

# Uncle Sam's Banks Are Opened in South America

(Copyright, 1914, by Frank G. Carpenter.)  
**BUENOS AIRES, Argentina.**  
**UNCLE SAM** has at last begun a banking business in the southern half of our hemisphere. The National City Bank of New York opened its offices here last November, and it is now organizing a system of banks and credits which will eventually be extended to every part of the South American continent. It has already established a branch in Rio de Janeiro, and it has agencies and credit arrangements in Montevideo, Santiago, Lima and La Paz. Its chief banking establishment in Argentina is in the Stock Exchange building, and in the very heart of the business section of Buenos Aires. The offices open out upon the Calle Rivadavia, and they are not far away from the "Pink House," where the president has his offices. The bank here is under the supervision of Mr. John H. Allen, former manager of the Bank of Haiti, and one of the chief men who aided in its establishment was Mr. Robert O. Bailey, formerly assistant secretary of the Treasury of the United States. The staff of clerks is made up of men trained in the National City Bank of New York, and others who have had experience in South American trade. In addition are some bank clerks who have been with the large financial institutions of this city.

The National City Bank is doing a general banking business. It deals in exchange, issues letters of credit, handles collections, and has already a large amount of deposits. It does its business in American dollars and Argentine pesos; and for the first time one can buy drafts here on the United States without having to translate the local currency into pounds, shillings and pence back into American dollars. I have traveled extensively in the South American countries, having been here, off and on, for the past six years. I have always had to carry a letter of credit on London, and have paid a tribute of about 1 per cent to the greedy "Old Lady of Threadneedle Street."

It is estimated that our total business with South America gives the English steamers and bankers at least 1 per cent of the whole. Perhaps for their share in carrying the freight and in making exchanges. This trade amounts to nearly eight hundred mil-

lion dollars a year, and the annual English rake-off is in the neighborhood of eight million dollars. The shock of the war has awakened us to a realization of this fact; and the time is coming when we shall send our goods in our own ships and have our own banks.

Such a change will benefit the United States in many ways outside the money involved. The big English, French, German, and Italian banks which are now working here are trade agencies of their respective countries. They devote themselves to developing that trade and are reservoirs of information for the Europeans engaged in it. Said an American capitalist to me today:

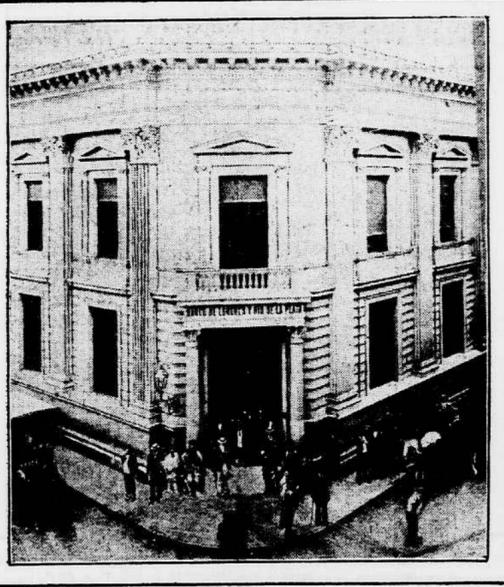
"It is impossible to do business without an American bank. I am interested in contracts which involve millions of dollars, and if my transactions pass through the English or German banks my competitors as to bids are kept posted as to just what I am doing. Suppose I should make a deposit in the German bank of a half million dollars with the idea of swinging some big contract? The fact that the money is there is told to the Germans who are in the same line of business, and they are apt to discover my plans and underbid me before I can bring my deal to a conclusion. It would be the same if I made the deposit in an English bank and practically the same with the French."

The National City Bank will not only prevent such publicity, but it will serve as a financial institution for pushing American trade. It is collecting information as to the credits of the various companies and merchants, and within a short time it will have the standing of every institution and dealer of note in eastern South America. It will keep files of such credits in Buenos Aires and Rio Janeiro and it will have duplicate files in New York, so that it will serve the place of the Dunns and the Bradstreet

They Are Ready for Business in Buenos Aires and Rio de Janeiro—Foreign Banks in Argentina That Fight Capital From the United States—Carpenter Says Great Britain Has an Investment of a Billion Dollars—What the French and Germans Are Doing—The Rich Italian Banks—A Spanish Institution With a Surplus of Over \$40,000,000—The National Bank of Argentina and a Government Mortgage Bank With Bonds Payable to Bearer—Some Big Dividends—How the War Is Affecting Money Matters in South America.

from Great Britain and the total investments of that country in our sister continent have already run into the billions. I have before me the figures of Sir George Parish as to what England has invested in South America. The amount in Argentina is \$1,600,000,000; in Brazil, \$739,000,000; in Chile, \$365,000,000; in Peru, about \$171,000,000, and in the several other countries over \$180,000,000. This makes a total of about \$3,000,000,000, all told, and the most of the investments are paying big dividends. Within the past seven years the total investment has been: For Argentina, about \$600,000,000; for Brazil, \$440,000,000, and for Chile, \$137,000,000. In 1913 the English put out almost \$200,000,000 in Brazil and Argentina, and they would be increasing such investments today if the war were not on.

