsy-turvy Republic is the scarcity of paper money, notwithstanding the floods of it which are known to have been let loose in every province. Except in one or two provinces, where the Provincial Banks are practically insolvent, the rag money circulates as freely as ever, and has suffered no depreciation to speak of. Its local circulation is unimpaired in spite of the fact that it has lost all credit outside of its own province.

This, it may be said, is infatuation and wilful blindness on the part of the Argentine people. Very possibly it is, but what we have to do with first is the fact of its existence, which there is no getting over. If political economy had been allowed to follow its orthodox and prescribed course in the Argentine Republic, gold would be escaping from the country, and the paper notes would, day by day, be losing their purchasing power. Gold does not leave the country so far as the people are concerned, for they never had any, and never felt the need of it. The only considerable stock of gold ever held in Buenos Ayres belonged to the Treasury, which sold it long ago. The provinces never required any. They were quite satisfied with the paper money which the Free Banking Law of 1887 authorised them to manufacture for themselves on certain conditions, easy enough at the best, but which they could drive a coach and six through if they found them the least irksome.

It may be interesting to introduce here some specimens of the so-called notes which the writer found in circulation a few weeks before the recent revolution. They are taken at random from the odd money he had over on leaving the country. Precedence may be given to the "nacionales," or national notes issued under the law of 1887, and forming now the basis of Argentine currency. There are two samples here reproduced, one of the National Bank of the Republic and the other of the Provincial Bank of Catamarca. In form and inscription they are, it will be seen, uniform, the law having prescribed their form and design, with a view to





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uniformity. Both specimens bear a London imprint, and, be it remarked, there was a certain amount of unconscious humour in having such a currency printed in the same office as *Punch*. A London firm contracted for nearly, if not quite all, the issues of 1887, both national and provincial. It was probably the heaviest job of the kind that ever came to this country, and it required more than eighteen months to finish. An agent of the Argentine Treasury remained in London all the time superintending operations, and, notwithstanding, several mistakes were made which caused inconvenient delays. One or two issues had, I believe, to be returned for reprinting. The printer is a very convenient scapegoat for literary blunderers, and in this case he may have had to answer for a few of the sins of Argentine financiers. Naturally, when they found themselves in a mess they laid as much of the blame on him as they possibly could.

In May last, when the discovery was made of illegal issues by some of the free banks, or rather, when the Government of the day were forced to publicly confess what had long been notorious, the favourite excuse of the over-issuing banks was that the new notes were so much longer in coming than was expected that they had to pay out again old notes which had been withdrawn. They had intended, of course, to call in these old notes as soon as the new ones arrived, but some accident or other always came in the way to baulk their good intentions. The new and the old notes went on circulating together until Senor del Valle, a leader of the *Union Civica*, the authors of the anti-Celman revolt, called attention in Congress to the scandal. Then it was discovered that the legal circulation of 160,000,000 dollars—quite large enough in all conscience for a community of 4,000,000 souls—had been fraudulently watered by the banks themselves to the extent of fifty or sixty million dollars. They were nearly all in it, more or less, and the principal banks, which should have set the best example, were the worst offenders. The National Bank has exceeded its limit by *fully 26,000,000 dollars*.

The Provincial Bank of Buenos Ayres confessed to about 8,750,000 dollars of an excess, and the notorious Provincial Bank of Cordoba had, on its own authority, doubled its issue, throwing in about 20,000,000 dollars of fictitious paper, where it might have been thought that 15,000,000 of genuine notes was much more than enough. In Santa Fé they are a duller people than the sprightly Cordovese, and may be more troubled with old-fashioned scruples. At all events, when the bogus note issues were pulled up, the Provincial Bank of Santa Fé had not got out quite 8,000,000 dollars of them.