The above figures bulk large, but South America is a big continent, and it is only at the beginning of its development. The Argentine Republic has already an enormous business. It is a land of big cities, big farms, big banks, and all sorts of big industries. There are only two cities in the United States larger than Buenos Aires, and these are New York and Chicago. There is one native bank here that has a capital of over \$50,000,000, and its deposits are more than \$400,000,000 in paper, or very close to \$200,000,000 in gold. I refer to the National Bank of Argentina, which has altogether 150



THE LONDON AND RIVER PLATA BANK. With a capital of \$50,000,000 and a surplus of \$5,000,000 more.

estate mortgages, and in lieu of cash issues bonds therefor, which are payable to bearer. They pass from hand to hand. The bonds are known as cedulas, and are guaranteed by the government. They bear 5 or 6 per cent interest, and there are special provisions as to their redemption. Of such bonds \$250,000,000 worth had been issued in 1909, and the bank has now assets of between five and six hundred millions of dollars. The law requires it to place 50 per cent of its profits to a reserve fund, and its sales are carefully guarded. Loans are made on farm lands at a low valuation, and on lots in the cities at 60 per cent of their valuation, and building construction loans up to 60 per cent of their assessment.

The rate of interest on the bonds may not exceed 6 per cent and all loans are subject to annual reductions of 1 per cent. This bank has been in operation for almost thirty years, and it is said to have had much to do with the rapid development of the republic.

The foreign banks are doing a big business in this capital of the Rio de la Plata basin. This is especially so of some whose chief offices are in London. The London and River Plata Bank has a capital of \$50,000,000 and a surplus of \$5,000,000 more. The London and Brazilian Bank has a capital and surplus of almost \$14,000,000, and the British Bank of South America has a capital of over \$10,000,000.

The chief German banks are the Banco Aleman Transatlantico and the German Bank of South America. The latter was founded by the Dresdner Bank and the National Bank for

Deutschland, whose headquarters are in Berlin, and the former is a branch of the Deutsche Leberseelscher Bank. The Banco Aleman Transatlantico has a capital of 20,000,000 marks, and the Banco Germanico 20,000,000 marks. My letter credit is on London issued by the Riggs National Bank of Washington, and until now I have done my business here through the Banco Aleman Transatlantico, which is one of the correspondents of the London bank upon which my credits are drawn. The Riggs National Bank is closely associated with the New York City Bank, and any credits I may have in the future will go straight from one continent to the other.

There is a great deal of Italian, French and Spanish money invested in Argentina. There are three large Italian banks, each of which has a big capital, and there is one Spanish bank with a capital of \$100,000,000 in paper, equal to \$40,000,000 in gold, and a surplus of over \$40,000,000. This is the Banco Espanol Rio de La Plata. It was founded twenty-nine years ago, and it now has sixteen branches in the different parts of Argentina and Uruguay. The capital of this bank is larger than that of the National City Bank of New York and it has long been paying big dividends.

As to the French banks, the Banco Frances del Rio de la Plata, founded about the same time as the Spanish bank, has a capital of \$40,000,000 in gold and a surplus of over \$5,000,000. Its profits run from two to three million dollars a year, and it recently issued new stock at 40 per cent premium, and this was subscribed for twice over by the shareholders.

About the biggest Italian bank is the Banco Italia y Rio de la Plata, which

has an authorized capital of \$20,000,000 in gold.

Nearly all of the banks of Argentina are making money. The interest rates in ordinary times are from 8 to 10 per cent, and in hard times like the present one per cent a month is easily gotten, and the loan brokers charge more. One bank in Buenos Aires had last year about 7,000 applications for loans amounting to something like a hundred million dollars in gold. The profits of the Banco Espanol in 1914 were more than five million dollars, and the Banco Italia paid that year 12 per cent which was the same amount of its dividends for 1910 or 1911. The Anglo-South American Bank has been giving dividends of from 8 to 12 per cent. The British Bank of South America pays from 10 to 15 per cent and the London and Brazilian Bank all the way from 10 to 17 per cent, running at times as high as 20 per cent. The Banco Aleman has paid 9 per cent for a number of years, and the Banco Espanol pays 12 per cent on its common stock and over 39 per cent to the holders of the founders' shares.

A large amount of these great profits are made in investments outside the banking business, and the men interested in the banks have stock in the

doubtedly does well. The River Plate Fresh Meat Company has paid dividends up to 15 per cent, the Smithfield and Argentine Meat Company pays 10 per cent. One of the street railways of Buenos Aires is paying 7 per cent and the other 6, while the city waterworks pay from 4 to 7 per cent. Among the money makers the small capital is a whaling company known as the Argentina de Pesca. It runs four steam whalers and makes from 25 to 50 per cent per annum upon a capitalization of \$200,000.

The electric light companies pay from 8 to 20 per cent, several iron and steel companies from 7 to 24 per cent, and insurance companies from nothing to 20 per cent. Some of the savings banks pay their stockholders as high as 20 per cent and some of the land and colonization companies pay as much while others give no dividends whatsoever.

There are several big department stores here that are doing well. Gath & Chaves has a stock value of about \$8,000,000, and is said to pay good dividends. It has several branches in Buenos Aires and stores also in the provincial cities and in Santiago and Valparaiso, Chile. There are a number of breweries that are paying from 8 to 15 per cent, and some exporting companies which have good dividends.

The railways are mostly owned by private parties, the bulk of them held in Great Britain. They have a capitalization altogether of about \$1,000,000,000 in gold, and their profits average more than 4 per cent.

Times are hard now in the Argentine Republic. The country is financially sound, but it is one of ups and downs, and as a rule it is like old Egypt with its seven years of plenty and its seven years of famine. When I was here in 1888 the people were still suffering from the panic

of several million dollars a week, and aggregating in 1913 a total of about \$50,000,000 in gold. Buildings, which had begun on the most extravagant scale, stopped and public improvements amounting to many millions were halted for lack of money. Then came the war, and the more than 400 steamships which were engaged in the carrying trade of products to and from Buenos Aires were suspended. The banks were closed for ten days, and a moratorium arranged which postponed all payments for one month.

The government then put through financial legislation authorizing the issuance of \$350,000,000 of Argentine currency through a re-discount provision, and now business is on a fairly good basis with excellent prospects for the future. The great demand for wheat, corn and meat from Europe has raised the prices, and the country will profit as the United States is doing from the extraordinary foreign business created by the troubles abroad. At present there are many unemployed. Shortly after the war began it was estimated that 50,000 were idle in Buenos Aires alone, and many more in other parts of the country. The government has since inaugurated certain public works to give these men employment, and it is doing all that it can to overcome the financial troubles brought about by the war.

To go about through Buenos Aires no one would suppose that the city and country were in the throes of hard times. The crowds on the streets are well dressed, and the automobiles and cabs fly in long streams through the city. The automobiles have no speed limit, and they cut across from one side of the pavement to the other, their wheels missing only by the thickness of a hair. That there are many acci-

dents seems to make no difference. The machines are costly, the most of them coming from France. I see no sign of halcyon times in the store windows. The shops are filled with the costliest of goods, and the prices seem higher than ever. There are jewelry stores here equal to anything in Chicago, and I might almost say New York, and the milliners and dressmakers have their models from Paris, notwithstanding the war. There is undoubtedly plenty of money still left in the country, and every one is anticipating a great boom to follow the advent of peace.

FRANK G. CARPENTER.



THE NATIONAL BANK OF THE ARGENTINE. It has a capital of over \$50,000,000 and deposits of almost \$200,000,000.

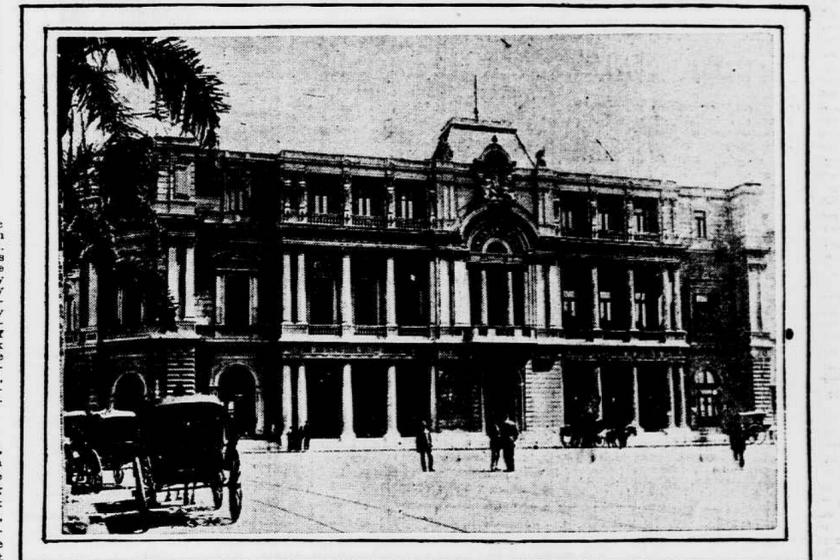
do in the United States. It will also be on the outlook for openings for American capital, and will be an invaluable source of information for our importers and investors.