Had these banking peccadilloes been confined to some of the smaller Gaucho Provinces they would not have been very surprising. People might have shrugged their shoulders, and asked what better was to be expected from Gaucho bankers, who, the day before, may have been railway station-masters, and, the day before that, may have been cowboys? But the two great banks of the Republic—the National and the Provincial of Buenos Ayres—were fellow-conspirators of Cordoba and Santa Fé. The Bank Inspection Office, the Treasury and the Government itself were all implicated. The only protest on behalf of law and honesty came from the director of the Bank Inspection Office, who resigned when asked to make himself personally responsible for a flagrantly illegal act. He would look on while the law was being twisted about by others, but he would not knock a hole in it himself. The National Bank being simply a tool of the Celman gang, did whatever they wanted, whether it was lying, gambling, or bogus note issuing. It took part in one of the most impudent tricks practised during the Celman *régime* on the currency of the country, and got its finger deservedly burned in consequence. When attention was first called to the fact that the Provincial Banks of Cordoba and Santa Fé were reissuing old notes which ought to have been withdrawn and cancelled, something had to be done to cover up the fraud. It was arranged by Celman and his confederates that the National Bank should come to the rescue. It had neither coin nor legal currency to give away, but it had a

good stock of its own old notes which should also have been cancelled according to law.

Those precious bankers and politicians *fixed up an exchange of old Provincial Bank notes for old National Bank notes, the one being quite as illegal as the other.* In entering into this disgraceful scheme, the only stipulation the National Bank made was that the Provincial Bank notes should be destroyed as soon as they were got in. But it took no precautions to insure that they were destroyed. The Cordovese, being left to their own ideas of honour and honesty, did not destroy the old notes when they came in, but stored them in a cellar, and next time the bank was in a pinch *they coolly reissued them for the third time!* One has to go to Cordoba, and to see how it has been financed, in order to be able to credit such audacious roguery carried on under the guise of business, and connived at by the public authorities. On the reverse side of the "*nacionales*," which we reproduce on the next page, there is an extract from the Free Banking Law of 1887, which says: "Whoever shall falsify or forge notes authorised by this law, and whoever shall circulate falsified or forged notes, shall be subject to the penalties prescribed in Clause X. of the Law of 14th September, 1863." Under that clause the then President, Celman, the Governors of Cordoba and Santa Fé, and the directors of the National as well as of the Cordoba and Santa Fé Banks might, in any other country, have been sent to the penitentiary for fraud. It needed a revolution to clear them out, but out they had to go at last. Even the Argentines, with their ostrich-like appetite for greenbacks, would not have them at second-hand. A special Act of Congress was passed to compel the Provincial Bank of Cordoba to burn its thrice-issued notes in the presence of a Government bank inspector and notary public. It may be assumed, therefore, that they are now really dead.

Reproductions of the notes issued by the Provincial Bank of Catamarca, may now fitly be considered.

The design and the legend are, it will be observed, precisely alike in both notes, from the Argentine cap of liberty at the



top to the vignette of General Brown on one side, and the wine quaffing cherubs in the opposite corner. In English, the various inscriptions read :—

“Emission Guaranteed by the  
Deposit of Public Funds.”

“National according to the Law  
of 3rd November, 1887.”

Immediately after the title of the issuing bank follow the words :—

“Payable at sight and to Bearer, One Peso in Money National.”

which means just anything that the Argentine Congress may give the name of money to. Both notes are dated “Buenos Ayres, 1st January, 1888 ;” the theory of the Act being that all are issued from the Bank Inspection Office in the national capital. They are signed in the left-hand corner by the president of the issuing bank, and in the other by the president of the Bank Inspection Office. The National Bank note bears two names of note in the history of the period. Senor Sastre, who signs for the bank, was the president who brought it to the brink of ruin, and who disgraced it by a long course of scandalous irregularities of which we have given a few mild examples. Senor Agote, who signs for the Bank Inspection Office, was the first president of that institution, and one of the few honest officials who had anything to do with the Free Bank Act of 1887. He retired into private life a year or two ago, but will be long remembered for his voluminous reports on the banking system of the Republic. He was not the sort of inspector that the Sastres and the Marinis cared to have over them. They wanted free banking in the worst sense of the term—free over-drafts for themselves and their friends, free bill discounting, free gambling in bank shares, and free issue of bank-notes—old or new, genuine or fictitious, did not matter a straw to them. On the 1st of April last—obviously appropriate day—they declared a 20 per cent. dividend on National Bank shares when they had only *four hundred thousand dollars in the till to pay it with*. On the 10th of April, the National Bank would have had to close its doors if the Government had not saved it by a flagrant breach of law



in supplying it from the Bank Inspection Office with notes which had been called in and were in process of being destroyed. In order to keep the Gaucho gang going, the old notes were made to serve another turn, and later on Congress had to pass a law indemnifying the official rogues, who ought to have had three or four years' penitentiary instead.