Few of our people at home have any idea of the enormous business that Europe is doing with the South American countries. The influx of capital is now stopped on account of the war, and the additional money of the near future must come from somewhere else than France, Germany and England. In the past the most of it has come



THE ARGENTINE STOCK EXCHANGE BUILDING. Where the New York City Bank has its office.

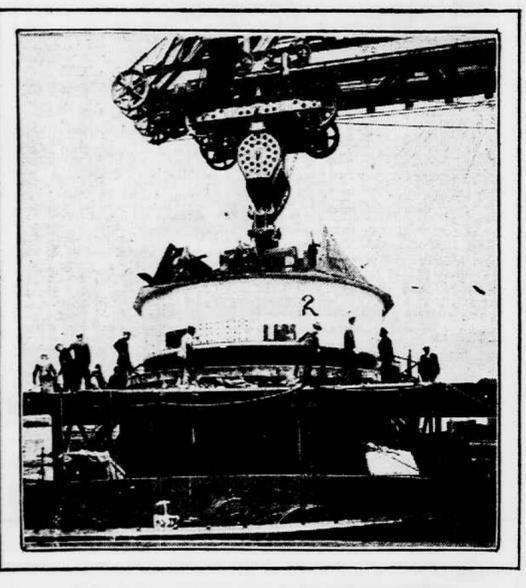
best dividend-paying corporations. In order to show something of what the country is doing industrially, I give you the profits of some of its institutions. The Argentine Navigation Company, founded by a sailor known as Mihonovich, is capitalized at \$10,000,000 and it pays dividends of from 9 to 12 per cent. The Liebig Extract Meat Company has a British capital of over five millions and it pays dividends of 20 per cent, while the La Blanca Cold Storage Company, backed by the Armour's, has paid as high as 12 per cent. The Plata Cold Storage Company, owned by the Swifts, has a capital of two and one-half millions and it un-



THE ARGENTINE STOCK EXCHANGE BUILDING. Where the New York City Bank has its office.

followed the Baring Brothers' failure. Argentina had had a boom for ten years, during which more than \$100,000,000 of Argentine stock had been floated, and of that more than \$50,000,000 was totally lost. The country recovered from that disaster, but with its seven years of dynamic speed up until a year or so ago, when the present straggle began. At the time the war broke out there were several hundred automobiles held in the custom house because the purchasers who had bought them from the United States and Europe had not the ready money to pay the duties on them and could not get the credit. There were

## MAKING OF PLANS AND SPECIFICATIONS FOR OUR SEA FIGHTERS AN INTRICATE TASK



INSTALLING A TURRET ON A MODERN BATTLESHIP.

The naval committee of the House of Representatives has reported a bill appropriating \$45,000,000 for the construction of new ships which will maintain the relative standing of the United States Navy as a defensive one. Subject to the changes which Congress may make, it provides for seventeen submarines, six torpedo boat destroyers, one minelayer, one transport, one hospital ship and two battleships. The latter will cost about \$14,000,000 apiece.