The Sastre gang were in the National Bank an exact counterpart of the Celman gang in Government House. Their motto was to fill their own pockets anywhere and anyhow, but they had not the brains to be successful boodlers. Their speculations on the Bolsa went all wrong in the end, and when the final day of reckoning came, they had nothing but *vales* or "I O U's" to give the bank for their self-conferred overdrafts. The National Bank shares which broke them had to be syndicated by certain eminent financiers in Buenos Ayres until they could be brought over here to be planted on this market, always the last resort of the unsuccessful foreign gambler. After repeated attempts to work them off at a premium—which the 20 per cent. dividend declared in February had an eye to—they were got rid of about par. Then came the April crash, and after it the revolution, which dropped National Banks to 60 per cent. discount. They are still an unhappy investment for early purchasers, though their prospects have been greatly improved since men with some idea of honest, legitimate banking took the place of the Sastres, the Marinis and the Ferraris of the Celman *régime*. After the frightful example that has been made of the boodlers, we need have little more fear of fraudulent note issues, or of Government banks being systematically plundered by their administrators. The stern, but wholesome truth is now dawning on the Argentine mind that paper cannot be made good money by any number of Acts of Parliament, unless there be substantial monetary value of some sort behind it.

The proposal of the Celman gang to set the banks which they had sacked on their feet again by a heroic issue of one hundred million dollars of cedula or land mortgage notes, was the last straw which broke the back of Argentine endurance.

This unique and original currency never got the length of the printer, consequently the pleasure is denied us of giving *fac-similes* of it. But we have still in reserve a few curiosities almost as interesting. The ingenuity of Cordoba banking did not exhaust itself in playing wizards' tricks with old notes. When they ran short, it had another brilliant idea. It invented a species of "I O U" note called a *vale*, which, in default of anything better, its customers actually accepted in considerable quantities. They passed from hand to hand at a growing discount, being considered, on the whole, better than nothing, which was the still more painful alternative. The Cordovese are an eminently philosophic as well as ingenious people. Being all debtors to each other, and all confirmed believers in paper money, they preferred *vales* to the risk of total loss. But they were too shrewd to let the Provincial Bank have the whole benefit of the "I O U" dodge. The principal shopkeepers in Cordoba jumped to the conclusion that if illegal money was to come into vogue, each man might manufacture it for himself. There is no joke about this, but sober, actual fact, within the writer's personal observation. When he was in Cordoba, last May, there was a great scarcity of small change, not merely coin, which is rare at any time, but paper, which might have been supposed to be abundant. At last the café, restaurants, and other places of business, which had to meet a great demand for small money, were forced to turn on the printing press for themselves. They limited their issues to five, ten, and twenty-cent notes, the circulation of which may not have gone much further than their own customers. They were always good for full value in kind at the issuing shop, which was more than could be said for the *vales* of the Provincial Bank. We present *fac-similes* of the Cordovese private currency of 1890, collected on the spot.

No opposition whatever was offered to the circulation of these five and ten cent paper tokens. The law took no unfriendly notice of them. Whether it was because Cordoba in those days was a law unto itself, or because the banks had

no wish to compete with the cafés and barbers' shops in five-cent greenbacks, the extra-official currency flourished for a long while, and may be flourishing still. The Provincial Banks themselves had no right to issue fractional notes; By the Law of 1887 these had been limited to ten million dollars—probably not enough for the wants of the country—and the issue of them was vested in the National Bank alone. It cannot make much profit out of them, at least not out of the twopence-halfpenny ones; but there may be some compensation in the large waste that is always going on. Of the original ten million dollars of 1888, quite one-third may have already disappeared.

The only other country that cuts its paper money so fine is Paraguay. It, too, has a National Bank system modelled on that of the United States; in fact, the Paraguayans were two years ahead of the Argentines in the Yankification of their currency. The notes of the National Bank of Paraguay now in circulation are mostly dated 1st January, 1886, while the Argentine specimens above reproduced bear, it will be seen, the date 1st January, 1888. The two differ in various respects, both superficial and essential. They are smaller in size, coarser in substance, and much less artistic in design, albeit they bear the imprint of the American Bank Note Company of New York, which can do the finest bank engraving to be seen anywhere. As an offset to these inferiorities they are convertible notes, and not common greenbacks or shinplasters. They bear the proud legend:—

PAYABLE TO BEARER,

AT SIGHT,

FIVE (TEN OR TWENTY) HARD CENTS,

In money of gold or silver, at the legal rate of exchange, according  
to the Law of 31st October, 1883.