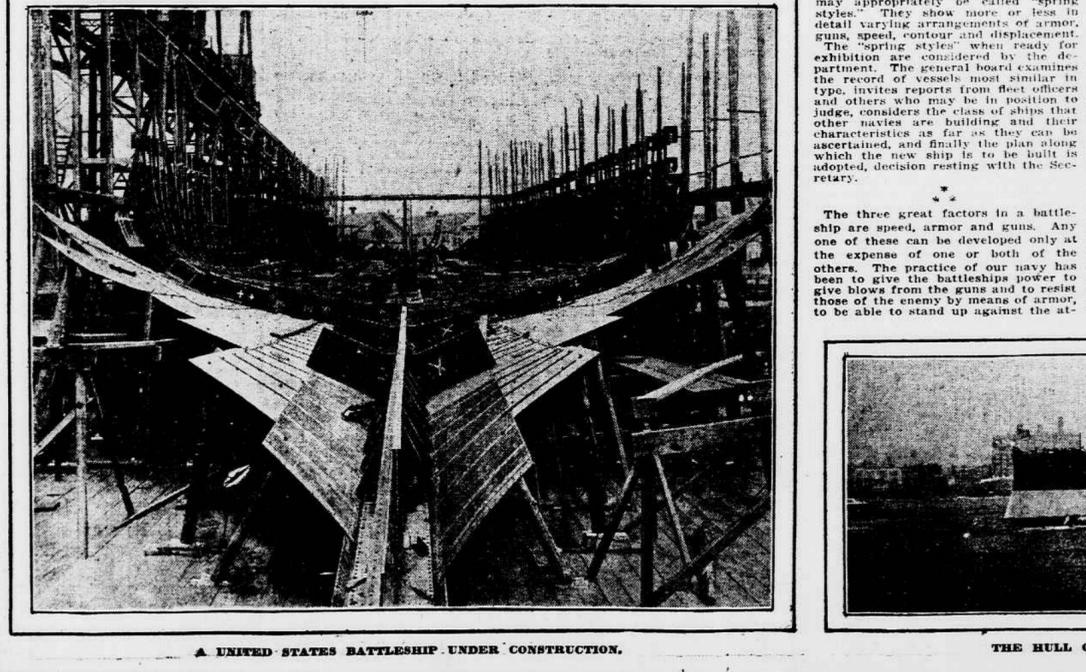
The contract for their construction will not be ready for execution for at least eight months from the passage of the bill. This seems astonishing, but it is due to the fact that extreme care is taken in determining the number and character of ships to be built, and in preparing the plans for their construction.

The imagination loves to dwell on the picture of concentrated power in a 3,000-ton dreadnaught with smoke pouring from the funnels, as she rushes through the sea; on the waves of foam surging on her bows, on the officers and crew at station, on the great guns ready to hurl the missiles of destruction by means of armaments which aeroplanes fly before, like sea eagles, watching against the attack of deadly

Preliminary Steps of Construction After Congress Makes an Appropriation—Duties of the Secretary of the Navy and His Advisers—General Board Determines Characteristics to Be Incorporated in Each New Vessel—Bureau of Construction and Repairs Develops Plans. The "Spring Styles" in Battleships—Designs and Sketches, Contracts and Materials—How the General Plan Is Determined Upon—The Work of the Constructor.

amount which the people, through their representatives, are willing to spend upon the navy. They advise the Secretary, in a general way, of the characteristics which the new ships should possess.

Upon the recommendation of this board, the Secretary of the Navy, who is usually appointed from civil life, takes up the question in conjunction with the President and his advisers, and determines the amount which he



A UNITED STATES BATTLESHIP UNDER CONSTRUCTION.

lack of any hostile ship and to beat down an overwhelming fire anything that tries to stop her from going where she pleases. This was what the Constitution and her sister ships did in 1812.

Whether this will remain the policy after the results of the present European war are known is impossible to tell. Vessels of the Princess Royal type (British), built with lighter armor and carrying fewer guns, but having a speed of twenty-six knots, would in the open sea run away from any battleship this country possesses, in a sea fight would choose the distance, and what is perhaps worse, would reach a distant objective long before the battleship could arrive to protect it.

When the guns and armor are both relatively light and the speed high the battleship develops into the battle cruiser, like the Goeben type of the Germans, unable to stand up against a battleship, but sufficiently swift to escape from one, and powerful to overwhelm anything else but other battle cruisers. All these matters must be considered in selecting the ultimate plan of the new battleship. The method of selecting the plan for any other type of ship is substantially the same.

When the general plan is determined, and it is known what sort of vessel is expected, its size and the general relations and positions of the armor, guns and steam power, the details are worked out by the bureau of construction and repair, and there must now be incorporated in it provisions for all desirable and necessary details, all the minor features incident to the military and non-military efficiency of the ship.

When it is called to mind that a modern battleship carrying 1,200 men and others contains within herself when ready for action the potentialities of an army of 600,000, that provision must be made not only for the use but the conservation of that power, but in its narrow limits, the care for the health and comfort of all on board must be taken, that the ship is liable to be away from its base of supplies for long periods, that its magazines must be made to carry in

the three great factors in a battleship are speed, armor and guns. Any one of these can be developed only at the expense of one or both of the others. The practice of one navy has been to give the battleships power to give blows from the guns and to resist those blows by means of armor, that it be able to stand up against the at-

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These specifications must coincide in every respect with the drawings; they provide for the quality and kind of material to be used, and they will enter into the composition of the vessel. The

(Continued on Fourth Page.)

THE HULL COMPLETED, THE BATTLESHIP IS LAUNCHED.