“Five hard cents” is a fine phrase seldom to be heard now-a-days in South America. It has a square solid ring about it, especially in a part of the world where gold often goes to a premium of 200 per cent. The Paraguayans used

to be justifiably proud of their convertible five-cent notes, but recently we fear they have had some difficulty in maintaining their metallic standard. When the writer visited them they would not look at Argentine paper money from any point of view. They would not have it, either by weight or measure, or at any practicable rate of discount. Like the Banda Oriental, Paraguay was then a hard money country. Our *fac-similes* show that it takes care of the cents, though the dollars have not always fulfilled the rest of the proverb by taking care of themselves.

Gaucha banking has many other peculiarities besides its partiality for greenbacks *ad infinitum*, and its philosophic scorn of the precious metals. Its book-keeping is something fearful and wonderful. Any English accountant in search of a speedy method of turning his hair grey should devote a few nights to the study of Argentine bank balance-sheets. He may get through the first one pretty easily by taking a great deal on trust, but the moment he begins to compare it with a second of the same bank, he will find himself adrift without rudder or compass. As for comparing the accounts of different banks, nobody has ever survived that ordeal but Senor Agote, and he escaped by giving it up early. The German financial organ of the River Plate—*Buenos Ayres Handels Zeitung*—publishes the balance-sheets of the principal banks periodically, and the more one examines them, the greater becomes his respect for the proverb that figures may be made to prove anything, or to tell nothing. Here is an example obtained from two very recent reports. The Provincial Bank of Buenos Ayres, in its balance-sheet for 30th June, 1890, had the following charges entered against “Official Debtors”—generally the best customers of Argentine State banks:—

Official Debtors.	Paper.	Gold.
Government of the Province . . . . .	\$26,851,231	\$1,441,147
Hypothecary Bank . . . . .	3,143,953	436,319
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	\$29,995,184	\$1,877,466
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Two months later, the Hypothecary Bank issued its balance-sheet for the same date, June 30th, 1890, and the corresponding entry to the above reads thus :—

Bank of the Province—	Paper.	Gold.
Capital . . . . .	\$3,112,560 .	\$424,264
Interest . . . . .	140,235 .	12,055
	<u>\$3,252,795 .</u>	<u>\$436,319</u>

The gold debit of the Provincial Bank to the Hypothecary Bank agrees with the gold credit of the Hypothecary Bank to the Provincial Bank, but the currency items are at sixes and sevens. If we take capital alone, the Provincial Bank claims more by \$30,000 than the Hypothecary Bank admits to be due to it, but if interest be included, the Hypothecary Bank owns to over \$100,000 more than the Provincial Bank has debited it with. Both accounts are duly audited and vouched by half a dozen officials—president, secretary, inspector, accountant, and book-keeper!

Recently, there appeared in the same week the statement of the Hypothecary Bank for 30th June, 1890, and that of the Provincial Bank for the 31st August. According to the latter, the debt of the Hypothecary Bank had increased to \$7,253,109 currency, and \$597,762 gold, an increase in the two months of \$4,000,000 currency, and \$160,000 gold. Assuming the totals of 30th June to have been correct, the greater part of the cedula coupon money payable in the interval must have been borrowed from the Provincial Bank. According to the most reliable of the many estimates current the gross amount of Provincial cédulas now current, is somewhat over \$300,000,000, the annual charge on which, at an average rate of 8 per cent. per annum, would be \$24,000,000. The amount of funds to provide quarterly would be \$6,000,000, and very probably it was for the July coupons that the above \$4,000,000 had to be advanced by the Provincial Bank. Two-thirds of the coupon payments thus appear to have been made with borrowed money, and the money had to be got

from a source which evidently cannot be counted on for much more.

The financial crisis at the River Plate is an evil not to be underrated ; but, on the other hand, there is equal danger of overrating it. The productive capabilities of the country are still immense, and political anarchy has only checked them for a time, not impaired them. They will develop even faster under the pinch of adversity than they could have done under the deceptive sunshine of a false prosperity. There will be more straightforward solid work done in Argentina in the next three years than there was in all the six years of the boom. There will also be a great deal of honest money made by whoever has an eye for opportunities. What the Argentines want to enable them to recover their position, and to retrieve their past errors, is above all things sound finance, which means, in the first place, a fiscal system free from jobbery and official theft ; secondly, a good banking system ; and lastly, a currency based on something better than paper.

The scandals of the Celman *régime* should be made absolutely impossible for the future, and it should at the same time be rendered clear to the world at large that a repetition of them is impossible. For this a higher public *morale* is wanting. The Argentine has to learn through hard experience that national banks, note issues and foreign loans are not playthings for children to amuse themselves with. The strict rules and traditions of European finance will have to be adopted by him if he wishes to regain European credit. He will have to realise that a bank manager is not an omnipotent and irresponsible being, who can do whatever seems good to him. He may not steal the funds of his bank by way of overdraft or otherwise ; nor may he invite all his friends, social and political, to help themselves from the till ; neither should he publish cooked balance-sheets if he can help it, and there is a strong objection to playing tricks with paper currency.

These have been the special head-marks of Gaucho banking in the past. They are the dangers to be vigilantly guarded against hereafter. But the Argentines will never rise



completely above Gaucho banking until they have rid themselves of their greenbacks, or inconvertible paper. It is a curse to the country, and renders good finance impossible either to a Government or in private affairs. Gaucho banks which found themselves relieved from the first duty of a banker—to keep all his current liabilities, especially his notes, amply covered, and to have always an effective margin behind them—soon began to play fast and loose with the essential principles of their business. There is not at this moment in the Argentine Republic a so-called Guaranteed or Free Bank operating under what is supposed to be a copy of the United States banking law which would be allowed to keep open for a week in the United States, where the law is properly enforced. One of its fundamental rules is that every bank constituted under it must have a liquid reserve amounting to one-fourth of its deposits. Month after month the Argentine Guaranteed Banks coolly publish statements showing 10 or 12 per cent. instead of 25 per cent. reserves. The National Bank had on the 31st May last deposits to the amount of \$33,547,045 gold and \$121,429,877 currency, while its total safeguard against a run by its depositors was *less than a million and a quarter dollars in gold, and barely twenty-six and a half million dollars in notes*. The latter were not even all its own, but included notes of other banks—Cordovese, Catamaricans, Santa Fijians, and other gilt-edged assignats.

It is somewhat significant, not to say ominous, that the National Bank has published no balance-sheet since the revolution. The Provincial Bank of Buenos Ayres has more courage, or perhaps a better sense of humour. Its balance-sheets come out regularly month by month as usual. That of the 31st August last, which has been already referred to, showed deposits amounting to \$121,777,661 currency and \$2,356,091 gold, against which the till was magnificently furnished with \$10,384,563 in paper and \$1,342,047 in gold. Total deposits, one hundred and twenty-four million dollars; total cash reserve, eleven and three-quarter million dollars, or under 10 per cent. of the deposits! A woman's weakness

is sometimes said to be her best protection; and the Provincial Bank of Buenos Ayres is quite lady-like in that respect. It frankly shows its depositors that there is no excuse whatever for a run on it, there being nothing to run for. If they insisted on payment in meal or malt, it would have to offer them cédulas, of which it holds a considerable supply in pawn—over forty-nine million dollars' worth. It seems to have acquired these between the end of June and the end of August, and the presumption is that they have some connection with the Provincial Hypothecary Bank.

The minor Provincial Banks have one negative virtue, for which they should get full credit. Nobody seems to have cared to trust them with deposits, consequently there is one sin against banking law which they have not contrived to commit. Not through lack of will, however, but of opportunity. All they had to work on was their capital and their note issues, into both of which they condensed as much illegitimate banking as the Gaucho mind could conceive in the comparatively short space of two years and a half. Their capital is lost, and their note issues will have to be taken care of by the National Government, which holds in the Bank Inspection Office its own Four and a Half per cent. bonds for their protection. The notes should be called in at the earliest possible moment, the guaranteeing bonds should be cancelled, and the broken banks closed. After their brief and all too brilliant career, nothing now remains save to bury them and repeal the unlucky law of November, 1887, which gave them birth. Over their tomb may be appropriately placed this epitaph:—"The First and Last of the Gaucho Banks."

W. R. LAWSON.

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EXCHEQUER BILLS.—The Lords Commissioners of Her Majesty's Treasury have decided that the rate of interest on Exchequer bills dated 11th June, 1886, for the half-year ending 11th June, 1891, shall be at the rate of  $3\frac{1}{2}$  per cent. per annum, which is the same rate as that now current.

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